Virgin Wings Limited and subsidiary companies

Directors' Report and Financial Statements

Registered number 03160887

31 March 2011

Contents

Directors' Report

The directors present their report and the financial statements for the year ended 31 March 2011

Principal activities

The principal activity of the Company is that of an investment holding company

The principal activities of the Group are air and rail transportation, holidays, mobile telecommunication, in addition to other smaller businesses

Business review

The Group has considerable financial resources, and no significant changes are expected in relation to its income streams or cost base that could jeopardise this As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Air travel

The Group's main airline subsidiary, Virgin Atlantic Limited and its subsidiary companies ("Virgin Atlantic Group"), recorded a profit for the year of £14million (2010 loss of £132million), and an increase in Virgin Atlantic Group turnover of 13%

After another year that provided many operational and economic challenges, the directors of the Virgin Atlantic Group are delighted to announce that Virgin Atlantic Limited returned to profitability Exceptional items of £19million in the year related mostly to the direct costs incurred by the Virgin Atlantic Group after the airspace closure in April 2010 due to volcanic activity in Iceland The post-exceptional profit before tax of £19million represents a strong performance in a year that included significant disruption and airport closures due to volcanic activity and heavy snowfall during December 2010

Airline turnover increased by 13% with strong demand in both the passenger and cargo businesses Demand was especially strong up until October 2010 The winter schedule saw an increase in capacity in the airline industry that had an impact on turnover during the winter season

Despite a reduction in overall capacity, mainly due to airspace and airport closure, pre-exceptional cost of sales increased by 6% due to an increase in fuel costs, the stronger US Dollar and additional sales and marketing costs that supported the strong revenue growth

The impact of cost savings, focused cash management, a restricted capital investment programme and some recovery in demand in the latter part of the year have ensured that liquidity remains strong with an increase in cash of £141 8million within the year

The Virgin Atlantic Group has won several key awards, with both Virgin Atlantic Airways and Virgin Holidays receiving awards at the British Travel Awards, including Best Airline of the Year, Best Scheduled Airline - Long Haul, Best Tour Operator to the Indian Ocean, Americas and South East Asia

The outlook for 2011/12 remains difficult to predict The UK consumer is under pressure from tax rises and concerns about the economic outlook The current Brent oil price of above US$120 presents a significant cost challenge Management is committed to maintaining control over the cost base and will target activity towards driving revenue and increasing already strong cash balances The enduring strength of the Virgin brand and a high quality product and service offering will ensure that the Virgin Atlantic Group is able to maintain market share in a competitive environment

The Virgin Atlantic Group continued to experience severe restrictions in its ability to exercise dominant or significant influence over the operational and financial policies of Air Nigeria Development Limited (formerly Virgin Nigeria Airways Limited) during the year under review, and the Board consider that these restrictions are irreversible

Directors' Report

Business Review (continued)

Air travel (continued)

The directors continue to monitor the Virgin Atlantic Group's success, or otherwise, using a range of key performance indicators ("KPIs") A selection of these key measures is shown below

	2011	2010
Virgin Atlantic Group turnover	**£2,658million**	£2,357million
Return on sales [1]	**0.7%**	(5 6%)
Cash at bank and in hand [2]	**£562million**	£451million

[1] Return on sales - (Loss)/profit on ordinary activities before taxation as a percentage of turnover
[2] Cash at bank and in hand - Cash at bank and in hand includes both cash and liquid resources

Rail

Virgin Rail Group Holdings Limited and its subsidiary companies ("Virgin Rail Group") operated passenger rail services between London (Euston) and Birmingham, Wolverhampton, Holyhead, Chester, Liverpool, Manchester, Preston, Carlisle and Glasgow under the franchise operated by West Coast Trains Limited ("West Coast") The Virgin Rail Group operates these services under the terms of an original franchise agreement dated 19 February 1997, amended by the Amended and Restated Franchise Agreement ("ARFA"), which was entered into on 9 December 2006 On 27 October 2011, the Rail Group signed an agreement with the Department for Transport (DfT) to extend the existing West Coast franchise The franchise was due to expire at the end of March 2012, but has now been extended 8 December 2012

The Virgin Rail Group has successfully pre-qualified for the new West Coast franchise and, with the support of its shareholders, is bidding for the new franchise The bid is due to be submitted in May 2012 with the results announcement due in August 2012

The Virgin Rail Group manages the DfT contract for the introduction of 62 additional carriages and 4 new trains to the Pendolino fleet of the West Coast franchise Under the terms of the agreement, the DfT ordered the trains and the Virgin Rail Group will provide support throughout the design, manufacture, delivery, testing and commissioning of the new vehicles The new trains and carriages are due to be fully operational by the end of 2012

The Virgin Rail Group is exploring and evaluating other rail opportunities, including joining consortia with various partners for overseas high speed rail projects This is in line with the strategic direction of the Virgin Rail Group to diversify its portfolio and risk

Despite the current economic conditions, the Virgin Rail Group has seen passenger revenue growth of 11% during the financial year Volumes have been increasing due largely to increasingly strong weekend travel and marketing campaigns, and there has been an improvement in yields The Virgin Rail Group expects to remain profitable during the remaining West Coast franchise period

The Virgin Rail Group is focused on continually improving its customer service and satisfaction levels The selection, training and encouragement of staff continues to reflect this, while management is continually reviewing operations to provide the best value-for-money service to customers During the financial year the Virgin Rail Group has further improved Wi-Fi on board all Pendolino trains

The Virgin Rail Group continues to experience days of significant poor infrastructure performance, despite the generally improving trend when looking at the Public Performance Measure ("PPM" being the percentage of trains that arrive at their destination within 10 minutes of their scheduled arrival time having called at all scheduled stations) Despite this, the Virgin Rail Group's National Passenger Survey results have been trending upwards and the Virgin Rail Group now sits at the top of long distance train operators The Virgin Rail Group continues to press for improvements from Network Rail's performance contract to ensure that the effects of the poor performance days are minimised

Directors' Report

Business review (continued)

Rail (continued)

The West Coast high frequency and faster timetable has been fully operational since 2009 The revenue and journey growth from the new timetable has ensured that the Virgin Rail Group has grown strongly, especially compared to other long distance train operators

The Virgin Rail Group uses a range of financial and non-financial key performance indicators ("KPIs") across its activities Financial KPIs focus on profitability and cash management Revenue is a key driver of profitability levels and the result of improved journey times and comfort has contributed to an 11% increase in passenger journeys year on year

Principal risks and uncertainties

The Group faces a range of risks and uncertainties Detailed below are those specific risks and uncertainties that could have the most significant impact on the Group's long-term performance The risks and uncertainties described below are not intended to be exhaustive

Major incidents risk

As with any operator of public transportation, there is a risk that the Group's airline and rail subsidiaries are involved in a major incident which could result in injury to customers or staff The potential impact on the Group includes damage to the Group's reputation and possible claims against the Group The Group has a strong focus on its safety environment, and has procedures in place to prevent and respond to any major incident that may occur

Franchise risk

The West Coast ARFA was negotiated using a range of assumptions with regards to revenue growth and cost base It is imperative that West Coast takes all actions outlined in its bid to ensure that these targets are met

The Virgin Rail Group is required to comply with certain conditions as part of its rail franchise agreements If it fails to comply with these conditions, it may be liable to penalties or the potential termination of the franchise Compliance with franchise conditions are closely managed and monitored and procedures are in place to minimise the risk of non-compliance

The West Coast franchise is due to expire on 31 March 2012, but has been extended to 8 December 2012 There is a risk that the Group is unsuccessful in agreeing acceptable terms for the franchise extension or in winning the bid for the new West Coast franchise To address this risk, the Rail Group is devoting appropriate management resource to negotiations on the franchise extension and to bidding for the new franchise

Failure of critical suppliers

The Virgin Rail Group has a number of key suppliers supporting various areas of the business, for example infrastructure, rolling stock and IT Failure of one of these key suppliers would impact on the financial and operational performance of the Virgin Rail Group The Virgin Rail Group has made contingency plans for each key supplier if this eventuality occurs

Ongoing Network Rail performance

The Virgin Rail Group has completed the implementation of the December 2008 timetable This has seen an increase in the frequency of services between major locations, including London and Birmingham, and London and Manchester Reliable running of this timetable depends on the ability of Network Rail to maintain a fully operational network Failure to do so impacts the Virgin Rail Group's operational performance In order to manage the risk, there is close monitoring by management of performance targets

Directors' Report

Principal risks and uncertainties (continued)

Economic conditions

A prolonged economic downturn may result in revenue reduction and potential reduction of profit Inflation remains high and potentially rising interest rates will put further pressure on discretionary spending and travel In order to minimise this risk, there is a focus at all levels of the Group on cost control and efficient operation The Virgin Rail Group benefits from contracted protection in the West Coast ARFA against shortfalls in revenue

Government intervention

The aviation and tour operating industries are highly regulated and any dcisions made by the government with respect to closure of airspace, slot regulation, security requirements, government taxes and other levies may result in a material adverse impact for the Virgin Atlantic Group from both an operational and financial perspective

Financial risk management

The Board of Directors is responsible for setting financial risk management policy and objectives, and approves the parameters within which the various aspects of financial risk management are operated

Financing and interest rate risk

The working capital of the Virgin Atlantic Group is financed by retained profit and sales in advance of carriage The major risks to liquidity are driven by business performance and cash timing differences for the Virgin Atlantic Group's derivative financial instruments The former is managed by taking corrective actions in the form of amendments to fleet, network and the cost base in response to changing external factors, and the latter as described in the derivative financial instruments policy

All of Virgin Atlantic Group's debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders and other financiers These factors are also reflected in the medium-term profile of the Virgin Atlantic Group's loans and operating leases

The Virgin Atlantic Group interest rate management policy aims to provide a degree of certainty for future financing costs, this is achieved by funding the majority of loans and operating leases on a fixed interest rate basis The Virgin Atlantic Group's loans and operating leases are principally denominated in US dollars

The Virgin Rail Group policy is to invest cash assets safely and profitably To control credit risk, counterparty credit limits are set by reference to published credit ratings In addition, the Virgin Rail Group seeks to maximise financial income from short term deposits via the monitoring of cash balances and working capital requirements

The Virgin Rail Group uses various derivative financial instruments to manage its exposure to interest rate movements

Foreign currency risk

The Virgin Atlantic Group has a significant net US dollar exposure Capital, lease and a number of operational costs, most significantly aviation fuel, are denominated in US dollars In addition the Virgin Atlantic Group is exposed to a number of other currencies The Virgin Atlantic Group seeks to reduce its foreign exchange exposure arising in various currencies through matching, as far as possible, receipts and payments in individual currencies To the extent possible, the Virgin Atlantic Group holds foreign currency balances in the short term to meet its future trading obligations Where there is a predicted exposure in foreign currency holdings, the Virgin Atlantic Group uses a limited range of hedging instruments as stipulated in the Treasury and Aviation Fuel Price Exposure Management Policies

Directors' Report

Financial risk management (continued)

Fuel price risk

The Virgin Atlantic Group aims to provide protection against sudden and significant increases in the jet fuel price while ensuring that the Virgin Atlantic Group may also benefit from price reductions In order to provide protection the Virgin Atlantic Group uses a limited range of hedging instruments, principally zero-cost collars and forwards, with approved counterparties and within approved limits

Derivative financial instruments

The Virgin Atlantic Group uses derivative financial instruments selectively for foreign currency and aviation fuel price risk management purposes, as described above The Virgin Atlantic Group's policy is not to trade in derivatives but to use these instruments to hedge anticipated future cash flows The Virgin Atlantic Group does not permit selling currency or jet fuel options, except as part of a fully matched collar hedging structure All derivatives are used for the purpose of risk management and accordingly they do not expose the Virgin Atlantic Group to market risk as they are matched to identified physical exposures within the Virgin Atlantic Group However, the timing difference between derivative maturity date and current mark-to-market value can give rise to cash margin exposure, this risk is managed through choice of instrument, appropriate counterparty agreements and, where required, cash deposits with counterparties Counterparty credit risk is controlled through mark-to-market based credit limits

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the Group does not significantly exceed the book values of these assets at 31 March 2011

Future developments

Air travel

The Virgin Atlantic Group is well positioned to face any unexpected situations It has a strong management team, significant cash reserves and excellent products and services The announcement by Virgin Atlantic Airways of new services to Ghana and Las Vegas via Manchester illustrate the airlines willingness to seek out new profitable opportunities and the recent major order for new Airbus A330 aircraft will ensure that the airline has greater flexibility in the mix of aircraft within our fleet and will allow a more rapid response to future movements in the global economy

Rail

The directors remain confident that, under the terms of the ARFA, West Coast will remain profitable during the remaining franchise period Based on the anticipated profitable position and forecast cash flows of West Coast, the directors have a reasonable expectation that the Virgin Rail Group has adequate resources to continue in operational existence for the current West Coast franchise term, with negotiations continuing on extending the franchise

There is also potential to realise returns from overseas high speed rail projects

Working capital and cash flow

Cash is managed centrally across a number of investment holding companies and therefore cash balances held will fluctuate according to immediate requirements As set out in Note 1, the directors have determined it appropriate to prepare these financial statements on a going concern basis

Directors' Report

Environmental impact

The Virgin Atlantic Group is committed to addressing its environmental impacts and at a minimum to complying with those rules and regulations concerning protection of the environment that apply to the Group's operations There are rules and regulations that apply to the Group's operations in respect of emissions, noise, disposal of waste (including hazardous materials) and other environmental parameters

In 2010, the Virgin Atlantic Group launched an external "Change is in the Air" sustainability microsite, covering all aspects of the airline's environmental and community relations activities, and including the first issue of a regularly updated report on the airline's performance against sustainability targets such as waste, energy, fuel efficiency, and on monies raised through the onboard Change for Children fundraising appeal

Energy and fuel efficiency measures remain a priority, as are diverting waste (from both ground and aircraft operations) away from landfill The Virgin Atlantic Group's sustainable procurement policy, which sets out a range of environmental and social standards with which they would be expected to comply, continued to be rolled out to key suppliers

During 2009 the Virgin Atlantic Group also agreed, and issued to key suppliers, a sustainable procurement policy that sets out a range of environmental and social standards with which they would be expected to comply

The Virgin Atlantic Group continues to participate actively in various stakeholder groups, including Sustainable Aviation, which brings together different aspects of the UK aviation industry behind a common work programme on issues such as carbon emission modelling, opportunities for operational efficiencies, technological solutions and assessing scientific understanding of non-CO2 related impacts of aviation During 2010, the Virgin Atlantic Group lobbied extensively - as part of the Aviation Global Deal Group - for the inclusion of CO2 emissions from international aviation in an ambitious global climate change framework

The charity linked to the Virgin Atlantic Group, Virgin Atlantic Foundation, remained focused on its "Change is in the Air" programme, linking the social and environmental elements of sustainability and maintaining a three year partnership with Free the Children, a charity which shares the Foundation's objectives of supporting sustainable communities in Virgin Atlantic Group destinations

Directors

The directors who served during the year were

G D McCallum
C R Stent (appointed 4 November 2010)
I P Woods (appointed 4 November 2010)
J Bayliss (resigned 2 April 2010)
P C K McCall (resigned 4 November 2010)

Employees

The Group is a non-discriminatory employer operating an Equal Opportunities Policy that aims to eliminate unfair discrimination, harassment, victimisation and bullying The Group is committed to ensuring that all individuals are treated fairly, with respect, and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union

The Group uses the consultative procedures agreed with its staff and elected representatives with a view to ensuring that its employees are aware of the financial and economic factors that affect the Group's performance and prospects Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them

In considering applications for employment from disabled people in the UK, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the jobs for which he or she has applied Employees who become temporarily or permanently disabled are given individual consideration, and where possible equal opportunities for training, career development and promotions are given to disabled persons

Directors' Report

Political and charitable contributions

The Group made no political contributions during the year (2010 £nil) Donations to UK charities amounted to £5million (2010 £7million) of which £4million (2010 £6million) was made to Virgin Unite, a charity affiliated to the Group

Results and dividends

The group profit for the year, after taxation and minority interests, amounted to £102 million (2010 - loss £57 million)

Virgin Atlantic Limited

No preference dividend payments were made during the year In the prior year, the preference shareholders agreed to waive the interim preference dividend of £2million, of which £1million relates to minority interest The directors recommend that no ordinary dividend be paid in respect of the year ended 28 February 2011 (2010 nil)

Virgin Rail Group Holdings Limited

Dividends paid during the year totalled £44million (2010 £55million)

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company and the Group's auditor in connection with preparing its report and to establish that the Company and the Group's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

This report was approved by the board on 4 November 2011 and signed on its behalf

B A R Gerrard
Secretary
The School House
50 Brook Green
Hammersmith
London
W6 7RR

Directors' Responsıbilıties Statement
For the Year Ended 31 March 2011

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and the Group and of the profit or loss of the Group for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgments and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subject to any materıal departures dısclosed and explaıned ın the financıal statements,
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the Group wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Group and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the Company and the Group and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent Auditor's Report to the Members of Virgin Wings Limited and subsidiary companies

We have audited the financial statements of Virgin Wings Limited and subsidiary companies for the year ended 31 March 2011, set out on pages 10 to 61 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

H Green (Senior statutory auditor)
for and on behalf of
KPMG LLP
Chartered Accountants
Statutory Auditor
15 Canada Square
London
E14 5GL

11 November 2011

Consolidated Profit and Loss Account
For the Year Ended 31 March 2011

	Note	2011 £M	2010 £M
Turnover			
Group and share of joint ventures' turnover		3,764	3,339
Less share of joint ventures' turnover		(194)	(163)
Group turnover	2	3,570	3,176
Cost of sales		(2,778)	(2,696)
Exceptional cost of sales	4	(4)	(16)
Total cost of sales		(2,782)	(2,712)
Gross profit		788	464
Administrative expenses		(511)	(742)
Exceptional administrative expenses	4	(63)	(74)
Total administrative expenses		(574)	(816)
Other operating (expense)/income		(64)	106
Exceptional other operating income	4	-	58
Total other operating (expense)/income	3	(64)	164
Operating profit/(loss)	3	150	(188)
Share of operating profit/(loss) in associates		4	(15)
Total operating profit/(loss)		154	(203)
Exceptional items			
Net (loss)/profit on sale of fixed assets	4	(1)	85
Profit/(loss) on ordinary activities before interest		153	(118)
Dividends receivable		-	10
Interest receivable and similar income	7	53	62
Interest payable and similar charges	8	(84)	(79)
Other finance income	26	3	1
Profit/(loss) on ordinary activities before taxation		125	(124)
Tax on profit/(loss) on ordinary activities	9	(1)	65
Profit/(loss) on ordinary activities after taxation		124	(59)
Minority interests	23	(22)	2
Profit/(loss) for the financial year	21	102	(57)

All amounts relate to continuing operations

The notes on pages 16 to 61 form part of these financial statements

Registered number 03160887

Consolidated Balance Sheet
As at 31 March 2011

	Note	£M	2011 £M	£M	2010 £M
Fixed assets					
Other intangible assets		48		51	
Goodwill		507		593	
Negative goodwill		(12)		(16)	
Net goodwill		495		577	
Intangible assets	10		543		628
Tangible assets	11		393		421
Investments	12		37		40
Investments in joint ventures					
-Share of gross assets		91		79	
-Share of gross liabilities		(112)		(116)	
Share of net liabilities	12		(21)		(37)
			952		1,052
Current assets					
Stocks	13	36		32	
Debtors (including £113million (2010 £180million) due after more than one year)	14	1,160		1,415	
Cash at bank	15	778		854	
		1,974		2,301	
Creditors: amounts falling due within one year	16	(1,857)		(2,691)	
Net current assets/(liabilities)			117		(390)
Total assets less current liabilities			1,069		662
Creditors: amounts falling due after more than one year	17		(606)		(631)
Provisions for liabilities					
Deferred tax	18	(89)		(90)	
Other provisions	19	(190)		(209)	
			(279)		(299)
Net assets/(liabilities) excluding pension scheme assets/(liabilities)			184		(268)
Defined benefit pension scheme liability	26		(2)		(2)
Net assets/(liabilities)			182		(270)

Consolidated Balance Sheet (continued)
As at 31 March 2011

	Note	£M	2011 £M	£M	2010 £M
Capital and reserves					
Called up share capital	20		**338**		-
Profit and loss account	21		**(277)**		(381)
Shareholders' funds/(deficit)	22		**61**		(381)
Minority interests	23		**121**		111
			182		(270)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 November 2011

C R Stent
Director

The notes on pages 16 to 61 form part of these financial statements

Registered number 03160887

Company Balance Sheet
As at 31 March 2011

	Note	£M	2011 £M	£M	2010 £M
Fixed assets					
Investments	12		1,529		1,939
Current assets					
Debtors	14	1,014		-	
Creditors: amounts falling due within one year	16	(2,460)		(2,398)	
Net current liabilities			(1,446)		(2,398)
Net assets/(liabilities)			83		(459)
Capital and Reserves					
Called up share capital	20		338		-
Profit and loss account	21		(255)		(459)
Shareholders' funds/(deficit)	22		83		(459)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 November 2011

C R Stent
Director

The notes on pages 16 to 61 form part of these financial statements

Consolidated statement of total recognised gains and losses
For the Year Ended 31 March 2011

	Note	2011 £M	2010 £M
Gain/(loss) for the financial year			
Group		85	(40)
Share of joint ventures		17	(17)
	21	102	(57)
Currency translation differences on net foreign currency investments	21	3	14
Unrealised gain on dilution of investments	21	-	1
Actuarial loss on pension scheme		(1)	-
		2	15
Total recognised gains/(losses) relating to the financial year		104	(42)

The notes on pages16 to 61 form part of these financial statements

Cash Flow Statement

For the Year Ended 31 March 2011

	Note	2011 £M	2010 £M
Net cash flow from operating activities		234	201
Returns on investments and servicing of finance		(21)	(34)
Taxation		(14)	(21)
Capital expenditure and financial investment		48	(82)
Acquisitions and disposals		3	78
Cash inflow before financing		250	142
Financing		(85)	(7)
Increase in cash in the year		165	135

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt

For the Year Ended 31 March 2011

	2011 £M	2010 £M
Increase in cash in the year	165	135
Cash outflow from decrease in debt and lease financing	85	7
Change in net debt resulting from cash flows	250	142
Settlement of share options	-	(4)
Other non-cash changes	721	42
Loans and finance leases acquired with subsidiary	-	(19)
Translation differences	(28)	(5)
Movement in net debt in the year	943	156
Net debt at 1 April 2010	(1,265)	(1,421)
Net debt at 31 March 2011	(322)	(1,265)

The notes on pages 16 to 61 form part of these financial statements

Notes to the Financial Statements

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements for the year under review, except as noted below

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The holding company has taken advantage of section 408 of the Companies Act 2006, and a separate profit and loss account of the Company has not been published The profit for the year attributable to the Company is disclosed in Note 22

1.2 Basis of consolidation

The financial statements consolidate the accounts of Virgin Wings Limited and subsidiary companies and all of its subsidiary undertakings ('subsidiaries')

Except in the case of Virgin Atlantic Limited, the acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal

In the case of Virgin Atlantic Limited, merger accounting has been adopted, as if its business had been part of Virgin Wings Limited since it came under common control

Where an unrealised gain or loss arises on the dilution of the Group's interest in the net liabilities/assets of a subsidiary, associate or joint venture, the respective gain or loss is reflected directly as a movement in the Group's reserves

On 1 March 2002, Virgin Rail Group Holdings Limited acquired the entire share capital of Virgin Rail Group Limited with the consideration being satisfied by the issue of ordinary shares in Virgin Rail Group Holdings Limited In accordance with UK Accounting Standards the combination was accounted for as a Group reconstruction using the principals of merger accounting All other acquisitions made by Virgin Rail Group Holdings Limited have been accounted for using the principles of acquisition accounting Amortisation of negative goodwill is credited to the profit and loss account on a straight line basis over the relevant franchise period

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account, and its interest in their net assets is included in investments on the balance sheet

The results of subsidiaries acquired during the year are included from the effective date of acquisition

The consolidated financial statements have been compiled using the financial statements of Virgin Wings Limited's subsidiaries, joint ventures and associates for accounting periods which are usually coterminous with Virgin Wings Limited's own accounting reference date Where such entities have different accounting reference dates, appropriate adjustments have been made to realign the figures for those entities such that they are incorporated for the period covered by this financial information In some instances it has not been practical to obtain appropriate financial information covering the year ended 31 March 2011 In these circumstances, in accordance with Financial Reporting Standard 2, "Accounting for Subsidiary Undertakings", a period ending within the three months prior to that date has been used instead The impact of transactions that have taken place in the intervening period to 31 March 2011 and the equivalent period in the prior year have only been adjusted for where the impact is considered material in these accounts

Notes to the Financial Statements

1 Accounting Policies (continued)

1.3 Basis of consolidation (continued)

The principal entities for which non-coterminous accounting reference dates, within three months of Virgin Wings Limited's accounting reference date, have been used are as follows

	Subsidiary's year end	Length of period consolidated into these accounts	Length of period consolidated into the comparatives
Virgin Atlantic Limited	28 February 2011	12 months	12 months
Virgin Rail Group Holdings Limited	5 March 2011	12 months	12 months

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Air travel

Turnover is stated gross of commission, and comprises revenue from passenger ticket sales, cargo and ancillary goods and services in respect of flights operated in the accounting period, sales of holiday packages and travel insurance with departure dates in the accounting period, and income relating to rights over the use of the Virgin name and its intellectual property Revenue relating to flights, holidays and travel insurance commencing after the accounting period, together with any commission thereon, is carried forward as deferred income Unused tickets are recognised as turnover on a systematic basis

The Virgin Atlantic Group also receives agency commission for the sale of third party holiday products The agency commission due from the third party is recognised as revenue when earned, typically at date of booking

Rail

Turnover represents amounts receivable, excluding VAT, for services and goods supplied to external customers, primarily in respect of passenger transportation Turnover originates wholly in the United Kingdom

Passenger revenue principally represents amounts attributed to the Group by the Railway Settlement Plan (which administers the income allocation system within the UK rail industry) for each financial period Income is attributed based on models of certain aspects of passenger behaviour and, to a lesser extent, from allocations agreed for specific revenue flows The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket

Other trading income consists principally of the provision of station facilities to other train operators, retail commissions, car parking and the hire out of train crew and rolling stock Other trading income and catering income are recognised as the income is earned

1.4 Rail franchise income

Revenue grants receivable in respect of the operation of the rail franchises are taken to the profit and loss account in the financial year to which they relate

Notes to the Financial Statements

1 Accounting Policies (continued)

1.5 Compensation for service disruption

Compensation receivable/payable for service disruption under the performance regime provisions of the track access agreements with Network Rail is recognised over the period of disruption and the net amount is shown within other operating income Network change compensation receivable in respect of lost revenue and incremental costs incurred due to Network Rail's alterations of the track and infrastructure is recognised over the period of disruption and is shown within other operating income

1.6 Goodwill, negative goodwill and other intangible fixed assets

In accordance with Financial Reporting Standard 10, "Goodwill and Intangible Assets", positive goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised in the balance sheet as an intangible asset at cost and amortised to nil by equal annual instalments over its estimated useful economic life as set out in Note 10 If the goodwill is considered to have an indefinite useful life, it is not amortised but is subject to annual review for impairment Negative goodwill arising on consolidation in respect of acquisitions is included within intangible fixed assets and released to the profit and loss account in the period in which the fair value of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill) In the Group's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

Intellectual property rights, concessions, patents, licences and trademarks purchased are capitalised and amortised through the profit and loss account over the expected useful economic life of the asset

1.7 Development expenditure

Development expenditure, relating primarily to the setting up of new routes and introducing new aircraft to the fleet, is charged to the profit and loss account as incurred

1.8 Landing slot expenditure

The Virgin Atlantic Group has previously amortised purchased landing slots over their useful economic life which has been estimated at 20 years from the date at which they came into service The directors of Virgin Atlantic Group reassessed this economic life in view of the Open Skies agreements, which came into effect in 2008 and increased and developed a more transparent market for slots, and also in view of the legal rights for slots, which provide that the holder has 'grandfather rights' for landing slots that continue for an indefinite period As a result of those developments, purchased landing slots are considered to have an indefinite economic life and are not amortised Instead, they are subject to an annual impairment review and a provision is recognised for any identified impairment

1.9 Administrative expenses

Administrative expenses comprise overhead expenses, depreciation of assets and amortisation of goodwill, together with marketing and promotional costs Marketing and promotional costs are expensed to the profit and loss account as incurred

Notes to the Financial Statements

1. Accounting Policies (continued)

1.10 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold land	-	Not depreciated
Freehold property	-	Up to 50 years
Leasehold land and buildings	-	Term of lease up to 50 years
Aircraft, aircraft spares and rotables	-	Up to 25 years
Plant & machinery	-	3 - 10 years
Furniture & fittings	-	2 - 10 years
Computer equipment and software	-	3 - 10 years
Office equipment	-	3 - 5 years
Motor vehicles	-	3 - 4 years

Aircraft and engine maintenance costs in respect of major overhauls, which are typically carried out at intervals greater than one year, are capitalised and depreciated by reference to their units of economic consumption, typically hours or sectors flown Part of the initial cost of new or used aircraft is treated as maintenance expenditure based upon its maintenance status on acquisition and the current cost of the maintenance procedures The balance of aircraft and engine cost is depreciated on a straight line basis over periods of up to twenty five years so as to reduce the cost to estimated residual value at the end of that period The effective depreciation rate per annum in respect of new wide-bodied aircraft is approximately 4%

Rotable spares are depreciated on a straight-line basis so as to reduce the cost or valuation to estimated residual value at the end of that period The depreciation rate per annum in respect of rotable spares is 7 25% or 12 5% dependent on type

Expenditure incurred on modifications to aircraft under operating leases is depreciated on a straight-line basis to a nil residual value over a period not exceeding the lease period

Design and content development costs of websites are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred

The Group evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable When such evaluations indicate that the carrying value of an asset exceeds its recoverable amount an impairment in value is recorded and charged through the profit and loss account

1.11 Investments

(i) Subsidiary undertakings
Investments in subsidiaries are valued at cost less provision for impairment

(ii) Joint venture undertakings
Investments in joint ventures are stated at the company's share of net assets The company's share of the profits or losses of the joint ventures is included in the profit and loss account using the equity accounting basis

(iii) Other investments
Investments held as fixed assets are shown at cost less provision for impairment

Notes to the Financial Statements

1. Accounting Policies (continued)

1 12 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful lives Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1.13 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Leasehold dilapidations and onerous lease provisions are discounted, with the unwinding of the discount being taken to the profit and loss account

1.14 Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements As at 31 March 2011, there is no dividend liability (2010 £nil)

1 15 Aircraft maintenance costs

Routine maintenance costs are charged to the profit and loss account as incurred Maintenance costs for overhauls relating to aircraft and engines held under operating leases for which there is a contractual obligation are provided for by making appropriate charges to the profit and loss account For owned aircraft and engines, major overhaul expenditure is capitalised and depreciated by reference to the units of economic consumption, typically hours or sectors flown

Where the effect is material, the provision for maintenance costs is discounted to present value using a current pre-tax discount rate that reflects the risks specific to the liability

1.16 New train service arrangement costs

Under the original franchise agreements, the Virgin Rail Group was required to operate faster and more frequent services on the West Coast Main Line In order to achieve this, contracts were entered into several years ago to lease new trains under operating lease arrangements In accordance with these agreements, the Virgin Rail Group incurred direct costs on behalf of the lessor associated with developing the contracted new train service arrangements These costs are an integral part of the operating lease expense, and therefore were recorded within prepayments when incurred, and are being charged to the profit and loss account on a straight-line basis from the point at which new trains came into operation, until the earlier of the end of the relevant lease agreements or the franchise terms

Notes to the Financial Statements

1. Accounting Policies (continued)

1.17 Track access costs

Track access costs are charged to the profit and loss account in the period to which they relate, based on the terms of the contract

Network Rail has undertaken a programme of infrastructure works to upgrade the West Coast Main Line to enable trains to run at higher speeds and frequencies Under a series of supplemental track access agreements, the Virgin Rail Group paid additional separately identifiable track access charges in respect of the increased track speed and capacity that these infrastructure improvement works create This increased track capacity became available to the Virgin Rail Group with the introduction of the timetable in September 2004 In order that additional track access charges can be recorded in the periods in which the Virgin Rail Group benefits from the additional track capacity, additional payments made prior to September 2004 were recorded within prepayments and are being charged to the profit and loss account on a straight-line basis from September 2004 to the end of the franchise term

1 18 Fuel costs

Fuel costs represent the commodity spot price ruling at the date of the transaction or, if appropriate, the commodity price under the related fuel hedging contract

1 19 Frequent flyer programme

The estimated incremental cost of providing free travel and other rewards in exchange for redemption of miles earned by members of The Flying Club frequent flyer scheme is accrued at the expected redemption rate as members of these schemes accumulate mileage

Revenue from sales of miles to third parties is deferred and recognised when flown

1.20 Cash and liquid resources

Cash at bank and in hand includes both cash and liquid resources Cash includes cash in hand and deposits repayable on demand, less overdrafts payable on demand Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market Liquid resources include term deposits

Notes to the Financial Statements

1. Accounting Policies (continued)

1 21 Provisions

Provisions are recognised where the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation The amounts recognised are the best estimate of the expenditure that will be required to meet the Group's obligation Where provisions are discounted, the unwinding of the discount is taken to the profit and loss account

1.22 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.23 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.24 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction or, if hedged, at the forward contract rate

Exchange gains and losses are recognised in the profit and loss account

The assets and liabilities of overseas subsidiary undertakings, joint ventures and associated undertakings, are translated at the closing exchange rates or, where applicable, at hedged rates Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year Gains and losses arising on these translations, net of exchange differences arising on related foreign currency borrowings are taken directly to reserves and reported within the statement of total recognised gains and losses

Loans between companies within the Group are treated as quasi equity if there is a clear expectation and understanding from both parties that the loan will not be repaid All other intra-group loans are treated as debt

Notes to the Financial Statements

1. Accounting Policies (continued)

1 25 Pensions

The Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Group to the fund in respect of the year

The Group's subsidiary, West Coast Trains Limited (in which the Group has an indirect holding through the Group's subsidiary Virgin Rail Group Holdings Limited), also participate in the Railways Pension Scheme ("RPS"), which provides benefits on a defined benefit basis The assets of the scheme are held separately from those of the Group in an independently administered fund The RPS is a shared cost scheme with costs being shared between the employer and the members on the basis of a 60 40 split

The Group has no rights or obligations in respect of the RPS following expiry of the related franchises Therefore, the liabilities recognised for the relevant sections of RPS only represent that part of the net deficit of each section that the employer is obliged to fund over the life of the franchise to which the section relates The restriction on the liabilities is presented as a "franchise adjustment" to the overall deficit

The Group's contributions to the schemes are paid in accordance with the scheme rules and the recommendation of the actuary The charge to operating profit reflects the current service costs of such obligations The expected return on scheme assets, the interest cost on scheme liabilities and the unwinding of the discount on the franchise adjustment are included within other finance income (net) in the profit and loss account

Differences between the actual and expected returns on assets and experience gains/(losses) arising on the scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of total recognised gains and losses in the year The resulting defined benefit asset/liability, net of the franchise adjustment and any deferred tax, is presented separately after other net assets on the face of the balance sheet

Pension scheme assets are measured using market values For quoted securities the current bid-price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return

1 26 Long Term Incentive Plan (LTIP)

The Group accrues for any element of foreseeable future awards for employees and directors under LTIPs which have been agreed by the Board of Directors, and which are deemed to have been earned in the current year

1.27 Share based payments

The share option programme allows certain employees to acquire options over the shares of certain group companies All share based payments are treated as cash settled transactions as they either require full settlement in cash or where settlement in shares is envisaged the issuer has established the practice of buying out the option at the end of its term The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account

Notes to the Financial Statements

1 Accounting Policies (continued)

1 28 Classification of financial instruments issued by the Group

The Group uses various derivative financial instruments to manage its exposure to interest rate movements and foreign exchange risks Gains and losses on hedges of revenue or operating payments are recognised in the profit and loss account of the period in which the hedged transaction matures or is closed out

Financial instruments issued by the Group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the Company (or Group, as the case may be) to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments, or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds For the year ended 31 March 2011, preference dividends payable of £nil (2010 £1million) were recognised within the total interest payable expense, as disclosed in Note 8

Notes to the Financial Statements

2. Segmental information

The table below sets out information for each of the Group's industry segments and geographic areas of operation

By activity	Turnover Year ended 31 March 2011 £M	Turnover Year ended 31 March 2010 £M	Group operating profit/(loss) Year ended 31 March 2011 £M	Group operating profit/(loss) Year ended 31 March 2010 £M	Net operating assets/ (liabilities) 31 March 2011 £M	Net operating assets/ (liabilities) 31 March 2010 £M
Air travel	2,650	2,349	10	(128)	(107)	30
Rail	798	722	49	66	(15)	(40)
Health clubs	9	5	(4)	(5)	13	8
Retail	10	9	2	2	7	6
Mobile telecoms	181	163	5	(15)	(22)	(41)
Financial services	13	-	(6)	-	(1)	-
Hotels	31	27	(3)	(6)	38	60
Other trading	35	32	3	(3)	(28)	(47)
Management services	37	32	98	(114)	311	467
	3,764	3.339	154	(203)	196	443
Less share of joint ventures turnover/ operating loss	(194)	(163)	(4)	15		
Total	3,570	3,176	150	(188)		

Management services include provisions against fixed asset investments and amounts due from related parties

Other trading principally includes brand licensing

By geographical market	Turnover by origin Year ended 31 March 2011 £M	Turnover by origin Year ended 31 March 2010 £M	Turnover by destination Year ended 31 March 2011 £M	Turnover by destination Year ended 31 March 2010 £M
UK	2,579	2,346	895	796
Europe	254	188	212	139
North America	426	388	1,711	1,580
Africa	159	138	326	288
Asia	228	187	492	435
Oceania	81	60	91	69
Management services	37	32	37	32
	3,764	3,339	3,764	3,339
Less share of joint ventures' turnover	(194)	(163)	(194)	(163)
Total	3,570	3,176	3,570	3,176

Notes to the Financial Statements

2. Segmental information (continued)

By geographical market

	Group operating profit/(loss) Year ended 31 March 2011 £M	Group operating profit/(loss) Year ended 31 March 2010 £M	**Net operating assets/ (liabilities) 31 March 2011 £M**	Net operating assets/ (liabilities) 31 March 2010 £M
UK	**71**	(58)	**(132)**	(30)
Europe	**5**	1	**(15)**	(32)
North America	**(14)**	(28)	**12**	31
Africa	**-**	1	**-**	(1)
Asia	**-**	-	**-**	-
Oceania	**(6)**	(5)	**20**	8
Management services	**98**	(114)	**311**	467
	154	(203)	**196**	443
Less share of joint ventures' operating loss	**(4)**	15		
Total	**150**	(188)		

Due to the nature of the airline industry, any fixed assets within these segments are categorised geographically by where the holding entity is based

Notes to the Financial Statements

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting)

	2011 £M	2010 £M
Amortisation - intangible fixed assets	40	40
Depreciation of tangible fixed assets		
- owned by the group	72	72
- held under finance leases	1	1
Operating lease rentals		
- plant and machinery	91	84
- other operating leases	221	258
Difference on foreign exchange	1	-
Exceptional cost of sales (note 4)	4	16
Exceptional administrative expenses (note 4)	63	74
Provision charged against debts owed by group and fellow subsidiary undertakings*	18	69
Provision writeback against debts owed by group and fellow subsidiary undertakings*	(174)	(10)

*Net provision charged against debts owed by group and fellow subsidiary undertakings has arisen mostly due to the intercompany interest charges and decline in the value of the group investments

Other operating (expense)/income

	2011 £M	2010 £M
Other operating income	4	1
Rental income received on properties	-	2
Rail franchise (expense)/income	(110)	21
Network change compensation and performance regime	32	57
Operating income from related parties	10	25
	(64)	106
Other exceptional operating income being compensation payments from suppliers	-	58
	(64)	164

Auditors' remuneration

	2011 £M	2010 £M
Fees payable to the Company's auditor and its associates in respect of		
The auditing of accounts of subsidiaries of the Company pursuant to legislation	1	1
All other services	1	-

Fees payable for the audit of these financial statements is £nil (2010 £nil)

Notes to the Financial Statements

4. Exceptional items

	2011 £M	2010 £M
Cost of sales	(4)	(16)
Administrative expenses	(63)	(74)
Other operating income	-	58
Net (loss)/profit on sale of fixed assets	(1)	85
Taxation	6	(7)
	(62)	46

Exceptional cost of sales in the current year relate to the incremental costs incurred as a result of the volcanic eruption in Iceland in April 2010 The resultant closure of UK airspace for 6 days led to additional costs of £4million associated with repatriation of stranded passengers and flight path alterations Prior year relates to £7million restructuring costs and £9million onerous lease provision in respect of two unused aircraft

Exceptional administration expenses in the current year principally relate to fixed asset impairment of £48million (2010 £5million), provision against a loan to Virgin America Inc of £1million (2010 £27million), administrative costs of £14million (2010 £nil) relating to the care of passengers awaiting repatriation to their home base following the volcanic eruption in Iceland in April 2010, restructuring costs of £nil (2010 £17million), and provision of £nil (2010 £25million) recognised in connection with the ongoing competition investigations into various aspects of pricing and commercial issues in the airline industry

Exceptional other operating income in the prior year relates to entitlement to compensation payments from suppliers that had not fulfilled their contractual obligations

The net profit on sale of fixed assets arises from

2011	Net consideration £M	Net assets £M	% disposal	Net assets disposed £M	Profit £M
Virgin Life Care (Pty) Limited & WW Science Technology Limited (note 32)	2	1	100%	(1)	1

2010	Net consideration £M	Net liabilities £M	% disposal	Net liabilities disposed £M	Profit £M
Bluebottle Mobile Canada Inc	75	(9)	100%	9	84
					84
Gain on disposal of Virgin Wine Online Limited					1
					85

Total exceptional items include a £6million increase in deferred tax credit (2010 £7million increase in deferred tax charge), this was mainly a result of costs associated with the volcanic eruption of £4million

Notes to the Financial Statements

5. Directors' remuneration

The directors did not receive any remuneration during the year for services to the Company (2010 - £nil)

6 Staff costs

Staff costs were as follows

	2011 £M	2010 £M
Wages and salaries	408	421
Social security costs	38	39
Other pension costs (Note 26)	32	31
Share-based payments (Note 28)	7	6
	485	497

The average monthly number of employees, including the directors, during the year was as follows

	2011	2010
Management and administration	2,129	1,620
Flight and cabin crew	4,005	4,346
Reservations and sales	2,404	2,395
Engineering, cargo and production	1,413	1,359
Operations	2,523	3,024
	12,474	12,744

The Company had no employees in the year (2010 - nil)

7. Interest receivable and similar income

	2011 £M	2010 £M
Interest receivable from group companies	37	42
Bank interest receivable	7	11
Other interest receivable	9	9
	53	62

Notes to the Financial Statements

8. Interest payable and similar charges

	2011 £M	2010 £M
On bank loans and overdrafts	43	29
On finance leases and hire purchase contracts	1	-
On loans from group undertakings	20	40
Share of joint ventures' interest payable	2	2
Other interest payable	4	6
Finance charges on shares classed as debt	-	1
Foreign exchange losses	14	1
	84	79

9. Taxation

	2011 £M	2010 £M
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge on profit/loss for the year	18	19
Adjustments in respect of prior periods	(2)	(28)
	16	(9)
Double taxation relief	(1)	-
	15	(9)
Foreign tax on income for the year	1	-
Total current tax	16	(9)
Deferred tax		
Origination and reversal of timing differences	8	(24)
Effect of rate change	(4)	-
Adjustments in respect of prior periods	(5)	(32)
	(1)	(56)
Share of joint ventures' deferred tax	(14)	-
Total deferred tax	(15)	(56)
Tax on profit/loss on ordinary activities	1	(65)

Notes to the Financial Statements

9 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011	2010
	£M	£M
Profit/loss on ordinary activities before tax	**125**	(124)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	**35**	(35)
Effects of		
Expenses not deductible for tax purposes	**-**	51
Capital allowances for year in excess of depreciation	**12**	4
Utilisation of tax losses	**(26)**	(7)
Adjustments to tax charge in respect of prior periods	**(4)**	(28)
Other timing differences leading to an increase (decrease) in taxation	**1**	(14)
Non-taxable income	**(33)**	(55)
Capital gains	**2**	-
Unrelieved tax losses carried forward	**28**	71
Unrelieved loss on foreign subsidiaries	**1**	4
Current tax charge/(credit) for the year (see note above)	**16**	(9)

Notes to the Financial Statements

10 Intangible fixed assets

Group	Goodwill £M	Negative goodwill £M	Landing slots £M	Intellectual property £M	Total £M
Cost					
At 1 April 2010	739	(16)	44	18	785
Disposals	(60)	-	-	-	(60)
On disposal of subsidiaries	(4)	-	-	-	(4)
Reclassifications	-	3	-	-	3
At 31 March 2011	675	(13)	44	18	724
Amortisation					
At 1 April 2010	146	-	4	7	157
Charge for the year	38	(1)	-	3	40
On disposals	(60)	-	-	-	(60)
Impairment charge	47	-	-	-	47
On disposal of subsidiaries	(3)	-	-	-	(3)
At 31 March 2011	168	(1)	4	10	181
Net book value					
At 31 March 2011	507	(12)	40	8	543
At 31 March 2010	593	(16)	40	11	628

Reclassifications include £2million reclassified from investment in joint ventures and £1million from other debtors resulting from a fair value adjustment in the acquisition of Assura Medical Limited on 2 March 2010

Intellectual property

Intellectual property principally comprises of the following

Bluebottle UK Limited has intellectual property rights amounting to £2million (2010 £3million) for the development of a mobile virtual network provider These costs are amortised over approximately 7 years representing the period from when the asset was recognised by Bluebottle UK Limited to the date of expiry of the contract

Virgin Enterprises Limited holds intellectual property licences amounting to £6million (2010 £7million), assigned to it from Virgin Money Limited on 26 November 2007 These costs are amortised over approximately 10 years, being the remaining period accorded on these licences

Landing slots

This relates to the capitalisation of the cost of landing slots purchased by Virgin Atlantic Limited These costs are amortised over 20 years from the date at which they come into service

Notes to the Financıal Statements

10 Intangıble fixed assets (contınued)

Goodwıll and negatıve goodwıll

All goodwıll ıs amortısed on a straıght-lıne basıs The followıng sets out the perıods over whıch goodwıll ıs amortısed and the reasons for the perıods chosen

Goowıll ın relatıon to	Acquıred by	Amortısatıon perıod	Goodwıll cost £m
Assura Group	Vırgın Healthcare Holdıngs Lımıted	5 years	(4)
Vırgın Hotels Group Lımıted and subsıdıarıes	Bluebottle UK Lımıted	20 years	(7)
Barfaır Lımıted and subsıdıarıes	Bluebottle UK Lımıted	20 years	99
Vırgın Holdıng Lımıted and subsıdıarıes	Vırgın Wıngs Lımıted	20 years	571

The Dırectors consıder each acquısıtıon separately for the purpose of determınıng the amortısatıon perıod of any goodwıll that arıses

On 10 May 2010, Crıcket SA was lıquıdated Prıor to the dısposal of goodwıll, the goodwıll ın relatıon to the acquısıtıon of Crıcket SA was fully ımpaıred

On 7 Aprıl 2010, subsıdıarıes Vırgın Lıfe Care (Pty) Lımıted and WW Scıence Technology Lımıted were sold to Vırgın Actıve Holdıngs Lımıted The goodwıll ın relatıon to the aquısıtıon of these entıtıes was ıncluded ın the dısposal

Where evıdence of goodwıll ımpaırment has arısen, the ımpaırment charge was taken to the profit and loss account as an exceptıonal ıtem

Notes to the Financial Statements

11. Tangible fixed assets

Group	Freehold property £M	Leasehold Property £M	Aircraft, aircraft spares and rotables £M	Plant & machinery £M	Furniture & fittings £M	Assets in the course of construction £M	Total £M
Cost							
At 1 April 2010	77	16	585	23	298	22	1,021
Additions	2	4	29	3	8	25	71
Disposals	(16)	-	(10)	(2)	(11)	(5)	(44)
On disposal of subsidiaries	-	-	-	(1)	-	-	(1)
Transfer between classes	-	-	1	-	22	(23)	-
Foreign exchange movement	(1)	1	-	(1)	-	-	(1)
At 31 March 2011	62	21	605	22	317	19	1,046
Depreciation							
At 1 April 2010	-	6	369	2	223	-	600
Charge for the year	2	1	35	6	29	-	73
On disposal of subsidiaries	-	-	-	(1)	-	-	(1)
On disposals	(2)	-	(7)	(1)	(10)	-	(20)
Impairment charge	-	-	-	1	-	-	1
At 31 March 2011	-	7	397	7	242	-	653
Net book value							
At 31 March 2011	62	14	208	15	75	19	393
At 31 March 2010	77	10	216	21	75	22	421

All assets impaired during the year were impaired based upon their estimated net realisable value

Included in aircraft, rotable spares and ancillary equipment are progress payments of £20million (2010 £20million)

Notes to the Financial Statements

11 Tangible fixed assets (continued)

The net book value and depreciation of assets held under finance leases or hire purchase contracts, included above, are as follows

	Net book value 2011 £M	**Depreciation charge 2011 £M**	Net book value 2010 £M	Depreciation charge 2010 £M
Aircraft, aircraft spares and rotables	**40**	**5**	45	2
Plant and machinery	**2**	**1**	2	-
	42	**6**	47	2

The net book value of land and buildings comprises

	Group 31 March 2011 £M	Group 31 March 2010 £M
Freehold	**62**	77
Long leasehold	**13**	9
Short leasehold	**1**	1
	76	87

Notes to the Financial Statements

12. Fixed asset investments

Group	Investment in joint ventures £M	Other investments £M	Total £M
Cost or valuation			
At 1 April 2010	(37)	40	3
Additions	-	1	1
Disposals	-	(2)	(2)
Foreign exchange movement	1	-	1
Transfers intra group	(2)	(2)	(4)
Share of profit/(loss)	17	-	17
At 31 March 2011	(21)	37	16
Net book value			
At 31 March 2011	(21)	37	16
At 31 March 2010	(37)	40	3

Reclassifications include £2million reclassified from investment in joint ventures to goodwill as a result of a fair value adjustment in the acquisition of Assura Medical Limited on 2 March 2010 The remaining reclassification of £2million from other investments represents the transfer of trust loan balance to other debtors following the disposal of the investment in V Festival Australia Pty Limited

Participating interests

The Group's share of the joint venture's net liabilities at the Balance Sheet date was as follows

	2011 £M	2011 £M	2010 £M	2010 £M
Share of assets				
Fixed assets	24		32	
Current assets	67		47	
		91		79
Share of liabilities				
Due within one year or less	(110)		(112)	
Due after more than one year	(2)		(4)	
		(112)		(116)
Share of net liabilities		(21)		(37)

Notes to the Financial Statements

12. Fixed asset investments (continued)

Company	**Investments in subsidiary companies £M**
Cost or valuation	
At 1 April 2010	1,973
Additions	1,867
Disposals	(2,311)
At 31 March 2011	1,529
Provision	
At 1 April 2010	34
Release of provision	(34)
At 31 March 2011	-
Net book value	
At 31 March 2011	1,529
At 31 March 2010	1,939

On 6 January 2011, Bluebottle USA Mobile Inc transferred its entire shareholdings in Virgin Money Investment Holdings Limited and Virgin Mobile USA Holdings Limited to Virgin Wings Limited for a market consideration of £338million, in exchange for an issue of shares in Virgin Wings Limited

On 7 January 2011, Wings transfered its entire shareholdings in Virgin Money Investment Holdings Limited, Virgin Mobile USA Holdings Limited and Virgin Holdings Limited to Classboss Limited for a market consideration of £2,529million, in exchange for an issue of 1,529,455,806 £1 00 ordinary shares by Classboss Limited and the issue of a £1,000,000,000 zero coupon convertible loan note This resulted in a loss on disposal of investments of £252million

Notes to the Financial Statements

12. Fixed asset investments (continued)

Virgin Wings Limited considers its principal undertakings to be those companies that have significant trading activities and provide funding to other companies within the Group The principal undertakings in which the Group has an interest at the period end are as follows

	Country of registration	Principal activity	Holding	Class of shares
Subsidiary undertakings				
Classboss Limited	England & Wales	Investment holding company	100 0	Ordinary
Virgin Holdings Limited *	England & Wales	Investment holding company	100 0	Ordinary
Virgin Money Australia Pty Limited *	Australia	Financial services provider	100 0	Ordinary
Virgin Limobike Limited *	England & Wales	Motorcycle operator	100 0	Ordinary
Charter Air Limited	England & Wales	Aircraft chartering	100 0	Ordinary
Virgin Rail Group Holdings Limited	England & Wales	Train operator	51 0	Ordinary
V Cab Holdings LLC *	USA	Flight booking provider	44 93	US$ Common Units
			15 00	US $1 series A preference shares
			34 63	US $1 series B preference shares
Virgin Gym Holdings Limited	England & Wales	Investment holding company	100 0	Ordinary
Virgin Management SA	Switzerland	Management services	100 0	Ordinary
Virgin Healthcare Holdings Limited *	England & Wales	Health service provider	75 1	Ordinary
Assura Medical Limited *	England & Wales	Health service provider	75 1	Ordinary
VML 2 Limited *	British Virgin Islands	Investment holding company	100 0	Ordinary
Virgin Atlantic Limited *	England & Wales	Flight and holiday operator	51 0	Ordinary
			51 0	Preference
Virgin Active Australia Pty Limited *	Australia	Health club operator	100 0	Ordinary
Barfair Limited *	England & Wales	Investment holding company	100 0	Ordinary
The Virgin Trading Group Limited *	England & Wales	Drinks distributor	100 0	Ordinary
Vanson Developments Limited *	England & Wales	Investment holding company	100 0	Ordinary
Virgin Management Limited *	England & Wales	Management services	100 0	Ordinary
Virgin Models Limited *	England & Wales	Investment holding company	100 0	Ordinary
Voyager Group Limited *	England & Wales	Investment holding company	100 0	Ordinary
			100 0	Preference
Virgin Projects Limited * (strike off requested)	England & Wales	Investment holding company	95 24	Ordinary
S L Insurance Limited *	Guernsey	Insurance and reinsurance business	100 0	Ordinary
Necker Island (BVI) Limited *	British Virgin Island	Hotel operator	100 0	Ordinary
Network Distributing Limited *	England & Wales	Media company	99 8	Ordinary
Virgin Life Care Investments Limited *	England & Wales	Health and rewards program	90 24	Ordinary
Virgin Management USA Inc *	USA	Management services	100 0	Common stock
Virgin Sky Investments Limited *	England & Wales	Investment holding company	100 0	Ordinary
Vexair Limited *	England & Wales	Investment holding company	100 0	Ordinary
Virgin Management Asia Pacific Pty Limited *	Australia	Management services	100 0	Ordinary
Bluebottle UK Limited *	England & Wales	Investment holding company	100 0	Ordinary
Bluebottle Investments (UK) Limited *	England & Wales	Investment holding company	100 0	Ordinary
Virgin Cinemas Group Limited *	England & Wales	Investment holding company	100 0	Ordinary
			100 0	Preference
VEL Holdings Limited *	England & Wales	Investment holding company	100 0	
VHSA Holdings Limited * (in liquidation)	England & Wales	Investment holding company	100 0	Ordinary

Notes to the Financial Statements

12 Fixed asset investments (continued)

	Country of registration	Principal activity	Holding	Class of shares
Subsidiary undertakings				
Virgin Enterprises Limited *	England & Wales	Royalty collection	100 0	Ordinary
			100 0	Preference
Virgin Hotels Group Limited *	England & Wales	Hotel operator	100 0	Ordinary
Virgin Insight Limited *	England & Wales	Procurement services	100 0	Ordinary
Virgin Digital Publishing Limited *	England & Wales	Magazine publisher	100 0	Ordinary
Virgin Oceanic Expedition LLC *	USA	Scientific and commercial oceanic expedition	100 0	Ordinary
Joint ventures				
Omer Telecom Limited * ^	England & Wales	Mobile phone operator	50 0	Ordinary
Trade investments				
Air Nigeria Development Limited * ^^	Nigeria	Flight operator	49 0	Ordinary

* Indirectly held investment

^ Virgin and Carphone Warehouse each have 50% of the voting rights but 47 1% of the economic rights The remaining 5 8% of economic rights are held by third parties who have no voting rights

^^ The Group's interest in Air Nigeria Development Limited is classified as trade investment as the Group is unable to exercise significant influence as a result of the position of the major shareholders

Notes to the Financial Statements

13. Stocks

	Group		Company	
	2011	2010	**2011**	2010
	£M	£M	**£M**	£M
Raw materials	**2**	-	-	-
Work in progress	**2**	-	-	-
Finished goods and goods for resale	**2**	4	-	-
Aircraft consumable spares	**30**	26	-	-
Fuel stocks	-	2	-	-
	36	32	-	-

14. Debtors

	Group		Company	
	2011	2010	**2011**	2010
	£M	£M	**£M**	£M
Due after more than one year				
Other debtors	**56**	124	-	-
Prepayments and accrued income	**57**	56	-	-
Due within one year				
Trade debtors	**253**	230	-	-
Amounts owed by group undertakings	**327**	576	**1,000**	-
Other taxation and social security	**12**	17	-	-
Other debtors	**347**	309	**14**	-
Prepayments and accrued income	**100**	95	-	-
Deferred tax asset	**8**	8	-	-
	1,160	1,415	**1,014**	-

Included within other debtors due within one year is an amount of £24million (2010 £95million) relating to margin calls on open derivative positions

15 Cash at bank and in hand

At 31 March 2011 the balance of cash at bank and in hand for the Group included £10million (31 March 2010 £16million) in a separate escalating rental reserve account, in relation to the leasing of the West Coast Pendolino trains under the terms of the Amended and Restated Franchise Agreement dated 12 December 2006 but effective from 10 December 2006

Notes to the Financial Statements

16. Creditors.
Amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	£M	£M	**£M**	£M
Secured bank loans (note 17)	**118**	114	-	-
Other bank loans and overdrafts	**5**	245	-	-
Net obligations under finance leases and hire purchase contracts	**3**	4	-	-
Trade creditors	**137**	138	-	-
Amounts owed to group undertakings	**458**	1,174	**2,460**	2,398
Corporation tax	**119**	96	-	-
Social security and other taxes	**11**	16	-	-
Other creditors	**106**	81	-	-
Accruals and deferred income	**900**	823	-	-
	1,857	2,691	**2,460**	2,398

Included within other creditors due within one year is an amount of £17million (2010 £12million) relating to margin calls on open derivative positions

17. Creditors
Amounts falling due after more than one year

	Group		Company	
	2011	2010	**2011**	2010
	£M	£M	**£M**	£M
Secured bank loans	**526**	561	-	-
Other bank loans and overdrafts	**10**	11	-	-
Shareholder loans	**4**	4	-	-
Net obligations under finance leases and hire purchase contracts	**14**	18	-	-
Amounts owed to group undertakings	**28**	-	-	-
Accruals and deferred income	**24**	37	-	-
	606	631	-	-

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	Group	
	2011	2010
	£M	£M
Between one and five years	**14**	18

The Company has not commitments under finance lease and hire purchase contracts (2010 £nil)

Notes to the Financial Statements

17 Creditors:
Amounts falling due after more than one year (continued)

Financing

On 25 November 2008, Virgin Holdings Limited, as subsidiary of Virgin Group Holdings Limited entered into a multi-currency revolving credit facility of £660million with Lloyds TSB Bank plc This facility was amended and restated on 15 July 2010, and the total facility amount was reduced to £623million equivalent with sub-limits for drawings in AUD, EUR, GBP, USD and ZAR The facility amount reduced to £580million on 31 December 2010, will reduce by £100million on each of 31 December 2011 and 31 December 2012, and will reduce to £300million on 31 December 2013 Final maturity will be 31 December 2014 The facility can be utilised for letters of credit and cash drawings

The facility is guaranteed by Virgin Holdings Limited and Virgin Group Investments Limited, and is further secured by various of the Group's investments Should the Group dispose of any of its secured investments, then part of the proceeds may be required to be used in repayment of amounts outstanding under the facility, subject to the level of utilisation of the facility at the time

Interest is payable on amounts drawn under the facility at London Inter Bank Offered Rate ("LIBOR"), or Bank Bill Swap Reference Rate ("BBSW") for AUD, plus a margin and mandatory costs The margin is linked to the amount outstanding under the facility and ranges from 2 50% to 3 50% per annum As at 31 March 2011 the margin was 3 50% per annum

The facility contains a financial covenant in respect of the ratio of the total value of secured investments to total utilisation under the facility Compliance with this covenant is tested annually as of 31 December or on request by Lloyds TSB Bank plc In addition to the financial covenant, the facility contains certain affirmative covenants, negative pledges and events of default, which are customary for facilities of this nature The event of default provisions include payment defaults (subject to a three day grace period), breach of financial covenant, breach of other obligations, misrepresentation, cross default, insolvency, repudiation, illegality, cessation of business, appropriation of assets and material adverse change

On 24 December 2008, the Group entered into a £14million amortising term loan facility with Lloyds TSB Bank plc The loan is repayable by 24 December 2016 with principal repayment instalments of £2million due annually on 24 December Under the terms of the loan agreement, interest is payable on amounts drawn at LIBOR plus a margin of 2 0% per annum and mandatory costs

On 31 March 2006, the Group entered into a £10million amortising term loan facility with Lloyds TSB Bank plc Interest was payable on amounts drawn at LIBOR plus 2 0% per annum and mandatory costs This facility was fully repaid on 31 March 2011

Secured loans

Virgin Holdings Limited has secured bank loans of £569million (2010 £585million) which relates to money drawn down under a facility agreement between Virgin Holdings Limited and Lloyds TSB Bank plc Loan interest ranged from LIBOR plus 1 80% to LIBOR plus 2 75% during the year

The Virgin Atlantic Group has secured bank loans totalling £42million (2010 £45million) secured by mortgages over certain aircraft None (2010 £nil) of these loans fall due for repayment after five years The interest rates charged for the year are in the range 0 625% to 2 75% above US$ LIBOR, and 1 125% above 3 month £ LIBOR

Necker Island (BVI) Limited has a secured bank loan to the value of £11million (2010 £12million) of which £7million (2010 £8million) is due for repayment after five years The interest rate on this loan was 2 5% (2010 2 5%) above US$ LIBOR The loan is secured on the island

Charter Air Limited has a bank loan of £13million (2010 £15million) relating to a mortgage secured over an aircraft of which none (2010 £nil) is due for repayment after five years The bank loan will be fully repaid by July 2013 The interest rate charged in the year was at the 1 month US$ LIBOR

Notes to the Financial Statements

17. Creditors:
Amounts falling due after more than one year (continued)

Secured loans (continued)

Virgin Hotels Group Limited has a secured bank loan of £9million (2010 £18million) of which £7million (2010 £11million) is due for repayment after five years The interest rates in the year were fixed interest rates ranging from 2 05% to 6 5%

Financial instruments

Under the terms of the £660million multi-currency revolving credit facility the Group was required to hedge the interest payable under the facility over the life of the facility Consequently the Group entered into two interest rate hedging agreements on 7 April 2009, which were effective from 31 March 2010 and were due to terminate on 25 November 2014 One hedge was for the interest on a notional US$395million, and the other was for the interest on a notional amortising £410million, both for a period of 6 years The hedging instrument used in both cases was a 6 year interest rate swap, whereby the first swap ("front leg") was 2 years and the second swap ("back leg") was 4 years against 3 months LIBOR/BBSW

- The US$395million interest rate swap had a front leg fixed rate of 2 00% and a back leg fixed rate of 4 17%
- The £410million amortising interest rate swap had a front leg swap rate of 2 00% and a back leg fixed rate of 5 30%

On 31 March 2011 the above interest rate hedge agreements were terminated and new interest rate hedging agreements were entered into to reflect the currency sub-limits under the £623million multi-currency revolving facility The following new interest rate hedges were entered into against 3 months LIBOR/BBSW

- US$105million interest rate swap at a fixed rate of 4 33%
- £153million interest rate swap at a fixed rate of 4 9725%
- AUS$170million interest rate swap at a fixed rate of 7 9575%
- €135million amortising interest rate swap at a fixed rate of 4 53%

The USD, GBP and AUD hedges terminate on 31 December 2014 and the EUR hedge terminates on 23 December 2013 The notional amounts of the swaps will remain unchanged through the period to termination except for the EUR swap, which will reduce from €135million to €68million on 23 December 2012 The part of the facility nominated in ZAR is not hedged under the new interest rate hedge agreements

Notes to the Financial Statements

18. Deferred taxation

	2011 £M	2010 £M
At beginning of year	90	139
Arising during the year	4	(24)
Adjustments in respect of prior year	(5)	(33)
Reclassfication of deferred tax asset	-	8
At end of year	89	90

The elements of deferred taxation are as follows

	2011 Cumulative provided £M	2011 Cumulative unprovided £M	2010 Cumulative provided £M	2010 Cumulative unprovided £M
Pension liability	(1)	-	(1)	-
Accelerated capital allowances	108	(4)	128	(4)
Other timing differences	(10)	(1)	(11)	-
Tax losses	(17)	(109)	(35)	(182)
	80	(114)	81	(186)
Deferred tax asset	(8)	(114)	(8)	(186)
Deferred tax liability	89	-	90	-
Deferred tax asset on pension liability	(1)	-	(1)	-
	80	(114)	81	(186)

£8million (2010 £8million) of the deferred tax asset cannot be offset against the deferred tax liability and is, therefore, included in debtors

On 23 March 2011, a resolution passed by Parliament reduced the main rate of corporation tax to 26 per cent from 1 April 2011, which is reflected within the deferred tax calculations within these financial statements

On 5 July 2011, legislation to further reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 was substantially enacted, which has not been reflected in the above calculation If the rate change from 26 per cent to 25 per cent had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability recognised at that date by £3million and would reduce the amount of the total unrecognised deferred tax assets at that date by £2million

Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014 None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Notes to the Financial Statements

19. Provisions

Group	Aircraft maintenance £M	Legal and other £M	Restructuring costs and onerous leases £M	Total £M
At 1 April 2010	129	51	29	209
Additions	47	-	1	48
Amounts used	(39)	(1)	(9)	(49)
Amounts reversed	(2)	(4)	(6)	(12)
Foreign exchange translation	(7)	-	1	(6)
At 31 March 2011	128	46	16	190

Aircraft maintenance

Aircraft maintenance provisions relate to overhauls on aircrafts and engines held under operating leases for which there is a contractual obligation

Legal and other

Legal and other provisions principally comprise of the following

£44million (2010 £48million) represents the estimated outstanding cost arising from both the settlement of civil actions arising from the investigations by competition authorities in a number of jurisdictions in which Virgin Atlantic Airways Limited operates into various aspects of pricing in the airline industry and an ongoing obligation to co-operate with regulatory bodies Also included in other provisions is a deferred consideration provision of £nil (2010 £1million) which relates to the acquisition of Virgin Holidays Cruises Limited (Formerly Fast Track Holidays Limited) in October 2007

Restructuring costs and onerous lease provisions

Leasehold dilapidations and onerous lease provisions are discounted with the unwinding of the discount being taken to the profit and loss account

Restructuring costs and onerous leases provisions principally comprise of the following

Virgin Atlantic Airways Limited's onerous lease provisions and potential dilapidation costs of £3million (2010 £15million)

£4million (2010 £5million) of dilapidations costs relates to costs required to be incurred by Virgin Rail Group Holdings Limited at the 17 stations managed by West Coast in accordance with the standards for station conditions required by the National Station Access Conditions (1996) (Annex 1) These costs are expected to be incurred by the end of the West Coast franchise

£3million (2010 £4million) relates to Virgin Enterprises Limited's onerous lease provision

£3million (2010 £3million) relates to Cribyn Limited's onerous lease provision

The Company has no provisions

Notes to the Financial Statements

20 Share capital

	2011 £M	2010 £M
Allotted, called up and fully paid		
337,718,560 (2010 - 2) ordinary shares of £1 each	338	-

On 6 January 2011, Bluebottle USA Mobile Inc transfered its entire shareholding in Virgin Money Investment Holding Limited and Virgin Mobile USA Holdings Limited to Virgin Wings Limited for a market value consideration of £338million in exchange for an issue of shares in the Company of £338million

21 Reserves

Group	Profit and loss account £M
At 1 April 2010	(381)
Profit for the year	102
Actuarial loss on pension scheme	(1)
Currency translation differences	3
At 31 March 2011	(277)

Company	Profit and loss account £M
At 1 April 2010	(459)
Profit for the year	204
At 31 March 2011	(255)

Notes to the Financial Statements

22. Reconciliation of movement in shareholders' funds

Group	2011 £M	2010 £M
Opening shareholders' deficit	(381)	(338)
Profit/(loss) for the year	102	(57)
Shares issued during the year	338	-
Actuarial loss on pension scheme	(1)	-
Unrealised gain on dilution of investments	-	1
Currency translation differences	3	14
Dilution of minority interests	-	(1)
Closing shareholders' funds/(deficit)	61	(381)

Company	2011 £M	2010 £M
Opening shareholders' deficit	(459)	(392)
Profit/(loss) for the year	204	(67)
Shares issued during the year	338	-
Closing shareholders' funds/(deficit)	83	(459)

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss Account

23. Minority interests

Equity	£M
At 1 April 2010	(111)
Minority interests share of loss after taxation for the year	(22)
Dividends paid to minority interests	12
At 31 March 2011	(121)

Notes to the Financial Statements

24. Contingent liabilities

Legal

The competition authorities in a number of jurisdictions in which Virgin Atlantic Airways Limited operates are in the process of investigating various aspects of pricing and commercial issues in the airline industry Virgin Atlantic Airways Limited is cooperating in full with such investigations and has carried out certain internal investigations into its compliance with competition laws No further disclosures regarding contingent liabilities arising from these investigations are being made at this time since the directors believe that such disclosures might be expected to be seriously prejudicial to the position of Virgin Atlantic Airways Limited

Indemnities

A number of Virgin Atlantic Group's subsidiaries had contingent liabilities at 31 March 2011 in respect of indemnities under certain financing and other arrangements which are partly secured by charges over designated short term deposits of £9million (2010 £7million), of which £8million (2010 £6million) is matched by a liability under the maintenance provision

In accordance with the Franchise Agreements, Virgin Rail Group Limited procured performance bonds in favour of the DfT for both West Coast and CrossCountry The West Coast bond has been issued by ACE Insurance S A NV up to £21million (2010 £21million)

Network Distributing Limited has given a guarantee to the bank for the indebtedness of the company and its subsidiary undertakings The contingent liability of the company was £2million as at 31 March 2011 (2010 £3million)

Bluebottle UK Limited together with a third party, has given a guarantee to a supplier of Omer Telecom Limited in respect of the obligations of Omer Telecom Limited under a supply contract The total aggregate liability of the guarantors under the guarantee is capped at Euro 50million

25. Capital commitments

At 31 March 2011 the Group and Company had capital commitments as follows

	Group		Company	
	2011	2010	**2011**	2010
	£M	£M	**£M**	£M
Contracted for but not provided in these financial statements	3,114	3,358	-	-

Capital commitments relating to aircraft and engine purchases are stated at escalated list price less progress payments made

Notes to the Financial Statements

26 Pension commitments

Defined contribution plans

The Group's subsidiary, Virgin Atlantic Limited, operates defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds The total expense relating to these plans in the current year was £18million (2010 £19million) There were no outstanding or prepaid contributions at year end (2010 £nil)

The Group's subsidiary, Virgin Management Limited, operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Group in independently administered funds The total expense relating to the plan in the current year was £1million (2010 £1million) There were no outstanding or prepaid contributions at year end (2010 £nil)

Defined benefit plans

Rail scheme

The Group's subsidiary, Virgin Rail Group Limited operates a defined benefit pension scheme The subsidiary participates in its own separate shared cost section of the Railway Pension Scheme ('RPS') The RPS is a funded scheme and provides benefits based on final pensionable pay The assets of the RPS are held separately from those of the subsidiary The RPS is a shared cost scheme with costs being shared between the employer and the members on the basis of a 60 40 split

The Group has no rights or obligations in respect of the RPS following expiry of the related franchises Therefore, the liabilities recognised for the relevant sections of the RPS only represent that part of the net deficit of the section that the employer is obliged to fund over the life of the franchise to which the section relates The restriction on the liabilities is presented as a "franchise adjustment" to the overall deficit

The latest actuarial valuation of the subsidiaries' sections of the RPS was undertaken at 31 December 2007 using the projected unit method This valuation has been updated to 5 March 2011 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of FRS 17

Net pension liability	**2011 £M**	2010 £M
Present value of defined benefit obligations	**(385)**	(387)
Fair value of section assets	**327**	294
Deficit in section	**(58)**	(93)
Members share of section	**23**	37
Franchise adjustment	**32**	53
Deficit recognised by the Group	**(3)**	(3)
Related deferred tax asset	**1**	1
Net pension liability	**(2)**	(2)

Notes to the Financial Statements

26 Pension commitments (continued)

Movements in present value of defined benefit obligation	**2011** **£M**	2010 £M
At beginning of year	387	298
Employer share of current service cost	12	10
Member share of current service cost	7	6
Past service costs	-	1
Interest cost	23	19
Benefits paid	(11)	(11)
Acturial (gains)/losses	(33)	64
At end of year	385	387

Movements in fair value of section assets	**2011** **£M**	2010 £M
At beginning of year	294	211
Expected return on section assets	23	16
Contributions by employer	10	11
Contributions by members	6	7
Benefits paid	(11)	(11)
Acturial gains	5	60
At end of year	327	294

Expense recognised in the profit and loss account	**2011** **£M**	2010 £M
Current service cost	12	10
Past service costs	-	-
Expected return on section assets	(14)	(10)
Interest on section liabilities	14	12
Interest credit on franchise adjustment	(3)	(3)
	9	9

Notes to the Financial Statements

26. Pension commitments (continued)

The expense is recognised in the following lines of the profit and loss account

	2011 £M	2010 £M
Administrative expenses - staff costs	12	10
Other finance income	(3)	(1)
	9	9

Amounts recognised in the statement of total recognised gains and losses

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is £1million loss (2010 £nil)

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses since 1 March 2004 are £3million gain (2010 £4million gain)

Movement in deficit recognised by Group	2011 £M	2010 £M
At beginning of year	(3)	(5)
Current service cost	(12)	(10)
Past service cost	-	-
Contributions	10	11
Other finance income	3	1
Acturial gain/(loss)	(1)	-
	(3)	(3)

Fair value of section assets	2011 £M	2010 £M
Equities	189	197
Bonds	42	30
Property	28	24
Other	68	43
	327	294
Actual return on section assets	28	76

Future contributions

The Group currently expects to pay contributions of £10 million over the period of the 2010/2011 financial statements

Notes to the Financial Statements

Pension commitments (continued)

Acturial assumptions

Principal actuarial assumptions at the balance sheet date were as follows

	2011 %	2010 %
Rate of increase of salaries	4 4	4 4
Rate of increase in pensions in payment and deferred pensions	2 6	3 4
Discount rate	5 6	5 8
Inflation assumption	3 4	3 4
CPI inflation assumption	2 6	n/a
Long term rate of return expected on		
- Equities	8 5	8 2
- Bonds	5 3	5 3
- Property	8 0	7 9
- Other	7 5	7 5
- Overall	7 8	7 8

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are as follows

Member aged 60 (current life expectancy) 25½ years (male), 27 years (female)
Member aged 40 (life expectancy from age 60) 27½ years (male), 28½ years (female)

The inflation assumptions for certain benefits are now based on the consumer Price Index ("CPI") rather than the Retail Price Index ("RPI") following the change announced by the UK Government in 2010

History of sections

The history of the sections for the current and prior years is as follows

Balance sheet	2011 £M	2010 £M	2009 £M	2008 £M	2007 £M
Present value of section liabilities	(385)	(387)	(298)	(319)	(447)
Fair value of section assets	327	294	211	299	410
Deficit in section	(58)	(93)	(87)	(20)	(37)
Members share of section	23	37	35	8	15
Franchise adjustment	32	53	47	-	10
Deficit recognised by Group	(3)	(3)	(5)	(12)	(12)

Notes to the Financial Statements

Pension commitments (continued)

Experience adjustments	**2011**	2010	2009	2008	2007
Experience adjustments on section assets					
amount (£m)	3	36	(67)	(12)	7
percentage of section assets	1%	12%	(32%)	(4%)	2%
Experience adjustments on section liabilities					
amount (£m)	1	(2)	(1)	(1)	-
percentage of present value of section liabilities	-	(1%)	(1%)	-	-

27. Operating lease commitments

At 31 March 2011 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		**Aircraft and other**	
	2011	2010	**2011**	2010
Group	**£M**	£M	**£M**	£M
Expiry date·				
Within 1 year	4	4	12	-
Between 2 and 5 years	24	26	186	182
After more than 5 years	11	12	115	121
	39	42	313	303

One of the Group's subsidiaries, Virgin Rail Group Holdings Limited, in the normal course of business, has entered into a number of long term supply contracts The most significant of these relate to track access facilities, train maintenance arrangements and IT outsourcing

Under the Amended and Restated Franchise Agreement for West Coast, there is a requirement for Virgin Rail Group Limited and West Coast to comply with certain performance and other obligations

Other commitments

During the financial year, the Virgin Rail Group entered into fuel hedging arrangements to fix a portion of its fuel costs The fuel hedges are in place until 31 March 2012 The fair value of these arrangements as at 5 March 2011 was £4million (2010 £3million)

The substantial proportion of capital expenditure, leasing commitments, fuel and other operating costs of the Group's subsidiary, Virgin Atlantic Limited, are denominated in US dollars A number of derivative financial instruments have been taken out to cover part of the exposure risk The timing difference between derivative maturity date and current mark-to-market value can give rise to cash margin exposure This risk is managed through the choice of instrument, appropriate counterparty agreements and, where required, cash deposits with counterparties

Notes to the Financial Statements

28 Share based payments

The group has entered into an Long Term Incentive Plan arrangement with certain staff to reward them with a cash bonus based on the growth in value of a portfolio of group companies relevant to their line of work In order to vest the value of the relevant portfolio must grow by more than 8% per annum over a three year period from 31 October 2008 If the target is met an amount up to 7 5% of the excess value generated is available to be allocated to scheme participants

In order to determine whether the performance targets have been met and by how much, various methods have been used to determine the fair value of the underlying group companies on grant and balance sheet date These include reference to quoted share prices, net assets, discounted cash flows and/or multiple of earnings

The movement in the liability is as follows

	2011	2010
	£M	£M
Liability at beginning of period	7	5
Income statement (credit) / charge	7	6
Cash payments	-	(4)
Liability at end of period	14	7

In determining the carrying amount of the liability as at 31 March 2010 a Monte Carlo model was used which incorporated the following key assumptions

Risk free rate based on 3 year UK sovereign benchmark	1 77%
Volatility of portfolio companies	36 22%
Expected life	1 year 7 months
Expected dividend yield	0%

Volatility was arrived at by identifying appropriate volatilities for the key businesses within the Group by reference to listed comparator companies and then weighting these across the Group based on the estimated relative value of the constituent businesses

The carrying value of the liability at 31 March 2011 has been determined on an intrinsic value basis Due to the proximity of the balance sheet date (31 March 2011) to the vesting date (31 October 2011) intrinsic value is not considered materially different to fair value

The intrinsic carrying amount of liabilities in respect of vested benefits is nil (2010 - nil)

Notes to the Financial Statements

29 Reconciliation of operating profit/(loss) to operating cash flows

	2011 £M	2010 £M
Operating profit/(loss)	150	(188)
Share based payments	7	6
Depreciation, amortisation and impairment charges	161	117
Decrease in pension liability	2	-
Increase in stocks	(4)	-
Decrease in debtors	145	986
Decrease in creditors	(209)	(776)
(Decrease)/increase in provisions	(18)	56
Net cash inflow from operating activities	234	201

30. Analysis of cash flows

	2011 £M	2010 £M
Returns on investments and servicing of finance		
Interest received	44	20
Interest paid	(52)	(31)
Dividends paid to minorities	(12)	(33)
Dividends received from trade investments	-	10
Interest element of finance lease rentals	(1)	-
Net cash outflow from returns on investments and servicing of finance	(21)	(34)

	2011 £M	2010 £M
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(71)	(55)
Sale of tangible fixed assets	22	3
Funding provided to joint ventures	-	(30)
Repayments from joint ventures	16	-
Funding provided to related undertakings	(10)	(2)
Repayments from related undertakings	91	2
Net cash inflow/(outflow) from capital expenditure	48	(82)

Notes to the Financial Statements

30. Analysis of cash flows (continued)

	2011 £M	2010 £M
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(6)
Net cash balances acquired with subsidiary	-	11
Purchase of interest in joint ventures	-	(2)
Sale of business	2	76
Purchase of other investments	(1)	(3)
Sale of other investments	2	2
Net cash inflow from acquisitions and disposals	3	78

	2011 £M	2010 £M
Financing		
New finance leases	-	17
Funding from related undertakings	50	92
Repayments to related undertakings	(68)	(15)
Debt due within one year		
Net repayments on bank loans	(13)	(10)
Debt due after more than one year		
Net repayments on bank loans	(50)	(87)
Settlement of share options	-	(3)
Capital elements of finance lease rental payments	(4)	(1)
Net cash outflow from financing	(85)	(7)

31. Analysis of net debt

	At April 2010 £M	Cash flow £M	Exchange movements £M	Other non cash changes £M	At 31 March 2011 £M
Cash in hand, at bank (note 15)	854	(72)	(13)	9	778
Overdrafts	(239)	237	-	-	(2)
	615	165	(13)	9	776
Debt due with one year	(120)	13	1	(15)	(121)
Debt due after one year	(576)	50	(20)	6	(540)
Finance leases	(22)	4	1	-	(17)
Group funding	(1,162)	18	3	721	(420)
Total	(1,265)	250	(28)	721	(322)

Notes to the Financial Statements

32. Acquisitions and Disposals

Acquisitions

On 6 January 2011, Virgin Wings Limited acquired 100% of the share capital in Virgin Money Investment Holdings Limited and Virgin Mobile USA Holdings Limited, including their subsidiaries for a consideration of £338million, settled through the issue of 337,718,558 £1 00 ordinary shares

	Book value and Fair Value £M
Net assets acquired	
Debtors	358
Creditors due within one year	(20)
Net assets	338
Net assets acquired:	
Equity (100%)	338
Goodwill arising on acquisition	-
Consideration	338
Satisfied by	
Share issue	338

Notes to the Financial Statements

32. Acquisitions and Disposals (continued)

Disposals

On 7 April 2010, Virgin Life Care (Pty) Limited and WW Science Technology Limited were sold to Virgin Active Holdings Limited for consideration of £3million In addition, the D shares in Virgin Life Care Investments Limited held by Virgin Active Holdings Limited were purchased by Virgin Life Care Limited for £2million and cancelled on the same date

	Book Value £M
Net assets disposed of	
Cash	1
Net assets	1
Net assets disposed	
Equity (100%)	1
Gain on disposal	1
Consideration received	2
Satisfied by:	
Cash	2

The loss attributable to the Group includes gains of £nil incurred by Virgin Life Care (Pty) Limited and WW Science Technology Limited up to the date of disposal on 7 April 2010

Notes to the Financial Statements

33 Post balance sheet events

On 22 August 2011, a lightning storm on Necker Island caused a fire resulting in the main house being destroyed Necker Island BVI Limited is currently in negotiations with regards to costs to be claimed on insurance

Assura Medical Limited has been successfully appointed as preferred bidder for community health services in South West and North West Surrey, a contract worth £450million over five years Following a period of due diligence, Assura Medical Limited will work with NHS Surrey to complete transition of the services with a view to commencing the new contract as soon as possible against a target date of 30 December 2011

On 30 August 2011, Virgin Atlantic Limited redeemed 25,500 cumulative redeemable preference shares, representing 50%, held by Virgin Holdings Limited for £26million On 31 August 2011, Virgin Atlantic Limited paid a fixed preference share dividend of £3million to Virgin Holdings Limited

On 23 September 2011, Virgin Digital Publishing Limited was sold to a third party for cash consideration of £226,200 and the allotment of 67 ordinary shares of €1 each representing 25% of its share capital

On 30 June 2011 the following new short term interest rate swaps were entered into by Virgin Holdings Limited following a decision to renew the amounts drawn under the £623million multi-currency revolving facility on a monthly basis for a three month period to mature on 23 September 2011 The swaps pay 3 months LIBOR in exchange for 1 month LIBOR plus a spread over three months The following swaps were entered into

- US$105million interest rate swap
- £153million interest rate swap
- AUS$170million interest rate swap
- €135million interest rate swap

At the end of September 2011 the arrangement was extended for a further three month period on the same basis

On 20 October 2011, the Group sold its shareholding in Virgin Active Australia Pty Limited to Activebidco Limited, a company ultimately controlled by funds managed by CVC Capital Partners, for a net consideration of £28million

On 27 October 2011, the Rail Group signed an agreement with the Department for Transport (DfT) to extend the existing West Coast franchise The franchise was due to expire at the end of March 2012, but has now been extended 8 December 2012 Under the extension agreement, the Rail Group plans to add two standard carriages to each of 31 existing Pendolino trains between April and December 2012, as well as four new trains

Notes to the Financial Statements

34 Related party transactions

As at 31 March 2011, the Company's ultimate parent company was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited The principal beneficiaries of those trusts are Sir Richard Branson and/or members of his immediate family Virgin Group Holdings Limited is incorporated in the British Virgin Islands The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard 8

Companies within the Virgin Atlantic sub-group have trademark licenses from Virgin Enterprises Limited for the use of the Virgin name and logo The licenses are without term limit, mostly royalty free, and worldwide, excluding domestic scheduled air services where all points of embarkation and disembarkation are within Australia The licenses are exclusive subject to certain licenses granted to Virgin America Inc

Within the Virgin Rail Group Holdings Limited sub-group, Virgin Rail Group Limited and its subsidiaries have a trademark license from Virgin Enterprises Limited for the use of the Virgin name and logo The license terminates on 28 November 2017, is subject to a royalty charge, excludes certain activities, and applies to the United Kingdom and such other countries or jurisdictions as may be added by Virgin Rail Group Limited, subject to the approval of Virgin Enterprises Limited

The following is a summary of material transactions and balances by the Group with related entities, which are required to be disclosed by Financial Reporting Standard 8

	31 March 2011			31 March 2010		
	Companies related by virtue of common control or ownership £M	**Companies related by virtue of being associates of the Group £M**	**Companies related by virtue of being investors in the Group £M**	Companies related by virtue of common control or ownership £M	Companies related by virtue of being associates of the Group £M	Companies related by virtue of being investors in the Group £M
Turnover	**25**	**9**	**-**	22	9	-
Purchases	**1**	**12**	**-**	2	5	-
Other income	**10**	**-**	**-**	24	-	-
Interest receivable	**32**	**5**	**-**	37	6	-
Interest payable	**36**	**-**	**-**	40	-	-
Debtors	**289**	**39**	**-**	523	53	-
Creditors	**1,078**	**1**	**4**	1,171	2	-
Preference dividends	**-**	**-**	**-**	-	-	1

Notes to the Financial Statements

34. Related party transactions (continued)

The companies related by virtue of common control or ownership with which the Group transacted during the year are as follows

Bluebottle USA Holdings Inc (liquidated), Bluebottle USA Mobile Inc, Carola Holdings Limited, Corvina Holdings Limited, Dragonfly SA, Exitium Limited, Ivanco (No 3) Limited, Network International Holdings Limited, Newstart Investments Limited, SA Mauritius Investments Limited, Semillon Holdings Limited, Tarrango Holdings Limited, Vieco 9 Limited, Vieco 10 Limited, Virgin Active Group Limited, Virgin Audio Limited, Virgin Enterprises Limited, Virgin Entertainment Asia Limited, Virgin Entertainment Europe Limited, Virgin Entertainment Global Limited (liquidated), Virgin Entertainment Holdings Inc, Virgin Entertainment Investment Holdings Limited, Virgin Entertainment Japan KK, Virgin Financial Services UK Holdings Limited, Virgin Fitness Limited, Virgin Galactic Limited, Virgin Games Services Ltd, Virgin Group Finance LP (liquidated), Virgin Group Investments Limited, Virgin Group Holdings Limited, Virgin Health Bank Limited, Virgin Health Clubs Holdings Limited, Virgin Home Limited, Virgin Insight Limited, Virgin Limobike Limited, Virgin Megastores Limited, Virgin Mobile Holdings Pte Ltd, Virgin Mobile USA Holdings Limited, Virgin Money (Australia) Pty Limited, Virgin Money Investment Group Limited, Virgin Money Investment Holdings Limited, Virgin Money Overseas Limited, Virgin Pulse (UK) Limited, Virgin Radio International Holdings Limited, Virgin Retail Europe Limited, Virgin Retail Holdings Limited (liquidated), and Virgin com Limited

The companies related by virtue of being investors in the Group with which the Group transacted during the year are as follows

Singapore Airlines Limited

The companies related by virtue of being associates and/or joint ventures of the Group with which the group transacted during the year are as follows

Virgin Blue Holdings Limited, Omer Telecom Limited, Virgin Mobile India Private Limited and Virgin Mobile South Africa (Pty) Limited

Revenue from related parties primarily relates to airline ticket and train ticket sales Other purchases from related parties represent goods and services purchased for use within the business All of the above transactions were on an arms length basis

35. Controlling party

At 31 March 2011, the ultimate parent undertaking was Virgin Group Holdings Limited, a company registered in the British Virgin Islands