

Virgin Voyager Limited

**Directors' report and consolidated
financial statements**

Registered number 2857673

31 March 2005



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COMPANIES HOUSE 19/05/2006

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2005. The comparatives are for 14 months.

Principal activities

The Company principally acts as an investment holding company in relation to its subsidiary undertakings whose respective activities are detailed in Note 11.

Business review

The results for the year are set out on page 5 of the financial statements and the loss for the year of £37,558,000 (14 month period ended 31 March 2004: £30,864,000) has been transferred to reserves.

On 10 May 2004 Virgin Management Limited, capitalised its debtor of £1,000,000 with Virgin Life Care Investments Limited in exchange for 2,566,421 £0.0001 ordinary shares in the company and acquired a further 2,566,421 £0.0001 ordinary shares in Virgin Life Care Investments Limited for a cash consideration of £1,000,000.

On 30 November 2004 Virgin Management Limited sold 6,211,905 A1 £0.0001 ordinary shares in Virgin Life Care Investments Limited for a cash consideration of £2,449,190 to another group company.

On 16 June 2004 Virgin Management Limited acquired 2,146,691 £0.01 ordinary shares in Broadreach Networks Limited for a cash consideration of £121,918.

On 16 June 2004 Virgin Management Limited acquired 49 F £1.00 ordinary shares in Virgin Business Solutions Limited for a cash consideration of £25,000.

On 9 June 2004 Cricket SA, a subsidiary of Virgin Sky Investments Limited acquired Virgin Cinemas Group Limited from another group company. This was a non cash transaction.

On 5 October 2004, Virgin Express Holdings plc ("VEX PLC"), of which Virgin Sky Investments Limited was the majority Shareholder, signed a binding agreement placing Virgin Express NV/SA ("VEX Belgium") and SN Brussels Airlines (DAT) under common ownership of SN Airholding Holdings NV/SA ("SN Air"). The transaction achieves a solution to both companies by addressing the problem of excess capacity and should deliver synergies, in terms of network and cost optimisation. SN Air will offer to its customers two airlines with different brands and products to satisfy the needs of the competitive market in Belgium, i.e. a flexible full service airline and a low fare airline.

On 18 February 2005 Virgin Sky Investments Limited acquired a new wholly owned subsidiary, Vexair Limited ("Vexair") for a consideration of £1.

Directors' report *(Continued)*

Post balance sheet events

On 12 April 2005, VEX PLC satisfied the final conditions precedent to the common ownership agreement signed on 5 October 2004 and VEX Belgium was transferred to SN Air in consideration for an issue of shares, representing 29.9% of the issued capital in SN Air.

With effect from 12 April 2005, Vexair acquired from VEX PLC its entire interest in the equity in SN Air for a consideration of €54 million ("the Vexair Sale and Purchase Agreement"). The Vexair Sale and Purchase Agreement was completed following an Extraordinary General Meeting of VEX PLC held on 9 May 2005, when VEX PLC was placed into a members' voluntary liquidation. Consequently, the debt outstanding by VEX PLC to the Company was repaid in full. As part of this agreement, Vexair also assume the liabilities of VEX PLC in connection with the interest in SN Air, including warranty and indemnity liability pursuant to the common ownership agreement entered into with SN Air on 5 October 2004. The Company subscribed for 998 new £1 ordinary shares in Vexair at an aggregate subscription price of €54 million.

Following the payment of €1 gross per share to its minority shareholders, VEX PLC was delisted from Euronext on 7 June 2005 and from NASDAQ on 21 June 2005.

Proposed dividend

The directors do not recommend the payment of a dividend (2004: £Nil).

Political and charitable contributions

The group made no political contributions during the period. Donations to UK charities amounted to £415,000 (2004: nil).

Directors and directors' interests

The directors who held office during the year and subsequent to the year were as follows:

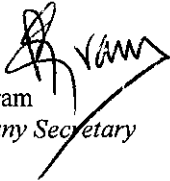
G D McCallum
W E Whitehorn
S T M Murphy (resigned 2 September 2005)
P McCall (appointed 2 September 2005)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other group companies.

Auditors

The members of the Company have passed elective resolutions in accordance with Sections 366A, 252 and 386 of the Companies Act 1985 dispensing with the previous statutory requirement of holding annual general meetings, laying accounts before the Company in general meetings and reappointing auditors annually. KPMG LLP will therefore continue in office.

By order of the board


P G Gram
Company Secretary

120 Campden Hill Road
London
W8 7AR

12 May 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the independent auditors, KPMG LLP, to the members of Virgin Voyager Limited

We have audited the financial statements on pages 5 to 33.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
*Chartered Accountants
Registered Auditor*

16 May 2006
8 Salisbury Square
London
EC4Y 8BB

Consolidated profit and loss account
for the year ended 31 March 2005

	Notes	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
Group turnover – continuing operations	2	43,350	65,501
Cost of sales		(14,272)	(29,505)
		<hr/>	<hr/>
Gross profit		29,078	35,996
Distribution costs		(323)	(763)
Administrative expenses	3	(53,059)	(51,503)
Other operating income		1,982	1,987
		<hr/>	<hr/>
Group operating loss			
Continuing operations	2	4,507	(14,283)
Acquisitions	2	(26,829)	-
		<hr/>	<hr/>
		(22,322)	(14,283)
Share of operating profit of associate		1,165	-
		<hr/>	<hr/>
Total operating loss	2	(21,157)	(14,283)
Loss on disposal of fixed assets – continuing operations		-	(233)
Gain on disposal of investments		1	-
		<hr/>	<hr/>
Loss before interest and taxation		(21,156)	(14,516)
Other interest receivable and similar income	6	10,531	1,220
Interest payable and similar charges	7	(27,098)	(17,234)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(37,723)	(30,530)
Tax on loss on ordinary activities	8	(642)	(272)
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(38,365)	(30,802)
Equity minority interest	19	807	(62)
		<hr/>	<hr/>
Retained loss for the financial year	18	(37,558)	(30,864)

The notes on pages 10 to 33 form part of these financial statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2005

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
Loss for the financial year		
Group	(37,558)	(30,864)
Currency translation differences on net foreign currency investments	559	1,853
Total recognised gains and losses relating to the year	(36,999)	(29,011)

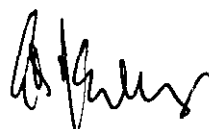
The notes on pages 10 to 33 form part of these financial statements.

Consolidated balance sheet
 at 31 March 2005

	<i>Note</i>	31 March 2005 £000	31 March 2004 £000
Fixed assets			
Intangible assets	9	6,234	871
Negative goodwill	9	(50,530)	-
Tangible assets	10	18,598	16,775
Trade investment	11	1,831	-
Investments	11	116,479	-
		<hr/>	<hr/>
		92,612	17,646
Current assets			
Stocks	12	2,182	1,580
Debtors	13	437,899	223,637
Cash at bank and in hand		18,963	4,252
		<hr/>	<hr/>
		459,044	229,469
Creditors: amounts falling due within one year	14	(528,776)	(306,485)
		<hr/>	<hr/>
Net current liabilities		(69,732)	(77,016)
		<hr/>	<hr/>
Total assets less current liabilities		22,880	(59,370)
Creditors: amounts falling due after more than one year	15	(19,228)	(9,576)
Provisions for liabilities and charges	16	(5,857)	(3,914)
		<hr/>	<hr/>
Net liabilities		(2,205)	(72,860)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	32,860	32,860
Share premium	18	101,218	-
Merger reserve	18	26,062	26,062
Profit and loss account	18	(167,107)	(132,823)
		<hr/>	<hr/>
Equity shareholders' deficit		(6,967)	(73,901)
Minority interests	19	4,762	1,041
		<hr/>	<hr/>
		(2,205)	(72,860)
		<hr/>	<hr/>

The notes on pages 10 to 33 form part of the financial statements.

These financial statements were approved by the board of directors on 12 May 2006 and were signed on its behalf by:



GD McCallum
 Director

Company balance sheet
at 31 March 2005

	<i>Note</i>	31 March 2005 £000	31 March 2004 £000
Fixed assets			
Investments	11	192,023	65,738
Current assets			
Debtors	13	2,090	2,082
Cash at bank and in hand		258	319
		2,348	2,401
Creditors: amounts falling due within one year	14	(64,451)	(59,568)
Net current liabilities		(62,103)	(57,167)
Net assets		129,920	8,571
Capital and reserves			
Called up share capital	17	32,860	32,860
Share premium	18	101,218	-
Other reserves	18	26,062	26,062
Profit and loss account	18	(30,220)	(50,351)
Equity shareholders' funds		129,920	8,571

The notes on pages 10 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on
 and were signed on its behalf by:

12 May

2006



GD McCallum
 Director

Reconciliation of movement in equity shareholders' funds
for the year ended 31 March 2005

	Group 31 March 2005 £000	Company 31 March 2005 £000	Group 31 March 2004 £000	Company 31 March 2004 £000
Total recognised gains and losses relating to the year	(36,999)	20,131	(29,011)	(2,596)
Issue of shares	101,218	101,218	-	-
Other reserve movement	2,715	-	-	-
Opening equity shareholders funds	(73,901)	8,571	(44,890)	11,167
Closing equity shareholders' (deficit)/funds	<u>(6,967)</u>	<u>129,920</u>	<u>(73,901)</u>	<u>8,571</u>

The notes on pages 10 to 33 form part of these financial statements.

Notes

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 except as noted below.

Basis of accounting

The financial statements have been prepared on a going concern basis in view of the fact that the ultimate parent undertaking *Virgin Group Investments Limited* has formally indicated that it will provide sufficient funding to the Company, to enable it to meet its liabilities as they fall due, for at least the next twelve months.

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings for the year ended 31 March 2005. *Virgin Express Holdings plc* has been consolidated as at to 31 December 2004 following the acquisition of *Virgin Sky Investments Limited* in January 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. 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 associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Goodwill and amortisation

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The directors consider each acquisition separately for the purposes of determining the appropriate amortisation period. All goodwill is currently amortised over 20 years.

On the subsequent disposal or termination of a business the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value where it can be measured reliably. Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally the respective unexpired periods.

Notes (continued)

Current asset investments

Current asset investments represent the group's investment in a wholly owned subsidiary that is in the process of being liquidated and has therefore not been consolidated in these financial statements. This investment is stated at the lower of net book value and net realisable value.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 5 years
Fixture and fittings	-	4 to 10 years
Motor vehicles	-	3 to 4 years

No depreciation is provided on freehold land.

Investments

Investments in subsidiaries are shown at cost less amounts written off.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings and associated undertakings are translated at the closing exchange rates. The profit and loss account of such undertakings are translated at the average rate of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension scheme

The Company and its UK subsidiary undertakings are members of a defined contribution pension scheme, operated by Virgin Management Ltd, a related undertaking. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

Stocks

Stocks including stocks of tax free goods and catering supplies are valued at the lower of cost and net realisable value.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, 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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

2 Analysis of continuing and discontinued operations

	Year ended 31 March 2005			14 month period ended 31 March 2004		
	Acquisitions	Continuing	Total	Acquisitions	Continuing	Total
	£000	£000	£000	£000	£000	£000
Turnover	-	43,350	43,350	-	65,501	65,501
Cost of sales	-	(14,272)	(14,272)	-	(29,505)	(29,505)
Gross profit	-	29,078	29,078	-	35,996	35,996
Distribution costs	-	(323)	(323)	-	(763)	(763)
Administrative expenses (exceptional item of £nil 2004: £Nil credit)	(26,842)	(26,217)	(53,059)	-	(51,503)	(51,503)
Other operating income	13	1,969	1,982	-	1,987	1,987
Operating loss	(26,829)	4,507	(22,322)	-	(14,283)	(14,283)

Notes (continued)

3 Loss on ordinary activities before taxation

	Year ended 31 March 2005	14 month period ended 31 March 2005
	£000	£000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit – Company	14	14
– Group	251	166
Other services	-	8
Exchange loss/(gain)	(739)	(2,824)
Operating leases – land and buildings	97	90
Operating leases – other	1,117	1,808
Depreciation and other amounts written off tangible fixed assets	1,477	1,993
Amortisation of negative goodwill	(844)	-
Amortisation of goodwill and intangible assets	1,106	15
Rental income	840	-

Notes (continued)

4 Remuneration of directors

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
Directors' emoluments	1,106	973
Company contributions to money purchase pension schemes	94	98
	1,200	1,071
	1,200	1,071

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £386,268 (2004: £368,477). No company pension contributions were made on his behalf.

	Year ended 31 March 2005	Number of directors 14 month period ended 31 March 2004
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3
	3	3
	3	3

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Year ended 31 March 2005	Number of Employees 14 month period ended 31 March 2004
Management and administration	183	207
Selling and distribution	115	97
Operations and other	116	120
	414	424
	414	424

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004
Wages and salaries	17,109	17,480
Social security costs	1,285	1,599
Other pension costs	354	367
Other	3	772
	<u>18,751</u>	<u>20,218</u>

6 Other interest receivable and similar income

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
Bank interest	132	122
Receivable from group undertakings	8,811	1,030
Share of associate	684	-
Net exchange gains	-	-
Other	904	68
	<u>10,531</u>	<u>1,220</u>

7 Interest payable and similar charges

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
On bank loans and overdrafts	928	1,016
On group loans	24,785	13,144
Net exchange losses	249	3,049
Share of associate	736	-
Finance charges payable in respect of financial leases	13	12
Other	387	13
	<u>27,098</u>	<u>17,234</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(424)	-
Overseas tax	1,092	144
	<hr/>	<hr/>
Total current tax	668	144
Deferred tax: current period	19	128
Deferred tax: adjustments in respect of prior periods	(45)	-
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	642	272
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK 30% (2004: 30%). The differences are explained below.

	Year ended 31 March 2005 £000	14 month period ended 31 March 2004 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(37,723)	(30,532)
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	(11,317)	(9,160)
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation	64	(134)
Unrelieved tax losses	5,467	5,263
Utilisation of tax losses brought forward	(1,944)	(42)
Income not subject to tax	(89,186)	-
Expenses not deductible for tax purposes	95,150	3,798
Other short term timing differences	2,464	(55)
Foreign tax suffered	4	-
Adjustments made to prior period	(2)	-
Overseas (income not taxable)/unrelieved tax losses	-	474
High/low tax rates on overseas earnings	(32)	-
	<hr/>	<hr/>
Total current tax charge (see above)	668	144
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Intangible fixed assets

	Negative Goodwill	Goodwill	Other intangible assets	Total
	£000	£000	£000	£000
Cost				
At beginning of year	-	4,307	512	4,819
Additions	(51,374)	6,697	(23)	6,674
Disposals	-	(205)	-	(205)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(51,374)	10,799	489	11,288
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At beginning of year	-	(3,917)	(31)	(3,948)
Charged in year	844	(950)	(156)	(1,106)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	844	(4,867)	(187)	(5,054)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2005	(50,530)	5,932	302	6,234
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	390	481	871
	<hr/>	<hr/>	<hr/>	<hr/>

Following a review of the useful economic life of the goodwill and negative goodwill the directors consider an amortisation period of 20 years appropriate.

Notes (continued)

10 Tangible fixed assets

<i>Group</i>	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Aircraft	Total
	£000	£000	£000	£000	£000	£000
Cost						
Opening	16,264	4,406	3,358	391	-	24,419
Additions	426	833	767	107	-	2,133
Acquired with subsidiary	23	1,161	56	-	260	1,500
Disposals	-	(6)	(214)	(118)	-	(338)
Exchange differences	(312)	(77)	(15)	(10)	-	(414)
Reclassifications	-	-	53	-	-	53
Closing	16,401	6,317	4,005	370	260	27,353
Depreciation						
Opening	1,468	3,503	2,360	313	-	7,644
Charge for period	445	484	465	83	-	1,477
Disposals	-	(2)	(183)	(111)	-	(296)
Exchange differences	(40)	(63)	(13)	(7)	-	(123)
Reclassifications	-	-	53	-	-	53
Closing	1,873	3,922	2,682	278	-	8,755
Net book value						
At 31 March 2005	14,528	2,395	1,323	92	260	18,598
At 31 March 2004	14,796	903	998	78	-	16,775

The split between freehold and leasehold land and buildings is shown below:

	31 March 2005 £000	31 March 2004 £000
Net Book Value		
Freehold land and building	9,812	10,039
Leasehold land and buildings	4,716	4,757
	<u>14,528</u>	<u>14,796</u>
Depreciation charged in the year		
Freehold land and building	342	379
Leasehold land and buildings	103	261
	<u>445</u>	<u>640</u>

Included in the total net book value of motor vehicles is £155,000 (2004: £109,000) in respect of assets held under finance leases (and similar hire purchase contracts). Depreciation for the period on these assets is £83,000 (2004: £66,000).

Notes (continued)

11 Fixed asset investments

	Interests in associated undertakings £000	Other unlisted investments £000	Total £000
Group			
<i>Cost</i>			
At beginning and end of year	481	83	564
Acquired	114,532	-	114,532
	<hr/>	<hr/>	<hr/>
	115,013	83	115,096
	<hr/>	<hr/>	<hr/>
<i>Share of post acquisition reserves</i>			
Share of profit	1,522	-	1,522
Share of interest payable	(736)	-	(736)
Share of interest receivable	684	-	684
Excutive share option charge	1,346	-	1,346
Share of tax	(549)	-	(549)
Amortisation of goodwill	(357)	-	(357)
Foreign exchange	37	-	37
	<hr/>	<hr/>	<hr/>
	1,947	-	1,947
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At beginning and end of year	(481)	(83)	(564)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2005	116,479	-	116,479
	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	-	-
	<hr/>	<hr/>	<hr/>

During the period the Group acquired an investment in The LoveSac Corporation by acquiring 4,375,000 Series A Preferred Stock to the value of £1,831,000.

During the year the Group increased its investment in Virgin Blue Holdings Pty Limited by acquiring an 5,100,000 additional shares to the value of £4,264,000. This represents an increase of 0.49% in the Group's investment.

On 21 January 2004, the Group acquired its investment in WW Science Technology Limited for a consideration of £287. (see note 22)

On 14 December 2004, the Group acquired an investment, comprising 51.86% of equity, in Virgin Life (Pty) Limited formerly Winning Wellness (Pty) Limited for a consideration of £2,300,632. The remaining 48.14% was acquired after the financial year end and is not included in the above statement. (see note 22)

Notes *(continued)*

11 Fixed asset investments *(continued)*

<i>Company</i>	Shares in Group undertaking £000
<i>Cost</i>	
At beginning and end of year	90,806
Additions	157,039
Disposals	(55,822)
	<hr/>
At end of year	192,023
	<hr/>
<i>Provisions</i>	
At beginning and end of year	(25,068)
Write back of provision	25,068
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 March 2005	192,023
	<hr/>
At 31 March 2004	65,738
	<hr/>

On 20 January 2005 the Company acquired a further 100 shares in Virgin Group Limited for consideration of £157,039,897. This was a non cash transaction.

Notes (continued)

11 Fixed asset investments (continued)

The principal undertakings in which the group's interest at the year end is more than 20% are as follows:

<i>Subsidiary undertakings</i>	Country of Registration	Principal Activity	Holding %	Type of share
Virgin Group Limited*	England & Wales	Investment holding company	100	Ordinary 10p shares
Voyager Group Limited	England & Wales	Holding company	100	Ordinary 10p shares & £1 redeemable preference shares
Virgin Enterprises Limited	England & Wales	Licensing of Virgin brand	100	Ordinary £1 shares
			100	£1.3% NCP shares
Virgin Management Limited	England & Wales	Investment and management services company	100	Ordinary 10p shares
Virgin Bride Limited	England & Wales	Bridal services	100	Ordinary £1 shares
Necker Island (BVI) Limited	England & Wales	Hotel Operator	100	Ordinary US\$1 shares
Virgin Projects Limited	England & Wales	Print, procurement and event organisation	95.24	Ordinary £1 shares
SL Insurance Limited	Guernsey	Insurance and reinsurance business	100	Ordinary US\$1 shares
Virgin Mobile Holdings USA Limited (formerly <i>Virgin Limobike Limited</i>)	England & Wales	Motorbike taxi's	100	Ordinary £1 shares
Virgin Radio France Holdings Limited (formerly <i>Virgin Radio International Limited</i>)	England & Wales	Investment holding company	100	Ordinary £1 shares
120 Campden Hill Road Limited	England & Wales	Property holding company	100	Ordinary £1 shares
Virgin Vouchers Limited	England & Wales	Vendor of de-nominated vouchers	100	Ordinary £1 shares
Sound and Media Limited	England & Wales	Wholesaler and retailer of books and DVD's	98.78	Ordinary £1 shares
			100	Convertible, redeemable £1 preference shares
Virgin Mobile Holdings Pte Limited	Singapore	Mobile phones	100	Ordinary class A \$1 shares
			100	Ordinary class B \$1 shares
Virgin USA Inc	USA	Investment and management services company	100	Common stock 1 cent par value
Virgin Life Care Investments Limited (Formerly Body IQ Investments Limited)	England & Wales	Health / life insurance provider	100	Ordinary A1 £0.0001 shares
			100	Ordinary A2 £0.0001 shares
Virgin Business Solutions Limited	England & Wales	Telecommunications provider	51	Ordinary V £1 shares
			49	Ordinary F £1 shares
Virgin Limousines LLC	USA	Limousine service	65	Ordinary US\$1 shares
Oui FM SAS	France	Radio station	60	Ordinary €1 shares
Virgin Balloon Flights Limited	England & Wales	Air Transport	100	Ordinary £1 shares
Virgin Sky Investments Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Cricket SA	Switzerland	Investment holding	100	CHF 100 Ordinary
Virgin Express Holdings plc	England & Wales	Airline operation	87.8	€0.010 Ordinary shares
			0.84	€0.010 American depository receipts
Virgin Holdings SA	Switzerland	Investment holding	100	CHF 100 Class A Shares
				CHF 100 Class B shares
VHSA Holdings Limited	England & Wales	Investment holding company	100	Ordinary shares

Notes (continued)

11 Fixed asset investments (continued)

	Country of Registration	Principal Activity	Holding %	Type of share
<i>Subsidiary undertakings</i>				
VEL Holdings Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Millevere Holdings Limited	British Virgin Islands	Investment holding company	100	Ordinary US\$1 shares
Vanson Group Holdings Limited (Formerly Virgin Television Limited, Formerly Candidoak Limited)	England & Wales	Investment holding company	100	Ordinary £1 shares £1 R Preference shares
Vanson Developments Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Vanson (Crawley) Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Avidbuild Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Vanson (Carmarthen) Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Vanson Hotels Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Vanburg Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
122 Wigmore Street Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Vanson (Crawley) No 2 Limited	England & Wales	Investment holding company	100	Ordinary £1 shares
Actionsquare Limited	England & Wales	Investment holding company	100	£1 deferred shares £1 non cumulative preference shares £1 preferred ordinary shares
VML2 Limited	England & Wales	Investment holding company	100	£1 ordinary shares US\$1 Ordinary
<i>Participating interest:</i>				
Silkplan Limited	England and Wales	Property Developer	33	£1 Ordinary shares
<i>Associate:</i>				
Virgin Blue Holdings Limited	Australia	Airline operation	25.5	Australian ordinary

*Direct investment held by Virgin Voyager Limited.

All of the above companies have been consolidated in these financial statements.

Notes (continued)

12 Stocks

	Group 31 March 2005 £000	Company 31 March 2005 £000	Group 31 March 2004 £000	Company 31 March 2004 £000
Raw materials and consumables	250	-	53	-
Work in progress	-	-	125	-
Finished goods and goods for resale	1,932	-	1,402	-
	<u>2,182</u>	<u>-</u>	<u>1,580</u>	<u>-</u>

13 Debtors

	Group 31 March 2005 £000	Company 31 March 2005 £000	Group 31 March 2004 £000	Company 31 March 2004 £000
Trade debtors	14,239	-	3,967	-
Amounts owed by parent and fellow subsidiary undertakings	368,712	142	204,530	134
Other debtors	41,088	-	7,897	-
Group relief debtor	4,651	1,948	4,651	1,948
Deferred tax asset	35	-	-	-
Prepayments and accrued income	9,174	-	2,593	-
	<u>437,899</u>	<u>2,090</u>	<u>223,637</u>	<u>2,082</u>

14 Creditors: amounts falling due within one year

	Group 31 March 2005 £000	Company 31 March 2005 £000	Group 31 March 2004 £000	Company 31 March 2004 £000
Bank loans and overdrafts	53,757	-	41,150	-
Trade creditors	18,344	-	8,650	-
Amounts owed to parent and fellow subsidiary undertakings	372,059	64,419	237,424	56,530
Corporation tax	13,694	-	6,382	-
Taxation and social security	4,683	-	1,267	-
Other creditors	47,655	-	7,934	-
Finance lease obligations	17	-	-	-
Accruals and deferred income	18,567	32	3,678	38
	<u>528,776</u>	<u>64,451</u>	<u>306,485</u>	<u>59,568</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company
	31 March 2005	31 March 2005	31 March 2004	31 March 2004
	£000	£000	£000	£000
Bank loans and overdrafts	7,564	-	8,077	-
Other creditors	34	-	13	-
Finance lease obligations	138	-	109	-
Owed to group undertakings	11,492	-	1,377	-
	<u>19,228</u>	<u>-</u>	<u>9,576</u>	<u>-</u>

Analysis of bank loans and overdrafts as falling due:

	Group	Group
	31 March 2005	31 March 2004
	£000	£000
In one year or less, or on demand	53,757	41,150
Between one and two years	427	434
Between two and five years	1,453	1,432
In five years or more	5,684	6,211
	<u>61,321</u>	<u>49,227</u>

Analysis of finance leases:

	31 March	31 March
	2005	2004
Group	£000	£000
Finance leases can be analysed as falling due:		
In one year or less, or on demand	17	-
Between one and two years	98	78
Between two and five years	40	31
	<u>155</u>	<u>109</u>

Notes (continued)

16 Provisions for liabilities and charges

<i>Group</i>	Aircraft Maintenance £000	Property £000	Other provisions £000	Deferred tax £000	Total £000
At beginning of year	-	-	3,355	559	3,914
Adjustment in respect of prior year	-	-	-	(173)	(173)
On acquisition	3,377	247	316	(550)	3,390
Utilised during the year	-	-	(1,493)	-	(1,493)
Amounts provided in year	-	35	20	146	201
Foreign exchange	-	-	-	(17)	(17)
Reclassification to debtors	-	-	-	35	35
At end of year	<u>3,377</u>	<u>282</u>	<u>2,198</u>	<u>-</u>	<u>5,857</u>

Other provisions relate to the potential liabilities arising from the insurance subsidiary.

The amounts provided/unprovided for deferred tax are set out below:

<i>Group</i>	Provided 31 March 2005 £000	Unprovided 31 March 2005 £000	Provided 31 March 2004 £000	Unprovided 31 March 2004 £000
Accelerated capital allowances	721	(879)	1,060	(858)
Deferred tax asset arising from losses	(587)	(46,127)	(501)	(31,380)
Other timing differences	(169)	(6,652)	-	(26)
	<u>(35)</u>	<u>(53,658)</u>	<u>559</u>	<u>(32,264)</u>

Deferred Tax

Company

As at 31 March 2005 the Company had tax losses available to carry forward of approximately £24,069,993 (2004: £10,949,000) against which no deferred tax asset has been recognised. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all the available evidence, 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 difference can be deducted.

Notes (continued)

17 Called up share capital

	31 March 2005 £000	31 March 2004 £000
<i>Authorised</i>		
25,000,000 "A" Ordinary shares of 10p each	2,500	2,500
5,022,122,880 ordinary shares of US\$ 0.01 each	32,609	32,609
	<u>35,109</u>	<u>35,109</u>
<i>Allotted, called up and fully paid</i>		
22,124,880 (2004: 22,122,880) "A" Ordinary shares of 10p	2,212	2,212
4,720,037,880 ordinary shares of US\$ 0.01 each	30,648	30,648
	<u>32,860</u>	<u>32,860</u>

On 17 January 2005 the Company issued 2,000 10p shares for a total consideration of £101,217,529.

18 Share premium and reserves

<i>Group</i>	Share premium £000	Merger reserves £000	Profit and loss account £000
At beginning of year	-	26,062	(132,823)
Retained profit for the year	-	-	(37,558)
On share issue	101,218	-	-
Other reserve movement	-	-	2,715
Foreign exchange losses	-	-	559
	<u>101,218</u>	<u>26,062</u>	<u>(167,107)</u>
<i>Company</i>	Share premium £000	Merger Reserves £000	Profit and loss account £000
At beginning of year	-	26,062	(50,351)
Retained loss for the year	-	-	20,131
On share issue	101,218	-	-
	<u>101,218</u>	<u>26,062</u>	<u>(30,220)</u>

Notes (continued)

19 Minority interests

	Group 2005 £000	Group 2004 £000
At beginning of the year	1,041	934
Share of profit/(loss)	(807)	62
Share of increase in investment	-	25
On acquisition	4,515	-
Foreign exchange	13	20
	4,762	1,041
	4,762	1,041

No adjustment has been made for minority interest in subsidiaries with net liabilities unless the minority shareholders are formally required to fund those net liabilities in proportion to their share of the equity of the company concerned.

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

<i>Group</i>	Other 31 March 2005 £000	Land and buildings 31 March 2005 £000	Other 31 March 2004 £000	Land and buildings 31 March 2004 £000
<i>Operating lease which expire:</i>				
Within one year	4	215	30	149
2 – 5 years	19	1,479	147	2,200
Over five years	-	1,683	-	1,688
	23	3,377	177	4,037
	23	3,377	177	4,037

During the year the Sound and Media Group Limited entered into a capital commitment with Granada Ventures Ltd to acquire the rights to certain materials which will be used as content in the production of DVDs in the nearest 5 to 8 years. The commitment to Granada Ventures Ltd has been underwritten by Virgin Holdings Limited, a company controlled by the ultimate parent undertaking, who guaranteed payment of up to £1.8 million.

Notes (continued)

21 Purchase of subsidiary undertaking

On 20 January 2005 the Group via VML2 Limited acquired Virgin Sky Investments Limited from another group company. This was a non cash transaction.

	Book Value	Fair value adjustment	Fair value
	£000	£000	£000
Net assets acquired			
Investments	325,497	(210,895)	114,602
Tangible fixed assets	1,061	-	1,061
Stock	191	-	191
Debtors	243,382	-	243,382
Cash	36,280	-	36,280
Creditors due within one year	(143,874)	-	(143,874)
Creditors due after one year	(40,273)	-	(40,273)
Provisions	(3,693)	-	(3,693)
Minority interest	(640)	-	(640)
	<hr/>	<hr/>	<hr/>
Total tangible net assets	417,931	(210,895)	207,036
Add back Virgin Enterprises Limited*			178,173
			<hr/>
Negative goodwill			385,209
			(50,955)
			<hr/>
Consideration			334,254
			<hr/> <hr/>
Satisfied by:			<hr/>
Debt left outstanding on intercompany loan			334,254
			<hr/> <hr/>

The fair value adjustment relates to the internally generated goodwill in Virgin Sky Investments Limited books relating to the acquisition of VHSA Holdings Limited.

*When Virgin Enterprises Limited was acquired by VEL Holdings Limited during the group reorganisation there was an amount of goodwill (£178,173,000) which was created that formed part of the fair value adjustment above. This additional value is included in the consideration of £334,254,000 but as Virgin Voyager Limited has always owned Virgin Enterprises Limited this needed to be added back to give the correct goodwill calculation from the Group's viewpoint. This therefore creates negative goodwill on the acquisition of Virgin Sky Investments by Virgin Voyager Limited.

The result of the Virgin Sky Investments Limited group up to its date of acquisition on 20 January 2005 was a loss of £3,457,000 (year ended 31 March 2004: profit of £85,782,000). The usual set offs and other adjustments required in the preparation of group accounts have been made for the purpose of disclosing this information.

Notes *(continued)*

22 Purchase of subsidiary undertaking

On 17th December 2004 the Group acquired Winning Wellness PTY from another group company.

	Book & Fair value £000
Net assets acquired	
Tangible Fixed assets	463
Current assets	1,127
Creditors due within 1 year	(471)
Provisions	(67)

Total tangible net assets	1,052

Share of net assets acquired (51.86%)	546
Goodwill	1,755

Consideration	2,301
	=====
Satisfied by:	
Issue of new share capital at a premium	2,301
	=====

On 21st January 2004 the Group acquired WW Science Technology from another group company.

	Book & Fair value £000
Net assets acquired	
Intangible Fixed assets	458
Creditors due within 1 year	(337)
Creditors due after more than 1 year	(11)

Total tangible net assets	110

Goodwill	(110)

Consideration	-
	=====
Satisfied by:	
Issue of new share capital at par	-
	=====

Notes (continued)

23 Purchase of subsidiary undertaking

On 20 January 2005 the Group via Vanson Group Holdings Limited (formerly Virgin Television, formerly Candidoak Limited) acquired Vanson Developments Limited from another group company. This was a non cash transaction.

	Book and Fair value £000
Net assets acquired	
Investments	68,373
Cash	2,926
Creditors due within one year	(44,384)
Provisions	(247)
	<hr/>
Total tangible net assets	26,668
Goodwill	51
	<hr/>
Consideration	26,719
	<hr/> <hr/>
Satisfied by:	
	<hr/>
Debt left outstanding on intercompany loan	26,719
	<hr/> <hr/>

Notes (continued)

24 Contingent liabilities

The company is party to a group overdraft facility of £85 million, all of which is repayable on demand. The Group provides guarantees for other group and related party undertakings. A number of these guarantees cover operating lease commitments in relation to 19 properties owned by Virgin Active Group Limited, Virgin Clubs Limited, and Virgin Cars Limited. No provision has been made in relation to these guarantees which the directors do not expect to give rise to any liability.

Sabena (in bankruptcy), Sabena Technics, SSES (now Snecma Services Brussels or SSB, hereinafter referred to as "SSB"), Sabena Interservice Center (in liquidation) (hereinafter referred to as "SIC") and Virgin Express Holdings plc were involved in legal proceedings following the demise of Sabena in 2001.

When Sabena went into bankruptcy in November 2001, Virgin Express Holdings plc and Sabena were bound by 3 important wet lease / code share agreements. Virgin Express Holdings plc also has various contracts in place with Sabena Technics and SSB, at the time subsidiaries of Sabena, for maintenance and technical support.

Virgin Express in December 2001 filed a declaration of claims in the bankruptcy of Sabena for amounts due by Sabena under the wet lease / code share contracts in the bankruptcy period, as well as an indemnity for early termination of the wet lease contracts following the bankruptcy (approximately €269 million). Sabena's trustees partially contested these claims and in addition introduced against Virgin Express Holdings plc a claim for handling charges (approximately €102 million). SIC, as co-ordination centre of Sabena proper to its bankruptcy, was called to intervene in the proceedings and was sued by Virgin Express Holdings plc to be held jointly and severally liable by Virgin Express.

Sabena Technics and SSB, after the bankruptcy of Sabena, summoned Virgin Express Holdings plc to pay outstanding invoices relating to the pre-Sabena bankruptcy period. Virgin Express Holdings plc contested these claims and argued that they should be offset against the Virgin Express Holdings plc claim in the Sabena bankruptcy, in accordance with the general offset system consistently applied before the Sabena bankruptcy. According to that offset system, debts owed by Virgin Express Holdings plc to Sabena Technics and SSB were offset with the receivable Virgin Express Holdings plc had against Sabena resulting into a payment by Sabena to Virgin Express Holdings plc.

In December 2003, the Commercial Court of Brussels joined the different legal proceedings into one single proceeding. In May 2004, as part of an overall commercial agreement between the Virgin group and the Snecma group, Virgin Express Holdings plc and SSB entered into a settlement agreement. In this settlement SSB waived its claim against Virgin Express Holdings plc against payment by the latter of part of the amount claimed.

Sabena Technics in June 2004 waived its claim against Virgin Express Holdings plc, as part of a 3 year extension of the maintenance agreement with Virgin Express Holdings plc. This has resulted in a decrease of €3.5 million in Virgin Express' operating expenses in 2004.

In July 2004, Virgin Express Holdings plc and the trustees in bankruptcy revised and offset their reciprocal claims and Virgin Express Holdings plc then waived the remaining balance, so that parties have nothing left to claim from each other, without any further formality. Finally, Virgin Express Holdings plc sent a draft settlement agreement to SIC whereby Virgin Express Holdings plc unilaterally waives its claim against SIC. Although the settlement agreement has not yet been signed by SIC, no difficulties are expected as SIC has made no counterclaim against Virgin Express Holdings plc and would only benefit from the settlement.

Notes (continued)

25 Related party disclosures

As a 100% owned subsidiary of Barfair Limited, the Company has taken advantage of the exemption under FRS8: Related Party Disclosures, which enables it to exclude disclosure of transactions with Barfair Limited and its subsidiaries.

As at 31 March 2005, the Company's ultimate parent Company was Virgin Group Investments Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Investments Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Investments 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.

The Group had the following transactions in the year and amounts outstanding with related parties at year end:

	Parent undertakings		Related undertakings	
	31 March 2005 £000	31 March 2004 £000	31 March 2005 £000	31 March 2004 £000
Debtors	595	181,063	165,664	23,467
Creditors: amounts falling due within one year	2,716	45,471	251,870	191,953
Creditors: amounts falling due after one year	-	-	22,600	1,377
Turnover		700	13,576	27,884
Administration expenses		-	1,578	2,350
Other operating income		-	472	947
Interest receivable		-	10,437	1,030
Interest payable	10	130	24,661	13,014

Intercompany funding balances due to and from parent, fellow subsidiary and associated undertakings attracted interest at a rate of 1.5% above the base rate of Lloyds Bank Plc. Intercompany funding balances due to and from related undertakings attracted interest at a rate of 2.5% above the base rate of Lloyds Bank Plc.

The parent undertakings with whom the Group transacted during the year was Virgin Group Investments Limited.

Notes (continued)

25 Related party disclosures (continued)

The related undertakings with whom the Group transacted during the year were Virgin D3 Limited, Virgin Mobile Australia (Pty) Limited, Virgin Active Group Limited, Virgin Active South Africa (Pty) Limited, Virgin Atlantic Limited, Virgin Cars Limited, Virgin Retail Investments Limited, Virgin Entertainment Global Limited, Virgin Money Holdings (UK) Limited, The Virgin Clothing Company Limited, Virgin Vie Limited, Virgin Travelstore Limited, V2 Music (Holdings) Limited, Virgin Atlantic Airways Limited, Virgin Hotels Group Limited, Virgin Wine Online Limited, Virgin Cosmetics Limited, Virgin Money Management Services Limited, Virgin Money Personal Financial Services Limited, Virgin Home Limited, Virgin Mobile Telecoms Limited, Virgin Net Limited, Virgin Retail Holdings Limited, Virgin Media Group Limited, Virgin HomeEnergy Limited, Virgin Audio Holdings Limited, Virgin.com Limited, Virgin Investments SA, Virgin Radio (Asia) Limited, Virgin Holdings Limited, Ivanco (No 3) Limited, Package Holidays Direct Limited, Virgin Wines Limited, Victory Corporation Plc, Virgin Rail Group Holdings Limited, West Coast Trains Limited, Dragonfly SA, Bluebottle Investment Inc, Virgin Ventures Limited, Virgin Audio Limited, Virgin Audio Holdings Inc, Bluebottle UK Limited, The Virgin Drinks Group Limited, Virgin Fitness SA, Virgin Homephone Limited, Virgin Leisure Limited, Virgin Mobile USA Inc, Virgin Mobile USA LLC, Virgin Performance Limited, Virgin Pulse Holdings LLC, Trainline Holdings Limited, MS Vehicle Management Limited, Virgin Cars (Holdings) Limited, Newstart Investments Limited, Bluebottle USA Holdings Inc, and Virgin Mobile Holdings (UK) plc.

26 Ultimate parent Company and parent undertaking of larger Group

The ultimate parent company is Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the Company and group results are consolidated are those for Barfair Limited, a company registered in England and Wales. Copies of the group accounts of Barfair Limited can be obtained from Companies House.

27 Post balance sheet event

On 12 April 2005, VEX PLC satisfied the final conditions precedent to the common ownership agreement signed on 5 October 2004 and VEX Belgium was transferred to SN Air in consideration for an issue of shares, representing 29.9% of the issued capital in SN Air.

With effect from 12 April 2005, Vexair acquired from VEX PLC its entire interest in the equity in SN Air for a consideration of €54 million ("the Vexair Sale and Purchase Agreement"). The Vexair Sale and Purchase Agreement was completed following an Extraordinary General Meeting of VEX PLC held on 9 May 2005, when VEX PLC was placed into a members' voluntary liquidation. Consequently, the debt outstanding by VEX PLC to the Company was repaid in full. As part of this agreement, Vexair also assume the liabilities of VEX PLC in connection with the interest in SN Air, including warranty and indemnity liability pursuant to the common ownership agreement entered into with SN Air on 5 October 2004. The Company subscribed for 998 new £1 ordinary shares in Vexair at an aggregate subscription price of €54 million.

Following the payment of €1 gross per share to its minority shareholders, VEX PLC was delisted from Euronext on 7 June 2005 and from NASDAQ on 21 June 2005.