Virgin Mobile Holdings (UK) plc (Virgin Mobile)`
Preliminary results for the twelve months ended 31 March 2005

Released: London 26 May 2005

On 14 May 2004, we changed our year-end to bring it in line with other UK listed mobile operators. As a result, our comparative statutory period is for the three months ended 31 March 2004. The following review of Virgin Mobile's operations for the twelve months ended 31 March 2005 is compared to the statutory results for the three months ended 31 March 2004 and the unaudited pro forma results reflecting the current Telecommunications Supply Agreement (TSA), signed 29 January 2004 (see page 10 for definition), for the twelve months ended 31 March 2004. The purpose of the pro forma comparison is to provide a like-for-like picture of underlying performance. Management considers the pro forma comparison as the more relevant when reviewing operational performance on an ongoing basis. The new TSA was in operation for the whole of the twelve months ended 31 March 2005.

	Twelve months ended 31 March 2005 (£ million)	**Pro forma**[1] Twelve months ended 31 March 2004 (£ million)	Change over period	Three months ended 31 March 2004 (£ million)
Turnover	521.3	462.2	12.8%	123.8
Turnover before exceptional items	521.3	453.3	15.0%	122.8
Operating profit before exceptional items	82.9	63.2	31.2%	21.7
Exceptional items	(15.2)	(14.6)	N/A	1.0
Operating profit	67.7	48.6	39.3%	22.7
Underlying EPS per share (pence)[2]	18.4p	15.0p	22.7%	5.6p
EPS (pence)	13.8p	10.9p	26.6%	5.9p
Operating free cash flow[2]	84.5	82.4	2.5%	40.1
Operating free cash flow margin	16.2%	18.2%	(2.0pp)	32.7%

(1) The reconciliation of statutory EPS to underlying EPS and statutory to unaudited pro forma results is set out on 17 and 19, respectively.
(2) Definitions for operating free cash flow and underlying EPS are set out in notes 4 and 5 in the Operating Data, on page 10.

FINANCIAL HIGHLIGHTS

For the twelve months ended 31 March 2005 (FY05) compared to the unaudited pro forma results for the twelve months ended 31 March 2004 (FY04), before exceptional items for both periods.

Strong customer and revenue growth

- **Total SIM connections up 35.3% to 5,359,900** (FY04: 3,961,500)
- **Active customers[(1)] up 24.4% to 4,031,900** (FY04: 3,241,500)
- **Net active customer[(1)] additions of 790,400** (FY04: 1,053,100)
- **Turnover up 15.0% to £521.3m** (FY04: £453.3m)
- **Service revenue up 16.2% to £457.6m** (FY04: £394.0m)
- **Pre-pay ARPU of £127** (FY04: £147)
- **SAC stable at £26** (FY04: £25)

Operating leverage, leading to margin expansion

- **EBITDA increased by 27.4% to £100.3m** (FY04: £78.7m)**; Operating profit increased by 31.2% to £82.9m** (FY04: £63.2m)
- **Margin expansion: EBITDA margin up 1.8pp to 19.2%** (FY04: 17.4%)**; Operating profit margin up 2.0pp to 15.9%** (FY04: 13.9%)
- **Like-for-like cash operating costs[(2)] up 0.5% for the year at £117.6m** (FY04 £117.0m)
- **Operating costs per customer down 23.1%**
- **Underlying earnings per share[(3)] of 18.4p** (FY04: 15.0p)
- **Unique capital efficiency with capital expenditure at 2.1% of revenue** (FY04: 3.2%)
- **Operating free cash flow of £84.5m** (FY04: £82.4)**; like-for-like margin[(4)] of 20.7%** (FY04: 18.2%)
- **Net debt reduction to £234.2m; Net debt:EBITDA now at 2.3x** (FY04: 3.9x)
- **Proposed maiden dividend of 4.88p per share**

Confident outlook for 2005/2006

- **Mid-teens percentage service revenue growth**
- **2005/6 dividend payout ratio targeted at 50%**

(1) Active customers are defined as those who have made an outbound call or text within the last 90 days.
(2) Excludes depreciation, and incremental costs associated with becoming a plc, including share incentive scheme costs.
(3) Excludes exceptional items and tax effect on exceptional items.
(4) Excludes impact of pre-IPO bonus cash flow of £23.5m.

OUTLOOK

Please see "Forward-looking statements" below.

Virgin Mobile has seen a strong start in sales for the year. We continue to attract market share in a competitive mobile sector and have not been impacted by any broader slowdown in consumer confidence. During the forthcoming year, we expect to continue to take advantage of growth opportunities in the UK and deliver mid-teens percentage growth in service revenue. This represents superior top-line growth. We will achieve this by continuing to drive growth in the prepay market while increasing our product reach and building on our contract proposition following its successful launch on 1 May 2005.

Exceptional operational leverage is a feature of the Virgin Mobile business model, enabling us to deliver a stable operating cost base, while achieving superior revenue growth. We expect this to be an ongoing feature of the model, with operating cost growth below 5% in FY 2006. We will continue to drive down the cost to serve each customer, while remaining committed to best-in-class customer service. The core prepay business is expected to deliver further margin expansion. We expect our investment in contract customer acquisition to dilute overall EBIT margin by zero to one percentage points, with a subsequent benefit in service revenue and earnings.

High cash flow conversion remains an outstanding feature of our business model. After the investment in contract customer acquisition, we expect the operating free cash flow margin to be broadly stable on the FY 2005 reported figure.

Owing to our high cash conversion ratios, we anticipate a continuing reduction of the current net debt position. Against this backdrop, we expect to be able to deliver a progressive dividend return to shareholders, with an expected 50% payout ratio in the 2005/06 financial year.

Charles Gurassa, Chairman, commented:
"These results mark the fifth year in succession that we have produced double-digit revenue and EBITDA growth at Virgin Mobile. The continued success of the business is driven by its deeply held commitment to give great value and service to its customers, underpinned by a highly efficient operational platform.

"Service revenues for the year grew by 16.2% and the average operating cost per customer declined by 23.1%, enabling the company to deliver significant improvements in margins and profits. Our low capital expenditure model continues to produce high cash returns, further strengthening our balance sheet.

"Subject to approval of our shareholders, we will pay a maiden dividend of 4.88p per share for the financial year 2005. We expect to adopt a progressive dividend policy going forward, reflecting our confidence in the future prospects of our business and are targeting a 50% payout ratio for FY 2005/06."

Tom Alexander, Chief Executive, commented:
"In the past three years we've tripled our revenues, and 2005 has been our best year yet. Our strong performance shows Virgin Mobile has the ability to sustain sector-leading service revenue growth within a competitive environment.

"Our revenue growth has been fuelled by our consistently strong customer growth, and with increasing operating leverage our profitability has improved. This market-leading performance is the combined product of our iconic brand, industry-leading customer service, and tight operational management

"We are now rapidly building on the successes of the past year. Our high street performance is bucking trends seen elsewhere, with gross sales up over 20% so far this year. This month, we announced our entry into the contract market with our new product, Virgin Mobile Pay Monthly. This important product launch marks the next stage of Virgin Mobile's evolution, and triples the size of our addressable market in revenue terms. Prepay remains the primary engine of our growth.

"We are confident in achieving strong growth in both prepay and contract, and as a result, we are expecting service revenue percentage growth in the mid-teens in FY 2005/06."

OPERATING REVIEW

For the twelve months ended 31 March 2005 (FY05) compared to unaudited pro forma results for the twelve months ended 31 March 2004 (FY04).

At the time of our IPO, we set out a clear aim to grow the business rapidly, and a defined strategy to achieve this:

- continue strong growth in customers and revenues;
- increase customer spending through product innovation;
- expand our efficient distribution network and customer reach;
- exploit our business model to continue to deliver high cash returns;
- leverage our brand strength; and
- explore international opportunities.

In the past year, we made significant, tangible progress in each of these areas.

We continue to focus on our core UK market where growth and return on investment are very attractive. We will also explore international opportunities in the medium-term, subject to market attractiveness and rigorous investment criteria.

Customer growth

Virgin Mobile has delivered very robust growth in customer numbers within a competitive environment, as the result of our great value and innovation, superior consumer marketing, broad customer reach, strong brand and the best customer care in the industry.

Total SIM connections rose by over 1.3 million to 5,359,900 (FY04: 3,961,500). Our active customer base grew to 4,031,800 (FY04: 3,241,400), a 24.4% increase from a year ago.

Churn was higher at 17.5% (FY04 14.0%), in line with industry trends. In the prepay market in particular, churn is an expected and regular cost of business. Market churn is also an important growth driver for Virgin Mobile, as we continue to attract customers away from our competitors with our innovative products and great value proposition.

During the year our growth was derived exclusively from the prepay market; our contract market product, Virgin Mobile Pay Monthly, was launched in May 2005, extending our presence into the largest market segment by revenue.

Expanding distribution

Effective distribution remains an important driver of our performance. In 2005, we continued to expand our distribution network in a highly efficient manner.

- We grew our total distribution network by 20%, adding our products to approximately 1,000 new outlets. Virgin Mobile products are now available from approximately 6,000 outlets throughout the UK.
- Virgin Mobile Stores in Virgin Megastores now number 96, from 77 at 30 September 2004 and just 10 a year ago. This initial phase of the Virgin Mobile Store rollout is now complete, with opportunities remaining for further expansion as the Virgin Megastores network grows. Our Stores continue to be a highly effective distribution channel for Virgin Mobile, attracting high value customers.
- We expanded the Virgin Mobile Store concept in October 2004 with a pilot at eight WH Smith locations. There are now a total of 104 Virgin Mobile Stores in the UK. We will continue to explore opportunities to further expand the Virgin Mobile Stores franchise on the high street.
- We established an independent dealer network of 600 outlets, supplied through a number of distributors. We have also begun to distribute our products to dealers directly. This new channel has made a significant contribution to connections during the year.
- The Internet is also a very effective and rapidly-growing distribution channel for Virgin Mobile. A number of Internet-based marketing initiatives during the year were very successful, and we will continue to grow this important, cost-effective distribution channel.

Leveraging brand strength
Virgin Mobile's brand is an important asset for the Company, allowing us to achieve broad consumer appeal with relatively low investment. Our total advertising and marketing spend for FY 2005 was just 4.4% of sales. We won a number of marketing awards during the period, demonstrating our brand's effectiveness:

- The top *Gold Award* at the IPA Advertising Effectiveness Awards 2004.
- *Best Ad Campaign* for 'Idle Thumbs' at the Mobile Choice Consumer Awards in October 2004.

An essential component of our brand strategy is providing superior customer service. We consistently receive the highest ratings in the UK mobile market for our customer care, and we are delighted to have once again been recognised during the year in this important area.

- We achieved the highest customer satisfaction rating in the prepay market, winning the JD Power and Associates survey for both 2004 and 2005. Our customer service rating in the survey was substantially ahead of all of our competitors.
- We also won *Best Customer Service* for the fourth year in a row at the Mobile Choice Consumer Awards 2004.

New products and services
The expansion of our product range is a key driver of growth for Virgin Mobile, and we have made significant progress during the year. Our innovative approach to product development continues to differentiate us in the marketplace.

- In August 2004, we launched Virgin Mobile Bites, our cutting edge entertainment service and the platform for the delivery of value-added multimedia services. As a consequence, revenue from value-added services rose by over 90% during the year.
- In October 2004, we launched Bundles, a platform which allows us to target a number of consumer segments. The Bundles product offers customers high-value bundles of voice minutes, texts, and picture messages with a saving against our standard tariff. This product enables us to target high-value prepay customers, both those new to Virgin Mobile and by offering value to our existing base. This important capability also serves as a technological platform for entry into the contract market.
- In November 2004, we launched our Hassle-free package, offering eight months' worth of value-for-money minutes and texts pre-packaged with a range of handsets. This is yet another example of our innovative approach to consumer marketing, providing consumers with contract-type value without the need to sign a contract.
- The recent introduction of our Line Rental Rescue Kit served as the next phase of development for our contract platform, offering contract customers on other networks a simple way to transfer their phones to Virgin Mobile.

Entry into the contract market
In line with the strategy we outlined at our IPO, on 1 May 2005 we launched 'Virgin Mobile Pay Monthly', our compelling new contract product.

This new product represents an innovation in the contract market. It is the UK's only consumer contract offer to guarantee customers either a reduction in their monthly charge, or a new phone on renewal of their 12- or 18-month contract.

This launch represents an excellent avenue for growth, as the contract market represents approximately one third of mobile customers and two thirds of total mobile revenues in the UK.

The launch of our contract product is consistent with our measured approach to market entry, and tailored to complement our financial model, which continues to produce growth in revenues and profitability. Virgin Mobile Pay Monthly is exclusively available through Carphone Warehouse for the first three months. We will broaden the distribution platform of our contract product incrementally, including expansion into our Virgin Mobile Stores.

FINANCIAL REVIEW

For the twelve months ended 31 March 2005 (FY05) compared to unaudited pro forma results for the twelve months ended 31 March 2004 (FY04), before exceptional items for both periods, unless otherwise stated.

Revenue growth

Strong customer growth drove a 15.0% rise in total turnover, to £521.3m (FY04 £453.3m). Service revenue increased by a sector-leading 16.2% to £457.6m (FY04: £394.0m), despite the impact of Ofcom's 30% cut in mobile termination rates in September 2004. Excluding the impact of these cuts, underlying service revenue growth was 23.0%.

Rolling 12-month ARPU was £127 compared to £137 at 30 September 2004 and £147 at 31 March 2004. The majority of the decline in the second half of the year was due to the impact of the regulatory cuts in interconnect rates, with the decline in underlying ARPU slowing throughout the year. Of the £10 decline in ARPU during the second half of the year, £6 was due to interconnect cuts. Excluding the impact of Ofcom, underlying ARPU was £136 in Q3 FY05 and £134 in Q4 FY05.

The balance of the reduction in ARPU (£13 of the total £20 decline) arose from Virgin Mobile's very high customer base growth during the past 12 months, which has had the effect of diluting ARPU. We have seen a strong rate of acquisition from lower ARPU networks, and given our low cost base, these customers remain highly profitable. Offsetting some of the ARPU dilution was a more than 90% increase in roaming and value-added services revenues. This was driven by the introduction of prepay roaming and Virgin Mobile Bites respectively, both of which are gaining impressive traction with our customers.

Equipment revenue increased by 7.4% to £63.7m (FY04: £59.3m), driven by the increase in our net customer additions. We have continued our very successful strategy, in which certain channel partners are incentivised to combine Virgin Mobile service packs with handsets (sourced by the channel, but approved by us), and to sell the bundled package to the end consumer. Service pack-only dispatches to such channels for the year ended 31 March 2005 were 57% of total dispatches (FY04: 58%).

Gross margin

Service gross profit increased by 13.8% to £280.7m (FY04: £246.7m). Service gross margin declined slightly to 61.3% from 62.7% in the previous year. The impact on service margin was again due to the interconnect cuts; excluding these cuts service margin rose slightly to 62.9%. Core service pricing remained unchanged during the year.

Gross connections for the year continued to accelerate. Net acquisition costs rose 18.7% to £61.0m from £51.4m for FY 2004 due to increased volume, as subscriber acquisition costs were held stable for the year at just £26 compared to £25 in FY 2004. As we build our contract market offering, we expect to make incremental investment into acquisition in FY 2006, which is expected to drive future growth.

Operational discipline

We contained costs effectively during the year, even as investments were made in new products and services to grow the business.

Administrative expenses

During the financial year 2005, our active customer base has grown by 24.4%, while operating costs before depreciation have risen by just 2.1% in the same period. This represents a 23.1% reduction in operating costs per customer, from £2.77 to £2.13. The principal increases in operating costs were related to new costs associated with being a publicly listed company.

Excluding plc related costs, the like-for-like operating costs before depreciation increased by only 0.5%. Other costs, such as further expansion of our Virgin Mobile Stores (there were 104 Stores at 31 March 2005, compared to 10 stores at 31 March 2004) were absorbed within the operating cost base.

Total employee costs increased by 5.9% to £48.5m (FY04: £45.8m) including new plc-related costs and a £1.0m non-cash charge related to employee share options issued during the year.

Due to the continued optimisation of our channel marketing activity, our channel and retention costs decreased by 2.4% over the period. This was despite an increase in staffing costs for our Virgin Mobile Stores expansion. Advertising and marketing remained stable year on year.

The depreciation charge increased by 12.3% including a full year's depreciation of our new billing system, which provides us with the capability to rate and bill customers for new services and products as they become available.

Increased profitability

In line with our strategy, strong growth and well-managed operating leverage resulted in growing profitability. We delivered EBITDA of £100.3m, a 27.4% rise (FY04: £78.7m). EBITDA growth outpaced revenue growth for the year, resulting in margin expansion of 1.8pp for the year, to 19.2%.

Excluding the impact of the termination rate cuts, underlying EBITDA would have increased by over 58% from a year ago, representing margin expansion of over 5 points.

Operating profit rose 31.2% to £82.9m (FY04: £63.2m), with operating profit margins expanding to 15.9% from 13.9% for FY04. Excluding the impact of Ofcom, underlying operating profits rose nearly 70%, reflecting an underlying margin expansion of approximately 5.5pp.

Operating profit after exceptional items rose by 39.3% to £67.7m (FY04: £48.6m), of which £6.3m related to restructuring and IPO costs and £8.9m for IPO related share option scheme costs.

Cash generation

Capital expenditure declined by 26.5% to £10.8m (FY04: £14.7m), or just 2.1% of revenues (FY04: 3.2%). The previous year included non-recurring investment in billing and Customer Relationship Management systems, being the primary reason for the decrease. We were able to reduce our capex spend during a period of intense development, in which we added platform capability and launched a number of new products, including GPRS, MMS, Virgin Mobile Bites and Bundles. We have received good development support from our network partner, T-Mobile, under the terms of our supply contract.

The ability to yield high levels of cash in a varying market environment while continuing to invest in the future growth of our business is a key differentiator for Virgin Mobile. The strong revenue growth and low levels of operational and capital expenditure have generated operating free cash flow of £84.5m for the year, a 2.5% rise over a year ago (FY 2004: £82.4m). This reflects a decline in operating free cash flow margin of 2.0pp, to 16.2%. Operating free cash flow for the year was impacted by the one-off effect of the long-term pre-IPO bonus of £23.5m, incurred in the results for the year ended 31 December 2003, but paid during the year to 31 March 2005. The payment of the bonus resulted in the deterioration of working capital by £4.3m. Excluding this payment, working capital improved by £19.2m, reflecting a like-for-like operating free cashflow margin of over 20%.

The highly favourable cash flow profile inherent to our business model allowed us to reduce net debt to £234.2m, from £303.3m a year ago and £264.1m at 30 September 2004. Our rapid debt reduction and strong financial management has enabled us to bring our gearing level down to just 2.3x EBITDA, compared to 3.9x at 31 March 2004.

Dividend payment

In light of our continued strong cashflow generation, the Board proposes a final dividend of 4.88 pence per share, payable on 25 July 2005 to shareholders on the register on 10 June 2005, subject to approval of shareholders at the annual general meeting on 20 July 2005. The dividend is based on 40% of pre-exceptional net income and will be paid as a final dividend, or two thirds of the payout ratio for the year. Management expects to employ a progressive dividend policy going forward, with an expected 50% payout ratio for 2005/06.

FOURTH QUARTER KEY PERFORMANCE INDICATORS

A total of 334,400 net new SIM connections were added during the quarter. Net active customer additions were 152,400, rising 8.6% on net additions in the same period a year ago. Rolling 12-month ARPU for the quarter was £127 compared to £132 at 31 December 2004. Of the ARPU decrease of £5, £3 was due to the impact of Ofcom interconnect cuts.

Reflecting an increasing uptake of Virgin Mobile Bites and other value-added services, the contribution of non-voice services to total sales rose by 1.5pp during the quarter to 31.2%, compared to 29.7% in Q3 FY05 and 28.0% in Q4 FY04.

Subscriber acquisition costs in the fourth quarter were £23, reflecting a 17.8% decline from Q3 FY05 (£28) and a 23.3% decline from Q4 FY04 (£30).

STATUTORY RESULTS REVIEW

For the statutory results for the twelve months ended 31 March 2005 (FY05) compared to the three months ended 31 March 2004 (FY04). This review includes exceptional items, unless stated.

On 14 May 2004, we changed our year-end to bring it in line with other UK listed mobile operators. As a result, our comparative statutory period is for the three months ended 31 March 2004. Turnover for the twelve months ended 31 March 2005 was £521.3m and for the three months ended 31 March 2004 was £123.8m (including £1m of exceptional turnover). Operating profit for the twelve months ended 31 March 2005 was £67.7m (including £15.2m of exceptional operating costs) and for the three months ended 31 March 2004 was £22.7m (including £1.0m exceptional turnover). Profit after tax for the twelve months ended 31 March 2005 was £34.7m and for the three months ended 31 March 2004 was £14.8m. Earnings per share was 13.8p for the year ended 31 March 2005 compared to 5.9p for the three months ended 31 March 2004.

OPERATING DATA – HALF YEAR COMPARATIVES

	Full year			First half			Second half		
		Pro forma[1]			Pro forma[1]			Pro forma[1]	
	12 months ended 31 March 2005 £ million	12 months ended 31 March 2004 £ million	Change over pro forma prior period %	6 months ended 30 Sept 2004 £ million	6 months ended 30 Sept 2003 £ million	Change over pro forma prior period %	6 months ended 31 March 2005 £ million	6 months ended 31 March 2004 £ million	Change over pro forma prior period %
Financial operating data[2]									
Service turnover	457.6	394.0	16%	230.7	184.9	25%	226.9	209.1	9%
Equipment turnover	63.7	59.3	7%	26.0	22.6	15%	37.7	36.7	3%
Total turnover	521.3	453.3	15%	256.7	207.5	24%	264.6	245.8	8%
Service gross profit	280.7	246.7	14%	143.4	117.3	22%	137.3	129.4	6%
Equipment gross profit	(61.0)	(51.0)	20%	(27.5)	(20.2)	36%	(33.5)	(30.8)	9%
Total gross profit	219.7	195.7	12%	115.9	97.1	19%	103.8	98.6	5%
Service gross margin	61.3%	62.6%	(1.3pp)	62.2%	63.4%	(1.2pp)	60.5%	61.9%	(1.4pp)
Gross margin	42.1%	43.2%	(1.1pp)	45.1%	46.8%	(1.7pp)	39.2%	40.1%	(0.9pp)
Administration expenses before depreciation	(119.4)	(117.0)	2%	(60.5)	(57.5)	5%	(58.9)	(59.5)	(1%)
EBITDA[3]	100.3	78.7	27%	55.4	39.6	40%	44.9	39.1	15%
EBITDA margin	19.2%	17.4%	1.8pp	21.6%	19.1%	2.5pp	17.0%	15.9%	1.1pp
Change in working capital	(4.3)	18.4	(123%)	(3.8)	(3.6)	6%	(0.5)	22.0	(102%)
Purchase of tangible fixed assets	(11.5)	(14.7)	(22%)	(5.7)	(8.9)	(36%)	(5.8)	(5.8)	0%
Operating free cashflow[4]	84.5	82.4	3%	45.9	27.1	69%	38.6	55.3	(30%)
Operating free cashflow margin	16.2%	18.2%	(2.0pp)	17.9%	13.1%	4.8pp	14.6%	22.5%	(7.9pp)
EBITDA[3]	100.3	78.7	27%	55.4	39.6	40%	44.9	39.1	15%
Depreciation	(17.4)	(15.5)	12%	(8.1)	(6.4)	27%	(9.3)	(9.1)	2%
Operating profit	82.9	63.2	31%	47.3	33.2	42%	35.6	30.0	19%
Operating profit margin	15.9%	13.9%	2.0pp	18.4%	16.0%	2.4pp	13.5%	12.2%	1.3pp
Underlying earnings per share[5]	18.4p	15.0p	23%	11.7p	7.8p	50%	6.7p	7.2p	(7%)
Net debt	234.2	303.3	(23%)	264.1	355.4	(26%)	234.2	303.3	(23%)

NON-FINANCIAL OPERATING DATA

	Full year			First half			Second half		
		Pro forma[1]			Pro forma[1]			Pro forma[1]	
Non-financial operating data[2],[6]	12 months ended 31 March 2005	12 months ended 31 March 2004	Change over pro forma prior period	6 months ended 30 Sept 2004	6 months ended 30 Sept 2003	Change over pro forma prior period	6 months ended 31 March 2005	6 months ended 31 March 2004	% change
Total connected SIMs (thousands)	5,359.9	3,961.5	35%	4,609.0	3,183.3	45%	5,359.9	3,961.5	35%
Net additions (thousands)	1,398.4	1,324.4	6%	647.5	501.2	29%	750.9	823.2	(9%)
Churn rate (%)	17.5%	14.0%	3.5pp	14.3%	16.0%	(1.7pp)	17.5%	14.0%	3.5pp
Active customers (thousands)	4,031.9	3,241.5	24%	3,603.7	2,583.5	39%	4,031.9	3,241.5	24%
Net additions (thousands)	790.4	1,053.1	(25%)	362.2	395.1	(8%)	428.2	658.0	(35%)
Average revenue Per User ("ARPU") (£)	£127	£147	(14%)	£137	N/A[7]	N/A[7]	£127	£147	(14%)
Non-voice service turnover as a percentage of service turnover (%)	31.2%	28.0%	3.2pp	29.0%	N/A[7]	N/A[7]	31.2%	28.0%	3.2pp
Annual Minutes of Use ("MOU") per customer (minutes)	775	884	(12%)	831	933	(11%)	775	884	(12%)
Annual SMS per customer (SMS messages)	614	686	(10%)	667	675	(1%)	614	686	(10%)
Subscriber Acquisition Costs ("SAC") per gross addition (£)	£26	£25	4%	£26	£26	0%	£26	£24	8%
Capital expenditure as a percentage of total turnover (%)	2.1%	3.2%	(1.1pp)	2.2%	4.3%	(2.1pp)	1.9%	2.3%	(0.4pp)

OPERATING DATA – QUARTERLY COMPARATIVES

Quarterly Key Performance Indicators[2]

	3 months ended 31 Dec 2003	3 months ended 31 March 2004	3 months ended 30 June 2004	3 months ended 30 Sept 2004	3 months ended 31 Dec 2004	3 month ended 31 March 2005
Total connected sims (thousands)	3,678.5	3,961.5	4,248.7	4,609.0	5,025.5	5,359.9
Net connected sims additions (thousands)	540.2	283.0	287.2	360.3	416.5	334.4
Churn rate (%)	13.8%	14.0%	15.2%	14.3%	16.2%	17.5%
Total 90 day active customers (thousands)	3,101.2	3,241.5	3,391.8	3,603.7	3,879.5	4,031.9
Net 90 day active customer additions (thousands)	517.7	140.3	150.3	211.9	275.8	152.4
Average revenue Per User ("ARPU") (£)	N/A[7]	£147	£142	£137	£132	£127
Non-voice service turnover as a percentage of service turnover (%)	N/A[7]	28.0%	28.7%	29.0%	29.7%	31.2%
Subscriber Acquisition Costs ("SAC") per gross addition (£)	£24	£30	£28	£24	£28	£23

(1) On 29 January 2004, we entered into a new Telecommunications Supply Agreement ("TSA") with our network provider, T-Mobile. Until 29 January 2004, under our previous TSA, T-Mobile paid marketing support contributions ("MSC"), being a monthly amount based on the number of customers in that month, which we recognised as turnover. From that date, instead of paying MSC, T-Mobile now passes through the inbound revenue they receive from third parties in respect of inbound calls, or messages sent, to our customers, which we recognise as turnover. Also, under the new TSA, the charges we pay to T-Mobile for use of their network are different to the charges under the previous TSA. The above results, including ARPU and non-voice service turnover as a percentage of service turnover, have been prepared as if the new TSA had been operational from 1 April 2003.

(2) All financial results are shown before exceptional items.

(3) Due to our low levels of capital investment, we believe that operating profit is a useful measure of profitability we achieve with our asset base. In addition, we believe it is a useful measure for some investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. EBITDA is presented because it is a standard financial metric used in our industry. EBITDA consists of profit before finance charges (net), tax on profit on ordinary activities and depreciation and amortisation. EBITDA is not a measure of financial performance under UK GAAP, US GAAP or IAS and should not be considered as an alternative to cash flow from operating activities, a measure of liquidity or an alternative to net profit as indicators of our operating performance or any other measures of performance derived in accordance with UK GAAP, US GAAP or IAS.

(4) Operating free cash flow is defined as EBITDA before exceptional items, adjusted for changes in working capital and less capital expenditure.

(5) Underlying earnings per share is based on the results before exceptional items and a normalised tax charge based on our effective tax rate of 30% of pre-tax profits.

(6) Total connected sims and 90 day active customers are shown as at the relevant dates. Churn rates, ARPU, non-voice service turnover as a percentage of service turnover, annual MOU per customer and annual SMS per customer are based on information in the preceding twelve months from the relevant dates. Net connected sims additions, net customer additions, SAC per gross addition and capital expenditure as a percentage of turnover are based on information during the relevant period.

(7) ARPU and non-voice service turnover as a percentage of service turnover are not shown for the period ended 31 December 2003 as results have been based on pro forma results assuming the new TSA had been operational from 1 April 2003 and therefore there is not a full twelve months of information based on the new TSA prior to these dates.

Summary Consolidated Profit and Loss Account

	Notes	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Turnover before exceptional item		521,296	122,848
Exceptional turnover	(2)	-	1,001
Turnover		521,296	123,849
Cost of sales		(301,624)	(68,891)
Gross profit		219,672	54,958
Administrative expenses before exceptional operating costs		(136,825)	(32,246)
Exceptional operating costs	(2)	(15,189)	-
Administrative expenses		(152,014)	(32,246)
Operating profit before operating exceptional items		82,847	21,711
Exceptional items	(2)	(15,189)	1,001
Operating profit	(7)	67,658	22,712
Finance charges (net)		(14,543)	(1,903)
Profit on ordinary activities before taxation	(3)	53,115	20,809
Tax on profit on ordinary activities	(4)	(18,372)	(5,987)
Profit for the financial period		34,743	14,822
Equity dividends		(12,343)	-
Retained profit for the financial period		22,400	14,822
Earnings per ordinary share	(5)	13.8p	5.9p
Diluted earnings per ordinary share	(5)	13.6p	5.9p
Underlying earnings per ordinary share	(5)	18.4p	5.6p

All amounts derive from continuing operations.
There were no other recognised gains and losses in these periods.

Summary Consolidated Balance Sheet

	Notes	31 March 2005 £'000	31 March 2004 £'000
Fixed assets			
Tangible assets		21,059	26,532
Current assets			
Stocks		5,941	10,801
Debtors		24,253	39,865
Deferred tax asset		17,821	36,193
Cash at bank and in hand		13,220	37,481
		61,235	124,340
Creditors: amounts falling due within one year		(141,154)	(445,681)
Net current liabilities		(79,919)	(321,341)
Total assets less current liabilities		(58,860)	(294,809)
Creditors: amounts falling due after more than one year		(200,625)	(1,201)
Net liabilities		(259,485)	(296,010)
Capital and reserves			
Called up share capital		25,293	25,000
Share premium account		15,859	11,870
Merger reserve		(328,348)	(247,784)
Profit and loss account		27,711	(85,096)
Accumulated deficit	(6)	(259,485)	(296,010)

Summary Consolidated Cash Flow Statement

	Notes	12 months ended 31 March 2005 £'000	12 months ended 31 March 2004 £'000
Net cash inflow from operating activities	(7)	90,780	40,069
Returns on investments and servicing of finance		(12,124)	(1,460)
Capital expenditure and financial investment		(11,502)	(1,324)
Cash inflow before financing		67,154	37,285
Financing		(91,415)	(46,403)
Decrease in cash in the period		(24,261)	(9,118)

Reconciliation of net cash flow to movement in net debt

	12 months ended 31 March 2005 £'000	12 months ended 31 March 2004 £'000
Decrease in cash in the period	(24,261)	(9,118)
Cash drawn down under new credit facility, net of issue costs	(326,700)	-
Cash used to repay old syndicated loan and new credit facility	103,012	46,400
Cash used to repay shareholder and previous shareholder loans	78,410	-
Cash used to repay loan to previous Virgin Mobile Telecoms Limited shareholders	240,969	-
Cash used to repay finance lease	6	3
Change in net debt resulting from cash flows	71,436	37,285
Other non-cash changes	(2,409)	(1,508)
Movement in net debt in period	69,027	35,777
Net debt brought forward	(303,266)	(339,043)
Net debt at period end	(234,239)	(303,266)

The non-cash changes represent the amortisation of the issue costs for the new credit facility and the interest on the shareholder and previous shareholder loans that were rolled up into the principal on a quarterly basis. The shareholder and previous shareholder loans were repaid on 5 July 2004.

Notes to the Accounts

1. Basis of preparation

During the year, the Group underwent a reorganisation. Prior to the reorganisation, the share capital of Virgin Mobile Telecoms Limited, the principal operating company of the Group, was divided into a number of different classes of shares. As part of the reorganisation, two further companies were added to the Group. Virgin Mobile Holdings (UK) plc, the holding company of the Group, owns 100 per cent. of the shares in Virgin Mobile Group (UK) Limited which is also the borrower under the new credit facility which was entered into on 2 July 2004. Virgin Mobile Group (UK) Limited in turn owns 100 per cent of the shares in Virgin Mobile Telecoms Limited, which have been reorganised into one class. The reorganisation involved a number of share transfers at market value the consideration for which was either an issue of shares in Virgin Mobile Holdings (UK) plc or cash.

This reorganisation has been accounted for as a group reorganisation in accordance with Financial Reporting Standard 6 "Acquisitions and mergers" ("FRS 6"). The difference between the cost of investment in Virgin Mobile Telecoms Limited and the share capital of Virgin Mobile Telecoms Limited that arises on consolidation has been treated as a merger reserve in accordance with FRS 6. This merger reserve only arises upon consolidation and does not impact the level of distributable reserves within the Group. In accordance with FRS 6, the financial statements have been prepared for all periods as if the group reorganisation had occurred before 1 January 2004. Therefore the balances payable to the previous Virgin Mobile Telecoms Limited shareholders that arose through the group reorganisation have been included within the comparative balance sheets, and finance costs of non-equity shares have been excluded from the comparative profit and loss account.

Following the issuance of Financial Reporting Standard 20 “Share based payments” (“FRS 20”) the Group has elected to adopt this standard early in line with the recommendation of the Accounting Standards Board and in order to avoid a change in the Group’s accounting policy for share based payments in future periods.

On 29 July 2004, the High Court granted an order confirming the reduction of the share premium account by £80,564,000 of the Group’s operating company subsidiary, Virgin Mobile Telecoms Limited. This has been accounted for in the consolidated balance sheet as a movement in reserves between the merger reserve and profit and loss account in the year ended 31 March 2005.

This share reduction and group reorganisation has been accounted for using merger accounting principles, in order to meet the overriding requirement under section 227(6) of the Companies Act 1985 for financial statements to present a true and fair view. The transaction does not meet one of the conditions for merger accounting under the Companies Act 1985, namely that the fair value of any non-equity consideration must not exceed 10% of the nominal value of equity shares issued. However, the Directors consider that the alternative approach of acquisition accounting, with the restatement of separable assets and liabilities to fair values, the creation of goodwill and inclusion of post-reorganisation results only, would not give a true and fair view of the Group’s results and financial position. The substance of the transaction was not the acquisition of a business but a group reorganisation under which a new holding company has been established with all the former ordinary shareholders of the Group having the same proportionate interest in the new holding company as they had previously held in the Group. The Directors consider that it is not practicable to quantify the effect of this departure from the Companies Act 1985 requirements.

Basis of consolidation

The group accounts consolidate the accounts of Virgin Mobile Holdings (UK) plc and its subsidiary undertakings drawn up to 31 March each period. The results of subsidiaries acquired are consolidated for the periods from which control passed.

2. Exceptional items

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Capital restructuring and IPO related expenses	(6,320)	-
Pre-IPO employee share options scheme cost	(8,869)	-
Revenue for previously disputed marketing support contributions	-	1,001
Total exceptional (expenses) income	(15,189)	1,001

The cash expense for £6,320,000 relates to expenditure by the Group with respect to the group reorganisation undertaken and the Initial Public Offering ("IPO") in the year.

The non-cash expense for £8,869,000 relates to the implementation of the pre-IPO share option scheme under which share options were granted to employees as a reward for growing the business in the period from launch until the IPO.

As a result of the settlement of various disputes involving Virgin Mobile Telecoms Limited, T-Mobile and certain Virgin Group companies, Virgin Mobile Telecoms Limited was entitled to receive certain amounts for previously disputed marketing support contributions that would be determined following future proceedings. The amount was determined with certainty prior to the approval of the financial statements for the three months ended 31 March 2004 and £1,001,000 was recognised as turnover in the results for this period for previously disputed marketing support contributions for the period ended 31 March 2004.

3. Profit on ordinary activities before taxation

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Depreciation and amounts written off tangible fixed assets		
- Owned assets	17,428	4,294
- Leased assets	8	2
Operating lease rentals		
- Leasehold property	1,187	297
Auditors' remuneration for audit services	245	131
Auditors' remuneration for non-audit services	1,382	200

Profit on ordinary activities before taxation is stated after charging:

Of the £1,382,000 for auditors' remuneration for non-audit services, £1,300,000 relates to services provided in respect of the capital restructuring and IPO undertaken by the Group during the year.

4. Tax on profit on ordinary activities

The tax charge for the period comprises:

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Current tax		
UK corporation tax	-	-
Total current Tax	-	-
Deferred tax		
Origination and reversal of timing differences	(18,372)	(5,987)
Total deferred tax	(18,372)	(5,987)
Total tax charge on profit on ordinary activities	(18,372)	(5,987)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Profit on ordinary activities before tax	53,115	20,809
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004 - 30%)	15,935	6,243
Effects of:		
Expenses not deductible for tax purposes	1,173	58
Depreciation in excess of capital allowances	1,982	529
Timing differences in respect of share options	2,256	-
Utilisation of brought forward losses	(21,346)	(6,830)
Current tax charge	-	-

5. Earnings per ordinary share

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Earnings		
Profit for the period	34,743	14,822
Number of ordinary shares (000s)	250,919	250,000
Earnings per ordinary share		
Basic	13.8p	5.9p
Diluted	13.6p	5.9p
Earnings		
Profit for the period	34,743	14,822
Exceptional items	15,189	(1,001)
Tax effect of exceptional items	(3,646)	300
Underlying earnings	46,286	14,121
Underlying earnings per ordinary share	18.4p	5.6p

Underlying earnings per share is based on the results before exceptional items and a normalised tax charge based on our effective tax rate of 30% of pre-tax profits.

Due to the group reorganisation as described in note 1, the number of ordinary shares used to calculate earnings per ordinary share for all periods is based upon the 250,000,000 ordinary shares in issue following the group reorganisation, and adjusted in the current period for subsequent ordinary share issues. Similarly, the earnings used to calculate earnings per share for the comparative period exclude the finance costs of non-equity shares in issue at the time.

The diluted earnings per share for the current year includes the impact of 4,535,000 outstanding ordinary share options or rights to ordinary shares at 31 March 2005.

6. Reconciliation of movements in group shareholders' funds

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Profit for the financial period	34,743	14,822
Dividends payable	(12,343)	-
Charges in respect of employee share schemes	9,843	-
Issue of ordinary shares	4,282	-
Net movement to accumulated deficit	36,525	14,822
Opening accumulated deficit	(296,010)	(310,832)
Closing accumulated deficit	(259,485)	(296,010)

7. Reconciliation of operating profit to operating cash flows

	12 months ended 31 March 2005 £'000	3 months ended 31 March 2004 £'000
Operating profit	67,658	22,712
Depreciation charges	17,436	4,296
Loss (gain) on disposal of fixed assets	126	(76)
Non cash charges in respect of employee share schemes	9,843	-
Decrease in stocks	4,860	(4,234)
Decrease in debtors	14,315	30,705
(Decrease) in creditors	(23,458)	(13,334)
Net cash inflow from operating activities	90,780	40,069

8. Financial commitments

The Group and company have £nil (31 March 2004 – £nil) of capital commitments contracted but not provided for.

9. Statutory accounts

The financial information set out above does not constitute statutory accounts for the year ended 31 March 2005 or the three months ended 31 March 2004, but is derived from those accounts. Statutory accounts for the three months ended 31 March 2004 have been delivered to the Registrar of Companies and those for the year ended 31 March 2005 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

UNAUDITED PRO-FORMA RESULTS RECONCILIATION

The following shows a reconciliation between our non-statutory audited results (which were included within the Listing Particulars in relation to our IPO in July 2004) and our unaudited pro forma results for the twelve months ended 31 March 2004:

	12 months ended 31 March 2004 £ million	Adjustments £ million	Notes	Pro forma 12 months ended 31 March 2004 £ million
Turnover before exceptional items	470.4	17.1	(1)	453.3
Exceptional turnover	17.2	(8.3)	(1)	8.9
TURNOVER	487.6	(25.4)	(1)	462.2
Cost of sales	(255.8)	(1.8)	(2)	(257.6)
GROSS PROFIT	231.8	(27.2)	(1), (2)	204.6
Total administrative expenses before exceptional items	(132.5)	-		(132.5)
Exceptional operating costs	(23.5)	-		(23.5)
Administrative expenses	(156.0)	-		(156.0)
Operating profit before exceptional items	82.1	(18.9)		63.2
Exceptional items (net)	(6.3)	(8.3)		(14.6)
OPERATING PROFIT	75.8	(27.2)		48.6
Finance charges (net)	(9.6)	-	(3)	(9.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	66.2	(27.2)		39.0
Tax on profit on ordinary activities	27.1	(38.8)	(4)	(11.7)
PROFIT FOR THE FINANCIAL YEAR	93.3	(66.0)		27.3

The following shows a reconciliation between our non-statutory earnings per share and our unaudited pro forma earnings per share for the twelve months ended 31 March 2004:

	12 months ended 31 March 2004 £ million	Adjustments £ million	Notes	Pro forma 12 months ended 31 March 2004 £ million
Profit for the financial year	93.3	(66.0)		27.3
Earnings per ordinary share (pence – based on 250 million shares)	37.3p	(26.4p)	(5)	10.9p
Profit for the financial year	93.3	(66.0)		27.3
Exceptional items	6.3	8.3	(2)	14.6
Tax effect of exceptional items	(1.9)	(2.5)	(4)	(4.4)
Underlying profit for the financial year	97.7	(60.2)		37.5
Underlying earnings per ordinary share (pence – based on 250 million shares)	39.1p	(24.1p)	(5)	15.0p

The following shows a reconciliation between our operating free cash flow derived from our non-statutory audited results and our operating free cash flow derived from our unaudited pro forma results for the twelve months ended 31 March 2004:

	12 months ended 31 March 2004 £ million	Adjustments £ million	Pro forma 12 months ended 31 March 2004 £ million
Operating profit	75.8	(27.2)	48.6
Exceptional items	6.3	8.3	14.6
Operating profit before exceptional items	82.1	(18.9)	63.2
Depreciation	15.5	-	15.5
Change in working capital	18.4	-	18.4
Capital expenditure	(14.7)	-	(14.7)
Operating free cash flow	101.3	(18.9)	82.4

(1) On 29 January 2004, we entered into a new TSA with our network provider, T-Mobile. Until 29 January 2004, under the previous TSA, T-Mobile paid marketing support contributions ("MSC"), being a monthly amount based on the number of customers in that month, which we recognised as turnover. From that date, instead of paying MSC, T-Mobile now passes through the inbound revenue they receive from third parties in respect of inbound calls, or messages sent, to our customers, which we recognise as turnover. The adjustment to turnover (which relates entirely to service turnover) comprises the following:

- Adjustment to turnover reflecting TSA of £17.1m: this adjustment to turnover reflects the reduction in turnover as if inbound revenue had been received for the entire year instead of the MSC that was received;
- Reduced exceptional MSC payment of £8.3m: this adjustment reduces the service turnover for certain previously disputed MSC that relate to that period. The total exceptional turnover received has been allocated to the relevant periods pro rata to the actual amounts calculated to be invoiced in those periods.

(2) Under the new TSA, the charges we pay to T-Mobile for use of their network are different to the charges under our previous telecommunications supply agreement. The adjustment reflects the impact as if the revised charges had been used for the entire period.

(3) No adjustments have been made to finance charges as it is assumed that any changes in operating profit would have been mirrored by changes in working capital.

(4) The adjustment to the tax charge reflects the change in profit and normalises that tax charge for the period at the effective tax rate of 30%.

(5) Due to the group reorganisation, the number of ordinary shares used to calculate earnings per share for the 12 months ended 31 March 2004 is based on the 250,000,000 ordinary shares in issue following the group reorganisation.

Cautionary Statement Regarding Forward-Looking Statements

This document contains certain forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements speak only as of the date they are made.

Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as ''believes'', ''expects'', ''may'', ''will'', ''could'', ''should'', ''intends'', ''estimates'', ''plans'', ''assumes'' or ''anticipates'' or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Also, the sector and markets in which the Company operates may not grow over the next several years as expected, or at all. The failure of these markets to grow as expected may have a material adverse effect on the Group's business, operating results and financial condition and the market price of the Company's ordinary shares.

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There will be a presentation for analysts and investors at The Great Eastern Hotel, Liverpool Street, London EC2M 7QN. Attendees may register from 11.00am and the presentation will begin at 11.30am.

In addition, a live webcast of this event will be available through the Virgin Mobile website, which will also be archived for replay over the next six months:
http://about.virginmobile.com/about/ir/

There will be a presentation for press at The Great Eastern Hotel, Liverpool Street, London EC2M 7QN. Attendees may register from 12.30pm and the presentation will begin at 1.00pm.