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**Virgin Blue Holdings Limited
ACN 100 686 226
and its Controlled Entities**

**Additional Information Required by
ASX Appendix 4D**

**Financial Report for the
Half-Year Ended 31 December 2008**

ASX Appendix 4D

Final Report

Name of Entity	Virgin Blue Holdings Limited
ACN	100 686 226
Reporting Period (Reviewed)	6 months ended 31 December 2008
Previous Corresponding Period (Reviewed)	6 months ended 31 December 2007

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up	12% to \$1,351.6 million
Loss from ordinary activities after tax attributable to members	down	189% to \$101.4 million
Net loss from the period attributable to members	down	189% to \$101.4 million

The net loss from the period attributable to members is made up of:

	31 December 2008 \$'m	31 December 2007 \$'m
Operating profit before tax – underlying business	60.0	193.3
New initiatives	(89.3)	(30.8)
Ineffective cash flow hedges and non-designated derivatives	(114.5)	(0.2)
Tax (expense) / benefit	42.4	(49.0)
Net (loss) / profit after tax	<u>(101.4)</u>	<u>113.3</u>

DIVIDENDS (cents per share)

	Amount	Franked Amount
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil

No dividends were declared or paid by the Group during the six months ended 31 December 2008.

NET TANGIBLE ASSETS

	Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary share	\$0.53	\$0.81

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Entity	Percentage of ownership interest held:		Contribution to net profit:	
	31 December 2008	31 December 2007	31 December 2008 \$'m	31 December 2007 \$'m
Polynesian Blue Limited	49%	49%	0.1	1.7

This report includes financial statements for the Reporting Period and the Previous Corresponding Period which have been reviewed.

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Virgin Blue Holdings Limited
ACN 100 686 226
and its Controlled Entities

Interim Financial Report
for the six months ended
31 December 2008

Virgin Blue Holdings Limited and its Controlled Entities
31 December 2008 Interim Financial Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Virgin Blue Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Virgin Blue Holdings Limited and its Controlled Entities

Corporate Directory

COMPANY SECRETARY

Ms Merren McArthur

PRINCIPAL ADMINISTRATIVE AND REGISTERED OFFICE

Virgin Blue Holdings Limited

56 Edmondstone Road

Bowen Hills QLD 4006

Australia

Telephone: (07) 3295 3000

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 19

307 Queen Street

Brisbane QLD 4000

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The Home Exchange is Brisbane.

OTHER INFORMATION

Virgin Blue Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Virgin Blue Holdings Limited and its Controlled Entities

Directors' report

The directors present their report together with the consolidated financial report of Virgin Blue Holdings Limited for the six month period ended 31 December 2008 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the period are:

Name	Position	Period of directorship
Mr Neil Chatfield	Non-Executive Chairman	Appointed 11 May 2006. Appointed Company Chairman 14 June 2007.
Mr Brett Godfrey	Managing Director Chief Executive Officer	Appointed 27 May 2002.
Mr Patrick McCall	Non-Executive Director	Appointed 27 May 2002.
Mr David Baxby	Non-Executive Director	Appointed 30 September 2004.
Mr Robert Thomas	Independent Non-Executive Director	Appointed 8 September 2006.
Mr Mark Vaile	Independent Non-Executive Director	Appointed 22 September 2008.
Mr Stephen Murphy	Alternate Director	Appointed as alternate director for Mr David Baxby and Mr Patrick McCall on 30 September 2004.
Mr Keith Roberts	Alternate Director	Appointed as alternate director for Mr David Baxby and Mr Patrick McCall on 28 November 2008.
Mr Paul Little	Non-Executive Director	Appointed 11 May 2006. Resigned 22 August 2008.
Mr Bob Watson	Independent Non-Executive Director	Appointed 8 September 2006. Resigned 11 July 2008.
Mr Bernard McInerney	Non-Executive Director	Appointed 8 September 2006. Resigned 22 August 2008.
Mr Terence Mallon	Non-Executive Director	Appointed 17 November 2006. Resigned 22 August 2008.
Mr John Ludeke	Non-Executive Director	Appointed 14 June 2007. Resigned 22 August 2008.

Virgin Blue Holdings Limited and its Controlled Entities

Directors' report (continued)

Review of operations

Net loss after income tax for the six month period ended 31 December 2008 was \$101.4 million which reflects a 189% decrease compared with the corresponding six month period ended 31 December 2007.

The net loss from the period attributable to members is made up of:

	31 December 2008 \$'m	31 December 2007 \$'m
Operating profit before tax – underlying business	60.0	193.3
New initiatives	(89.3)	(30.8)
Ineffective cash flow hedges and non-designated derivatives	(114.5)	(0.2)
Tax (expense) / benefit	42.4	(49.0)
Net (loss) / profit after tax	(101.4)	113.3

In the 6 months to 31 December 2008, EBIT (earnings before interest and tax) decreased by 164% to a loss of \$113.4 million.

As shown in the financial statements, basic earnings per share for the six month period ended 31 December 2008 was a loss of 9.6 cents per share and on a diluted basis, was a loss of 9.6 cents per share.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 5, and forms part of the directors' report for the six months ended 31 December 2008.

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Dated at Brisbane this 23rd day of February 2009.

Signed in accordance with a resolution of the directors:



Brett Godfrey
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Virgin Blue Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2008 there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Robert S. Jones

Robert S Jones

Partner

Brisbane, 23 February 2009

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Income Statement
For the six months ended 31 December 2008

	31 December 2008 \$'m	31 December 2007 \$'m
Revenue and income		
Revenue	1,351.2	1,209.9
Share of net profit of associate accounted for using the equity method	0.1	1.7
Other income	0.3	0.3
	1,351.6	1,211.9
Operating expenditure		
Aircraft operating costs	57.8	69.5
Airport charges, navigation and station operations	266.3	217.2
Contract and other maintenance costs	58.3	57.7
Commissions and other marketing and reservations costs	75.7	67.6
Fuel and oil	400.6w	266.3
Labour and staff related costs	300.4	253.0
Other expenses from ordinary activities	51.5	43.6
Depreciation and amortisation	85.3	57.1
Foreign exchange losses	8 54.6	3.6
	1,350.5	1,035.6
Profit before tax expense, finance costs, ineffective cash flow hedges and non-designated derivatives	1.1	176.3
Ineffective cash flow hedges and non-designated derivatives	9 (114.5)	(0.2)
	(113.4)	176.1
Profit/(loss) before related income tax expense and net finance costs		
Finance costs	(49.6)	(32.1)
Interest revenue	19.2	18.3
Net financing costs	(30.4)	(13.8)
Profit/(loss) before income tax expense	(143.8)	162.3
Income tax expense/(benefit)	(42.4)	49.0
	(101.4)	113.3
Net profit/(loss) for the six months attributable to the members of Virgin Blue Holdings Limited		
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share – profit / (loss)	(9.6) cents	10.8 cents
Diluted earnings per share – profit / (loss)	(9.6) cents	10.8 cents

The above Income Statement is to be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Balance Sheet
As at 31 December 2008

	Note	31 December 2008 \$'m	30 June 2008 \$'m
Current assets			
Cash and cash equivalents		526.0	603.9
Trade and other receivables		93.2	108.5
Inventories		0.7	0.6
Derivative financial instruments		96.9	126.8
Current tax assets		1.7	23.5
Total current assets		718.5	863.3
Derivative financial instruments		30.7	60.9
Investments accounted for using the equity method		6.4	6.3
Other financial assets		37.0	24.0
Property, plant and equipment		2,664.6	2,336.0
Intangible assets		49.4	46.7
Deferred tax assets		12.5	0.7
Total non-current assets		2,800.6	2,474.6
Total assets		3,519.1	3,337.9
Current liabilities			
Trade and other payables		286.4	224.4
Interest-bearing liabilities		359.0	303.7
Provisions		46.5	43.4
Derivative financial instruments		245.0	72.3
Unearned revenue		417.7	408.2
Total current liabilities		1,354.6	1,052.0
Non-current liabilities			
Payables		0.2	0.3
Interest-bearing liabilities		1,388.5	1,182.5
Provisions		46.6	47.0
Derivative financial instruments		123.0	3.7
Deferred tax liabilities		-	125.3
Unearned revenue		1.4	1.8
Total non-current liabilities		1,559.7	1,360.6
Total liabilities		2,914.3	2,412.6
Net assets		604.8	925.3
Equity			
Contributed equity	12	406.5	406.2
Reserves	13	(143.7)	75.8
Retained profits		342.0	443.3
Total equity		604.8	925.3

The above Balance Sheet is to be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Statement of Recognised Income and Expense
For the six months ended 31 December 2008

	31 December 2008 \$'m	31 December 2007 \$'m
Exchange differences on translation of foreign operations	(0.9)	0.2
Effective portion of changes in fair value of cash flow hedges	(198.6)	48.9
Net change in fair value of cash flow hedges transferred to profit or loss	(20.7)	8.7
Income and expense recognised directly in equity	(220.2)	57.8
Profit/(loss) for the period	(101.4)	113.3
Total recognised income and expense for the period attributable to equity holders of Virgin Blue Holdings Limited	(321.6)	171.1

Other movements in equity arising from transactions with owners as owners are set out in notes 12 and 13. The amounts recognised in equity are disclosed net of tax.

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Consolidated Interim Cash Flow Statement
For the six months ended 31 December 2008

	31 December 2008 \$'m	31 December 2007 \$'m
Cash flows from operating activities		
Cash receipts in the course of operations	1,501.7	1,349.5
Cash payments in the course of operations	(1,348.2)	(1,049.8)
Finance costs paid	(48.0)	(37.0)
Income taxes (paid)/received	18.0	(15.7)
Net cash inflow from operating activities	<u>123.5</u>	<u>247.0</u>
Cash flows from investing activities		
Interest received	18.1	18.7
Payments for other deposits	(6.7)	(0.8)
Payments for intangible assets	(3.8)	(0.7)
Proceeds on disposal of property, plant and equipment	-	0.8
Payments for property, plant and equipment	(412.4)	(595.6)
Net cash (outflow) from investing activities	<u>(404.8)</u>	<u>(577.6)</u>
Cash flows from financing activities		
Proceeds from borrowings	266.1	459.8
Repayment of borrowings	(64.4)	(42.6)
Proceeds from issue of shares	-	0.2
Dividends paid	-	(20.8)
Net cash inflow from financing activities	<u>201.7</u>	<u>396.6</u>
Net movement in cash holdings	<u>(79.6)</u>	<u>66.0</u>
Cash and cash equivalents at the beginning of the financial period	603.9	704.0
Effects of exchange rate changes on cash and cash equivalents	1.7	1.2
Cash and cash equivalents at the end of the financial period	<u><u>526.0</u></u>	<u><u>771.2</u></u>

The above Cash Flow Statement is to be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2008

1 Reporting entity

Virgin Blue Holdings Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six month period ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company’s registered office at 56 Edmondstone Road, Bowen Hills QLD 4006, or at www.virginblue.com.au.

2 Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001. The financial report of the Group complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

The Group has adopted Accounting Interpretation 13 *Customer Loyalty Programmes* from 1 July 2008. There have been no changes to the accounting policies of the Group as a result of the adoption of this interpretation. There were no adjustments made to the financial statements of the Group as a result of the adoption of this interpretation.

4 Seasonality

As is normal in the airline industry, performance and capacity is very seasonal throughout a 12 month period. Therefore, the first six month period may not be representative of the second six month period of any given year.

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2008

5 Critical accounting estimates and judgements

The preparation of the interim financial report requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

6 Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

7 Segment reporting

The Group operates predominantly in Australia within the airline industry. All revenue, operating profit and assets relate to operations predominantly in Australia.

8 Foreign exchange losses

	31 December 2008 \$'m	31 December 2007 \$'m
Realised (gains) / losses	2.6	(0.3)
Unrealised (gains) / losses	52.0	3.9
	54.6	3.6

9 Ineffective cash flow hedges and non-designated derivatives

	31 December 2008 \$'m	31 December 2007 \$'m
Realised losses	25.1	0.2
Unrealised losses	89.4	-
	114.5	0.2

10 Property, plant & equipment

During the six months ended 31 December 2008 the Group acquired assets with a cost of \$412.4 million (2007: \$595.6 million) primarily comprising aircraft and aeronautic related assets.

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2008

11 Interest bearing liabilities

During the period, the Group entered into additional interest bearing liabilities to finance the purchase of additional aeronautical assets. The facilities are secured over assets purchased and issued capital of VBNC9 Pty Ltd and VBIANC1 Pty Ltd.

Total proceeds from borrowings for the six months ended 31 December 2008 totalled \$266.1 million (2007: \$459.8 million), with repayment of borrowings totalling \$64.4 million (2007: \$42.6 million).

12 Share capital

	31 December 2008 \$'m	31 December 2007 \$'m
Ordinary shares, fully paid	427.1	427.1
Treasury shares held by the KEPP Trust	(20.6)	(21.1)
	<hr/> 406.5	<hr/> 406.0

Details	Consolidated \$m
Balance at 1 July 2007	405.3
Exercise of SEOP – Issue 6 options	0.3
Issue of shares by KEPP	0.4
Balance at 31 December 2007	<hr/> 406.0 <hr/>
Balance at 1 July 2008	406.2
Issue of shares by KEPP	0.3
Balance	<hr/> 406.5 <hr/>

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2008

13 Reserves

	31 December 2008 \$'m	31 December 2007 \$'m
Foreign currency translation reserve	(3.7)	(0.3)
Hedging reserve - cash flow hedges	(155.5)	(1.2)
Share-based payments reserve	15.5	11.7
	<u>(143.7)</u>	<u>10.2</u>
Movements		
<i>Foreign currency translation reserve</i>		
Balance at beginning of period	(2.8)	(0.5)
Currency translation difference arising during the period	(0.9)	0.2
Balance at end of period	<u>(3.7)</u>	<u>(0.3)</u>
<i>Hedging reserve – cash flow hedges</i>		
Balance at beginning of period	64.3	(58.8)
Revaluation – gross	(283.8)	45.3
Deferred tax	94.2	(24.6)
Transfer to net profit	(29.6)	8.7
Transfer to initial carrying amount of hedged item	(0.6)	28.2
Balance at end of period	<u>(155.5)</u>	<u>(1.2)</u>
<i>Share-based payments reserve</i>		
Balance at beginning of period	14.3	10.2
Options expense	1.6	1.9
Options / performance rights exercised	(0.4)	(0.4)
Balance at end of period	<u>15.5</u>	<u>11.7</u>

14 Dividends paid

The following dividends were declared and paid by the Group during the six months ended 31 December 2008:

	31 December 2008 \$'m	31 December 2007 \$'m
No dividend paid (2007: \$0.02 per qualifying ordinary share)	-	20.8

No dividends have been declared subsequent to 31 December 2008.

Virgin Blue Holdings Limited and its Controlled Entities
Condensed notes to the consolidated interim financial report
For the six months ended 31 December 2008

15 Commitments

Commitments for the acquisition of property, plant and equipment (primarily aircraft and aeronautic assets) contracted for at the reporting date but not recognised as liabilities, payable:

	31 December 2008 \$'m	31 December 2007 \$'m
Within 1 year	1,140.7	943.0
One year or later and no later than five years	1,569.1	1,699.4
	<u>2,709.8</u>	<u>2,642.4</u>

16 Contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2008.

17 Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2008 annual financial report.

The ultimate parent entity of the Group for the 6 months to 31 December 2008 was Virgin Blue Holdings Limited. The ultimate parent entity from 1 July 2007 to 30 June 2008 was Toll Holdings Limited, a company incorporated in Australia. On 22 August 2008, Toll Holdings Limited (the ultimate parent entity from 1 July 2007 to 30 June 2008) distributed 98.3% of its 62.7% stake in Virgin Blue Holdings Limited to Toll Holdings Limited's shareholders by way of an in-specie dividend.

Other than as disclosed in these financial statements, there have been no other material changes in the nature or amounts of related party transactions since 30 June 2008.

18 Subsequent Events

There has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Virgin Blue Holdings Limited

Directors' declaration

In the opinion of the directors of Virgin Blue Holdings Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 6 to 14, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cashflows, for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 23rd day of February 2009.

Signed in accordance with a resolution of the directors:



Brett Godfrey
Director



Independent auditor's review report to the members of Virgin Blue Holdings Limited

Report on the Financial Report

We have reviewed the accompanying interim financial report of Virgin Blue Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a statement of accounting policies, other selected explanatory notes 1 to 18 and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Virgin Blue Holdings Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Virgin Blue Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Robert S Jones
Partner

Brisbane, 23 February 2009

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