

**Virgin Aviation Services Limited and Subsidiary  
Companies**

**Directors' report and consolidated  
financial statements**

30 April 1998  
Registered number 1927016



## **Directors' report and consolidated financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 April 1998.

### **Principal activities**

The principal activities of the Group during the year were freight handling and cargo general sales agent.

### **Business review**

The results for the year ended 30 April 1998 reflect another profitable year for the Group. The Group achieved growth in all areas of activity, and the directors expect that the present levels of activity will be sustained for the foreseeable future.

The results for the year are set out on page 5 of the financial statements.

### **Dividends**

The directors do not recommend the payment of a dividend (1997: £3,858,000).

### **The Year 2000 problem**

There are many risks and uncertainties associated with the Year 2000 problem. Management are continuing to assess the situation and are working towards addressing all of the issues relating to the Group's business and operations. The Group are participating in the Year 2000 project of a fellow subsidiary of the Group's immediate holding company, Virgin Travel Group Limited, which includes a plan to test all systems throughout the Virgin Travel Group. The total estimated costs of the project including amounts to be spent in future periods have not been quantified. In common with many other companies, no assurances can be given that the Group's systems, or third party systems, will function satisfactorily, or that if problems occur, they will not have a material adverse effect on the Group's operations and financial performance.

### **Directors and directors' interests**

The directors of the Company during the year were as follows:

RCN Branson	(Chairman)
TM Abbott	(deceased 9 December 1997)
AJ Chambers	
RAW Gardner	
GP Howard	
NE Primrose	
A Pusateri	

It is with regret that the Company learned of Mr T M Abbott's death on 9 December 1997.

## Directors' report (continued)

### Directors and directors' interests (continued)

The directors who held office at the end of the year had the following interest in the ordinary shares of the Company, as recorded in the register of directors' share and debenture interests:

	30 April 1998 Number	30 April 1997 Number
AJ Chambers	5	5
A Pusateri	5	5

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

### 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. This last resolution will lead to the continuing appointment of KPMG as auditors of the Company until further notice.

On behalf of the board



**AR Avann**  
Company Secretary

120 Campden Hill Road  
London  
W8 7AR

27 May 1999

## **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 of the company 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 policies have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 Company and Group and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, note that the auditors are required by the Companies Act 1985 to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.



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8 Salisbury Square  
London EC4Y ABB  
United Kingdom

## **Auditors' report to the members of Virgin Aviation Services Limited**

We have audited the financial statements on pages 5 to 22.

### *Respective responsibilities of directors and auditors*

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of 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 Group'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 Group and of the Company as at 30 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants  
Registered Auditors*

27 May 1999

## Consolidated profit and loss account

for the year ended 30 April 1998

	Note	Year ended 30 April 1998	Year ended 30 April 1997
		£	£
Turnover : group and share of joint ventures		24,091,793	16,228,490
Less: share of joint ventures' turnover		(9,382,518)	(6,367,669)
		<hr/>	<hr/>
<b>Group turnover</b>	2		
Continuing operations		14,709,275	9,860,821
Cost of sales		(10,485,315)	(6,983,031)
		<hr/>	<hr/>
<b>Gross profit</b>		4,228,960	2,877,790
Administrative expenses		(2,149,044)	(1,208,260)
		<hr/>	<hr/>
<b>Group operating profit</b>		2,074,916	1,669,530
Share of operating profit in joint venture		1,199,433	710,513
Interest receivable and similar income	6		
Group		944,717	530,746
Joint venture		69,679	39,684
		<hr/>	<hr/>
		1,014,396	570,430
Interest payable and similar charges	7		
Group		-	(1,979)
Joint venture		(22,617)	(32,633)
		<hr/>	<hr/>
		(22,617)	(34,612)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3	4,266,128	2,915,861
Tax on profit on ordinary activities	8	(1,441,235)	(989,403)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		2,824,893	1,926,458
Dividends		-	(3,858,000)
		<hr/>	<hr/>
<b>Retained profit/(loss) for the period</b>		2,824,893	(1,931,542)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses in the year other than those disclosed in the profit and loss account above.


The notes on pages 9 to 22 form part of these financial statements.

## Consolidated balance sheet

at 30 April 1998

	Note	30 April 1998		30 April 1997	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		126,917		827,811
Investments	10		2,447,363		2,126,740
			<u>2,574,280</u>		<u>2,954,551</u>
<b>Current assets</b>					
Debtors	11	16,758,900		11,223,018	
Cash at bank and in hand		604,812		1,361,024	
		<u>17,363,712</u>		<u>12,584,042</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(6,098,301)</u>		<u>(4,487,795)</u>	
<b>Net current assets</b>			<u>11,265,411</u>		<u>8,096,247</u>
<b>Total assets less current liabilities</b>			<u>13,839,691</u>		<u>11,050,798</u>
<b>Provisions for liabilities and charges</b>	13		-		(36,000)
<b>Net assets</b>			<u><u>13,839,691</u></u>		<u><u>11,014,798</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		100		100
Profit and loss account	15		13,870,676		11,045,783
Goodwill write off reserve	15		(31,085)		(31,085)
<b>Equity shareholders' funds</b>	16		<u><u>13,839,691</u></u>		<u><u>11,014,798</u></u>

These financial statements were approved by the Board of directors on 27 May 1999 and were signed on its behalf by:



NE Primrose  
Director

The notes on pages 9 to 22 form part of these financial statements.



**Company balance sheet**  
 at 30 April 1998

	Note	30 April 1998		30 April 1997	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		-		750,991
Investments	10		1,000,002		1,000,002
			<u>1,000,002</u>		<u>1,750,993</u>
<b>Current assets</b>					
Debtors	11	12,366,624		9,535,296	
Cash at bank and in hand		-		525	
		<u>12,366,624</u>		<u>9,535,821</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,040,330)</u>		<u>(1,748,537)</u>	
<b>Net current assets</b>			<u>10,326,294</u>		<u>7,787,284</u>
<b>Total assets less current liabilities</b>			<u>11,326,296</u>		<u>9,538,277</u>
<b>Provisions for liabilities and charges</b>	13		-		(36,000)
<b>Net assets</b>			<u>11,326,296</u>		<u>9,502,277</u>
<b>Capital and reserves</b>					
Called up share capital	14		100		100
Profit and loss account	15		11,326,196		9,502,177
<b>Equity shareholders' funds</b>			<u>11,326,296</u>		<u>9,502,277</u>

These financial statements were approved by the Board of directors on behalf by:

27 May 1999 and were signed on its



NE Primrose  
 Director

The notes on pages 9 to 22 form part of these financial statements.

## Consolidated cash flow statement

*for the year ended 30 April 1998*

	<i>Note</i>	Year ended 30 April 1998	Year ended 30 April 1997
		£	£
Net cash outflow from operating activities	19	(2,656,096)	(4,951,886)
<b>Return on investments and servicing of finance</b>			
Interest received		944,717	530,746
Interest element of finance leases		-	(1,979)
		<u>944,717</u>	<u>528,767</u>
<b>Taxation</b>			
Corporation tax paid		(186,611)	(2,003,790)
		<u>(186,611)</u>	<u>(2,003,790)</u>
<b>Capital expenditure and principal investment</b>			
Purchase of tangible fixed assets		(99,196)	(62,034)
Sale of tangible fixed assets		751,083	-
		<u>651,887</u>	<u>(62,034)</u>
<b>Acquisitions and disposals</b>			
Sale of subsidiary		-	7,480,000
		<u>-</u>	<u>7,480,000</u>
<b>Equity dividends paid</b>		(385,800)	-
		<u>(385,800)</u>	<u>-</u>
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		(1,631,903)	991,057
<b>Financing</b>			
Capital element of finance leases		(9,414)	(11,893)
		<u>(9,414)</u>	<u>(11,893)</u>
<b>(Decrease)/increase in cash in the year</b>	20	<u>(1,641,317)</u>	<u>979,164</u>

The notes on pages 9 to 22 form part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### a) *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 made up to 30 April 1998. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year 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, other than goodwill, is included in investments in the consolidated balance sheet.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

On the subsequent disposal or termination of a business, the profit and loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken to reserves.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost less amounts written off.

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

The amount of the profit for the financial period dealt within the financial statements of Virgin Aviation Services Limited is disclosed in note 15 of these accounts.

#### b) *Turnover*

Turnover represents the amounts excluding value added tax derived from the provision of services to customers during the period.

#### c) *Administrative expenses*

Administrative expenses comprise overhead expenses together with marketing and promotional costs.

## Notes (continued)

### 1 Accounting policies (continued)

#### d) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. The results of foreign operations are translated at the average rate for the year. Gains or losses on translation are included in the profit and loss account.

#### e) Fixed assets and depreciation

Depreciation is provided in order to write off the cost of tangible fixed assets over their estimated useful economic lives as follows:

Long leasehold property	-	life of lease
Short leasehold property	-	life of lease
Fixtures and fittings	-	20% per annum
Plant and equipment	-	10% to 25% per annum
Motor vehicles	-	25% per annum

#### f) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

#### g) Hire purchase or leased plant and equipment

Where plant and equipment is acquired by hire purchase or leasing arrangements which give rights to ownership or approximating to ownership ("finance leases") the asset is capitalised at an amount representing the equivalent outright purchase price of such assets and included in tangible fixed assets. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the hire purchase contract or lease in proportion to the balances outstanding.

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.

#### h) Pension costs

The Company participates in a defined contribution group scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profit represents the contributions payable by the Company to the scheme in respect of the period. There were no outstanding or prepaid contributions at the end of the financial year.

## Notes (continued)

### 2 Analysis of turnover

	Year ended 30 April 1998 Turnover £	Year ended 30 April 1997 Turnover £
<i>By activity</i>		
Rentals	54,695	-
Handling management fees	1,564,857	1,258,825
Airline cargo general sales agent	11,649,299	8,056,829
Shipping and forwarding	1,440,424	543,167
	<hr/> 14,709,275 <hr/>	<hr/> 9,860,821 <hr/>
	Year ended 30 April 1998 £	Year ended 30 April 1997 £
<i>By source of geographical market</i>		
United Kingdom	11,591,291	8,305,224
United States of America	2,173,336	1,258,825
Malaysia	-	296,772
Other	944,648	-
	<hr/> 14,709,275 <hr/>	<hr/> 9,860,821 <hr/>

The geographical analysis of turnover by source is derived by allocating revenue to the area in which the sale is made.

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Depreciation of tangible fixed assets	49,007	52,824
Auditors' remuneration:		
Audit	12,100	17,970
Other services	-	11,200
Hire of plant and machinery:		
Rentals payable under operating leases	43,167	4,587
	<hr/>	<hr/>

## Notes (continued)

### 4 Remuneration of directors

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Directors' emoluments	358,934	410,927
Company pension contributions to money purchase schemes	16,332	41,013
Compensation for loss of office	-	30,000

The aggregate emoluments of the highest paid director were £183,800 (1997: £148,558) and company pension contributions to money purchase schemes on his behalf were £10,833 (1997: £9,500).

One of the directors performs his activities wholly outside the United Kingdom. The emoluments of this director are therefore not included.

### 5 Staff numbers and costs

The average number of persons employed by the Company and the Group (including directors) during the period, analysed by category, was as follows:

	Year ended 30 April 1998	Year ended 30 April 1997
Selling and distribution	18	18
Administration	46	18
	<hr/> 64 <hr/>	<hr/> 36 <hr/>

The aggregate payroll costs (including directors) of these persons were as follows:

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Wages and salaries	1,069,135	753,341
Social security costs	67,540	76,816
Other pension costs	21,947	58,120
	<hr/> 1,158,622 <hr/>	<hr/> 888,277 <hr/>

## Notes (continued)

### 6 Interest receivable

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Foreign exchange gains	40,231	33,137
Interest receivable from group undertaking	904,486	497,609
	<u>944,717</u>	<u>530,746</u>

### 7 Interest payable and similar charges

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
On bank loans and overdrafts	-	-
Interest payable in respect of finance leases and hire purchase contracts	-	1,979
	<u>-</u>	<u>1,979</u>

### 8 Taxation

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
UK Corporation tax at 31% (1997: 33%)	724,781	-
Group relief payable	307,576	752,607
Overseas taxation	19,006	-
Share of joint ventures' tax	425,872	236,796
Deferred taxation	(36,000)	-
	<u>1,441,235</u>	<u>989,403</u>

Group relief payments will be received or paid where losses are surrendered to or from other group companies.

## Notes (continued)

### 9 Tangible fixed assets

Group	Long leasehold land and buildings £	Short leasehold land and buildings £	Fixtures and fittings £	Plant and machinery £	Total £
<i>Cost</i>					
At 1 May 1997	893,869	1,500	74,151	74,173	1,043,693
Additions	-	-	67,628	26,483	94,111
Disposals	(893,869)	(1,500)	(63,788)	(34,923)	(994,080)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1998	-	-	77,991	65,733	143,724
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 May 1997	143,003	1,375	60,016	11,488	215,882
Charge for the year	14,480	-	11,552	22,975	49,007
Disposals	(157,483)	(1,375)	(63,508)	(25,716)	(248,082)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1998	-	-	8,060	8,747	16,807
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 April 1998	-	-	69,931	56,986	126,917
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1997	750,866	125	14,135	62,685	827,811
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of plant and machinery is £nil (1997: £17,896) in respect of assets held under finance leases. Depreciation for the year on these assets was £nil (1997: £6,878).



## Notes (continued)

### 9 Tangible fixed assets (continued)

Company	Long leasehold land and buildings £	Short leasehold land and buildings £	Fixtures and fittings £	Plant and machinery £	Total £
<i>Cost</i>					
At 1 May 1997	893,869	1,500	42,397	173	937,939
Disposals	(893,869)	(1,500)	(42,397)	(173)	(937,939)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 April 1998</b>	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 May 1997	143,003	1,375	42,397	173	186,948
Charge for the year	14,480	-	-	-	14,480
Disposals	(157,483)	(1,375)	(42,397)	(173)	(201,428)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 April 1998</b>	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 April 1998	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1997	750,866	125	-	-	750,991
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 10 Fixed asset investments

	Interest in joint ventures £
<b>Group</b>	
<b>Cost</b>	
At 1 May 1997 and at 30 April 1998	1,535,085
	<hr/>
<b>Share of post acquisition reserves</b>	
At 1 May 1997	591,655
Retained profits for the year	320,623
	<hr/>
<b>At 30 April 1998</b>	<b>912,278</b>
	<hr/>
<b>Provisions</b>	
At beginning and end of year	-
	<hr/>
<b>Net book value</b>	
At 30 April 1998	2,447,363
	<hr/>
At 30 April 1997	2,126,740
	<hr/>

Company	Shares in group undertakings £	Participating interests £	Total £
<b>Cost</b>			
At 1 May 1997 and at 30 April 1998	2	1,000,000	1,000,002
	<hr/>	<hr/>	<hr/>
<b>Provisions</b>			
At beginning and end of period	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 April 1997 and at 30 April 1998	2	1,000,000	1,000,002
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 10 Fixed asset investments (continued)

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

	Country of registration or incorporation	Principal activity	Class and percentage of shares held	
			Group	Company
<i>Subsidiary undertakings</i>				
Air Cargo Partners Limited	England and Wales	Cargo Sales Agent	100% ordinary	100% ordinary
GSA Worldwide Limited	England and Wales	Cargo Sales Agent	100% ordinary*	100% ordinary*
<i>Joint venture (see note 22)</i>				
Plane Handling Limited	England and Wales	Cargo handling	50% ordinary	50% ordinary

The principal activity of Plane Handling Limited is that of handling cargo.

\* denotes indirect holding

### 11 Debtors

	Group		Company	
	30 April 1998	30 April 1997	30 April 1998	30 April 1997
	£	£	£	£
Trade debtors	2,246,449	1,416,064	-	9,357
Amounts owed by parent and fellow subsidiary undertakings	13,828,999	9,545,167	11,725,631	9,418,489
Amounts owed by associates	-	-	-	-
Amounts owed by joint ventures	500,000	-	500,000	-
Other debtors	120,770	138,702	84,925	107,450
Prepayments and accrued income	62,682	123,085	56,068	-
	<u>16,758,900</u>	<u>11,223,018</u>	<u>12,366,624</u>	<u>9,535,296</u>

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	Group		Company	
	30 April 1998	30 April 1997	30 April 1998	30 April 1997
	£	£	£	£
Bank loans and overdrafts	885,657	552	-	-
Obligations under finance leases and hire purchase contracts	-	9,414	-	-
Trade creditors	1,327,801	614,736	-	-
Amounts owed to parent and fellow subsidiary undertakings	139,318	1,367,923	96,450	-
Amounts owed to associated undertaking	-	-	-	-
Corporation tax	960,534	95,782	932,406	304,075
Group relief payable	1,474,374	1,396,446	1,011,474	1,011,473
Dividends payable	-	385,800	-	385,800
Other creditors	32,917	2,761	-	-
Accruals and deferred income	1,277,700	614,381	-	47,189
	<u>6,098,301</u>	<u>4,487,795</u>	<u>2,040,330</u>	<u>1,748,537</u>

### 13 Provisions for liabilities and charges

<i>Group and company</i>	£
Deferred taxation:	
At 1 May 1997	36,000
Credit for the year in the profit and loss account	(36,000)
	<u>-</u>
At 30 April 1998	<u>-</u>

#### *Amounts provided*

	Group and company	
	30 April 1998	30 April 1997
	£	£
Accelerated capital allowances	-	52,000
Short term timing differences	-	(2,000)
	<u>-</u>	<u>50,000</u>
Less: advance corporation tax	-	(14,000)
	<u>-</u>	<u>36,000</u>

There is no unprovided deferred tax liability.

## Notes (continued)

### 14 Share capital

	30 April 1998 £	30 April 1997 £
<i>Authorised:</i>		
1000 ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid:</i>		
100 ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>

### 15 Reserves

Group	Goodwill write off reserve £	Profit and loss account £	Total £
At 1 May 1997	(31,085)	11,045,783	11,014,698
Retained profit for the year	-	2,824,893	2,824,893
	<u>          </u>	<u>          </u>	<u>          </u>
At 30 April 1998	(31,085)	13,870,676	13,839,591
	<u>          </u>	<u>          </u>	<u>          </u>
 Company			 Profit and loss account £
At 1 May 1997			9,502,177
Retained profit for the year			1,824,019
			<u>          </u>
At 30 April 1998			11,326,196
			<u>          </u>

### 16 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit/(loss) for the financial period	2,824,893	(1,931,542)
Opening shareholders' funds	11,014,798	12,946,340
	<u>          </u>	<u>          </u>
Closing shareholders' funds	13,839,691	11,014,798
	<u>          </u>	<u>          </u>

### 17 Contingent liabilities

The Company is party to a group letter of set-off covering certain of its bank accounts and is a guarantor under certain financing arrangements.

## Notes (continued)

### 18 Commitments

- i) There were no capital commitments at 30 April 1998 (1997: £Nil).
- ii) Annual commitments under non-cancellable operating leases are as follows:

	Group and Company		30 April 1997	
	30 April 1998		30 April 1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	27,393	-	6,421
2-5 years	-	55,489	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	82,882	-	6,421
	<hr/>	<hr/>	<hr/>	<hr/>

### 19 Reconciliation of operating profit to net cash outflow from operating activities

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Operating profit	2,074,916	1,669,530
Depreciation charge	49,007	52,824
Increase in debtors	(4,988,771)	(7,174,962)
Increase in creditors	208,752	500,722
	<hr/>	<hr/>
Net cash outflow from operating activities	(2,656,096)	(4,951,886)
	<hr/>	<hr/>

### 20 Reconciliation of net cash flow to movement in net debt

	£
Change in cash and bank	(1,641,317)
Cash inflow from financing	9,414
New finance leases	-
	<hr/>
Movement in net debt	(1,631,903)
Net debt at 1 May 1997	1,351,058
	<hr/>
Net debt at 30 April 1998	(280,845)
	<hr/>

## Notes (continued)

### 21 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand	1,361,024	(756,212)	604,812
Overdrafts	(552)	(885,105)	(885,657)
	<hr/>	<hr/>	<hr/>
Finance leases	1,360,472	(1,641,317)	(280,845)
	(9,414)	9,414	-
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>1,351,058</b>	<b>(1,631,903)</b>	<b>(280,845)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 22 Joint venture

The group's share of its joint venture's performance is disclosed in the consolidated profit and loss account. Its share of the joint ventures balance sheet is as follows:

	30 April 1998 £	30 April 1997 £
Fixed assets	3,231,855	2,383,859
Current assets	3,870,709	2,638,246
Liabilities due within one year	(4,810,286)	(3,163,950)
Liabilities due after more than one year	(380,000)	(266,500)

### 23 Related party transactions

As at 30 April 1998, the Company's ultimate parent company was Virgin Travel Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Travel Limited. The principal beneficiaries of those trusts are RCN Branson and his immediate family. The shareholders of Virgin Travel 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 Company being a wholly owned subsidiary undertaking of Virgin Travel Limited, has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the group or investees of the group qualifying as related parties. These transactions have been disclosed in the consolidated financial statements of the immediate holding company, Virgin Travel Group Limited, which are publicly available (see note 24).

There are no other material transactions and balances by the Company with related entities which are required to be disclosed by Financial Reporting Standard 8.

## **Notes** *(continued)*

### **24 Ultimate holding company**

The ultimate holding company at 30 April 1998 was Virgin Travel Limited, a company registered in The British Virgin Islands. The largest and smallest group of which the Company is a member and for which consolidated financial statements have been drawn up is Virgin Travel Group Limited, a company registered in England and Wales. Copies of the financial statements for this company may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.