

# **Virgin Aviation Services Limited**

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

30 April 2001

Registered number: 1927016



## **Directors' report and 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 2001.

### Principal activities

The principal activity of the Company during the year was freight handling.

### Business review

The results for the year ended 30 April 2001 reflect another profitable year for the Company.

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level 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 recommend the payment of an interim dividend of £1,500,000 (2000: £nil).

### Directors and directors' interests

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

RCN Branson	(Chairman)
AJ Chambers	(Managing Director)
VV Alfreds	(Alternate for KW Sim and TO Thoeng)
SR Bowker	(Appointed 4 October 2000)
FE Brandon-Farrow	(Appointed 1 October 2000)
IS Burroughs	(Appointed 28 June 2000 and resigned 1 October 2000)
TA Hwang	
FTE Khoo	(Alternate for TA Hwang)
KH Leong	(Alternate for K Singh)
GD McCallum	(Appointed 28 June 2000 and resigned 4 October 2000)
M Poole	(Appointed 28 June 2000)
NE Primrose	(Resigned 30 November 2000)
A Pusateri	
SB Ridgway	
KW Sim	(Resigned 6 November 2000)
K Singh	
TO Thoeng	(Appointed 6 November 2000)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the Company or other group companies, as recorded in the register of directors' share and debenture interests.

### European Currency Union

Management have reviewed and continue to monitor the impact of the Euro to ensure the business responds to the risks and opportunities that this presents.

## Directors' report *(continued)*

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

By order of the Board



IMJ de Sousa  
Company Secretary

120 Campden Hill Road  
London  
W8 7AR

24 July 2001

## **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 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 Company 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 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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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 12.

### *Respective responsibilities of directors and auditors*

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

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

### *Basis of opinion*

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

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

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 April 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
Chartered Accountants  
Registered Auditors

24 July 2001

## Profit and loss account

for the year ended 30 April 2001

	Note	Year ended 30 April 2001 £	Year ended 30 April 2000 £
Turnover	2	1,569,017	1,232,924
Cost of sales		-	(306,805)
<b>Gross profit</b>		<b>1,569,017</b>	<b>926,119</b>
Administrative expenses		(13,348)	(94,622)
<b>Operating profit</b>		<b>1,555,669</b>	<b>831,497</b>
Profit on disposal of subsidiary undertakings		-	999,998
Income from shares in subsidiary undertakings		-	707,863
Income from shares in joint venture		500,000	500,000
<b>Interest receivable and similar income:</b>	4	<b>1,105,812</b>	<b>910,383</b>
<b>Profit on ordinary activities before taxation</b>	5	<b>3,161,481</b>	<b>3,949,741</b>
Tax on profit on ordinary activities	7	(798,000)	(822,564)
<b>Profit for the financial year</b>		<b>2,363,481</b>	<b>3,127,177</b>
Dividends paid and proposed	8	(1,500,000)	-
<b>Retained profit for the year</b>	13	<b>863,481</b>	<b>3,127,177</b>

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

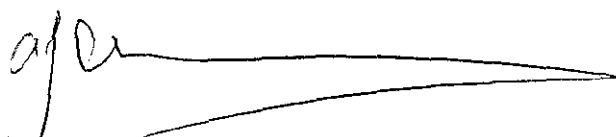
The notes on pages 9 to 12 form part of these financial statements.

## Balance sheet

at 30 April 2001

	Note	30 April 2001 £	£	30 April 2000 £	£
<b>Fixed assets</b>					
Investments	9		1,000,000		1,000,000
<b>Current assets</b>					
Debtors	10	21,146,664		19,472,288	
		<u>21,146,664</u>		<u>19,472,288</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(4,461,720)</u>		<u>(3,650,825)</u>	
<b>Net current assets</b>			16,684,944		15,821,463
<b>Total assets less current liabilities</b>			<u>17,684,944</u>		<u>16,821,463</u>
<b>Net assets</b>			<u>17,684,944</u>		<u>16,821,463</u>
<b>Capital and reserves</b>					
Called up share capital	12		100		100
Profit and loss account	13	17,684,844		16,821,363	
<b>Equity shareholders' funds</b>	14	<u>17,684,944</u>		<u>16,821,463</u>	

These financial statements were approved by the Board of Directors on 24 July 2001 and were signed on its behalf by:



**AJ Chambers**  
 Director

The notes on pages 9 to 12 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 matters which are considered material in relation to the Company's financial statements for the year under review:

#### ***Basis of preparation***

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

Under Financial Reporting Standard 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Virgin Atlantic Limited. The Company's cash flows are included within the consolidated cash flow statement of that company.

Under Section 228(1) of the Companies Act 1985, the Company is exempt from the requirement to prepare and deliver consolidated accounts on the grounds that it is a wholly owned subsidiary of Virgin Atlantic Limited, a company registered in England and Wales (see note 20). Accordingly these accounts present information about the Company as an individual undertaking.

#### ***Turnover***

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

#### ***Administrative expenses***

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

#### ***Foreign currencies***

Assets and liabilities denominated 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.

#### ***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 using the liability method, only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

## Notes (continued)

### 2 Analysis of turnover

	Year ended 30 April 2001 £	Year ended 30 April 2000 £
<i>By activity</i>		
Handling management fees	1,569,017	1,232,924
	<u>1,569,017</u>	<u>1,232,924</u>
	Year ended 30 April 2001 £	Year ended 30 April 2000 £
<i>By source of geographical market</i>		
United Kingdom	100,000	100,000
United States of America	1,469,017	1,132,924
	<u>1,569,017</u>	<u>1,232,924</u>
	<u>1,569,017</u>	<u>1,232,924</u>

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

### 3 Staff numbers and costs

The Company had no employees during the year (2000: nil).

### 4 Interest receivable and similar income

	Year ended 30 April 2001 £	Year ended 30 April 2000 £
Interest receivable from group undertaking	1,105,812	897,590
Other interest receivable	-	12,793
	<u>1,105,812</u>	<u>910,383</u>
	<u>1,105,812</u>	<u>910,383</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 30 April 2001 £	Year ended 30 April 2000 £
Auditors' remuneration – audit	9,000	9,000
	<u>9,000</u>	<u>9,000</u>

## Notes (continued)

### 6 Remuneration of directors

	Year ended 30 April 2001 £	Year ended 30 April 2000 £
Directors' emoluments	343,240	465,870
Company pension contributions to money purchase schemes	18,507	20,928
	<u>          </u>	<u>          </u>

The aggregate emoluments of the highest paid director were £203,708 (2000: £196,807) and company pension contributions to money purchase schemes on his behalf were £12,560 (2000: £12,080).

	Year ended 30 April 2001	Year ended 30 April 2000
Retirement benefits are accruing to the following number of directors under:		
Money purchase scheme	2	2
	<u>          </u>	<u>          </u>

### 7 Tax on profit on ordinary activities

	Year ended 30 April 2001 £	Year ended 30 April 2000 £
UK corporation tax at 30% (2000: 30%)	-	822,564
Amounts payable in respect of Group relief at 30% (2000: 30%)	798,000	-
	<u>          </u>	<u>          </u>

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

### 8 Dividends

	Year ended 30 April 2001 £	Year ended 30 April 2000 £
<b>Dividends on equity shares</b>		
Ordinary – interim £15,000 (2000: nil) per share	1,500,000	-
	<u>          </u>	<u>          </u>

### 9 Fixed asset investments

Company	Interest in joint venture £
Cost and net book value At 30 April 2000 and 30 April 2001	1,000,000
	<u>          </u>

## Notes (continued)

### 9 Fixed asset investments (continued)

The companies in which the Company'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
<i>Joint venture (see note 18)</i>			
Plane Handling Limited (Accounting period ending 30 September)	England and Wales	Cargo handling	Ordinary 50%

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

### 10 Debtors

	30 April 2001 £	30 April 2000 £
Amounts owed by parent and fellow subsidiary undertakings	20,980,881	19,306,505
Other debtors	107,450	107,450
Prepayments and accrued income	58,333	58,333
	<hr/>	<hr/>
	21,146,664	19,472,288
	<hr/>	<hr/>

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

	30 April 2001 £	30 April 2000 £
Amounts owed to parent and fellow subsidiary undertakings	229,339	201,840
Corporation tax	2,369,575	2,369,575
Group relief payable	1,809,473	1,011,473
Accruals and deferred income	53,333	67,937
	<hr/>	<hr/>
	4,461,720	3,650,825
	<hr/>	<hr/>

## Notes (continued)

### 12 Share capital

	30 April 2001 £	30 April 2000 £
<i>Authorised:</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

### 13 Reserves

	Profit and loss account £
At 1 May 2000	16,821,363
Retained profit for the year	863,481
	<hr/>
At 30 April 2001	17,684,844
	<hr/>

### 14 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Profit for the financial period	863,481	3,127,177
Opening shareholders' funds	16,821,463	13,694,286
	<hr/>	<hr/>
Closing shareholders' funds	17,684,944	16,821,463
	<hr/>	<hr/>

### 15 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.

### 16 Commitments

There were no capital commitments at 30 April 2001 (2000: £nil).

There were no commitments under non-cancellable operating leases at 30 April 2001 (2000 : £nil).

## Notes (continued)

### 17 Sale of subsidiary

The Company's wholly owned subsidiary, Air Cargo Partners Limited, together with Air Cargo Partners Limited's wholly owned subsidiary, GSA Worldwide Limited, were sold during the previous year.

### 18 Joint venture

The Company's share of its joint venture's retained profit and capital and reserves is as follows:

	30 April 2001 £	30 April 2000 £
Retained profit for the year	182,846	645,718
Capital and reserves	3,947,475	3,764,629
	<hr/>	<hr/>

### 19 Related party transactions

As at 30 April 2001, the Company's ultimate parent company was Virgin Group Investments Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Investments Limited. The principal beneficiaries of those trusts are Sir RCN Branson and his immediate family. The shareholders of Virgin Group Investments Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard 8.

The Company being a wholly owned subsidiary undertaking of Virgin Atlantic 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 intermediate holding company, Virgin Atlantic Limited which are publicly available (see note 20).

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.

### 20 Ultimate holding company

The ultimate holding company at 30 April 2001 was Virgin Group Investments Limited, a company registered in The British Virgin Islands.

As at 30 April 2001, Ivanco (No.1) Limited, a company registered in England and Wales, is the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up. The 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 both of these companies, together with those for Virgin Atlantic Limited, may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.