

Virgin Aviation Services Limited

**Directors' report and consolidated
financial statements**

30 April 1997

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 1997.

Principal activity

The principal activity of the Group during the year was freight handling and cargo general sales agent.

Change of accounting reference date

The Company changed its accounting reference date for administrative reasons to 30 April on 15 August 1996. Comparatives are shown for the 8 month period ended 30 April 1996.

Business review

The results for the year are set out on page 5 of the financial statements. The loss retained for the year is £1,931,542 (1996: profit of £6,991,127).

Dividends

The directors recommended the payment of a dividend of £3,858,000 (1996: £nil).

Directors and directors' interests

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

RCN Branson	(Chairman)
TM Abbott	
AJ Chambers	
RAW Gardner	
GP Howard	
AG Masterson	(resigned 31 December 1996)
NE Primrose	
A Pusateri	

Directors' report (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:

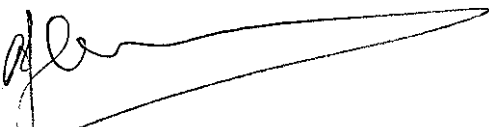
	30 April 1997 Number	30 April 1996 Number
AJ Chambers	5	5
A Pusateri	5	5

None of the other directors who held office at the end of the year had any disclosable interest in the shares of the Company during the year other than as a result of an interest in the shares of the ultimate company at 30 April 1997, Virgin Travel Investments Limited. The interests of the relevant directors are disclosed in the directors' report of that company.

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



AJ Chambers
Director

120 Campden Hill Road
London
W8 7AR

29th May, 1998

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 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 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.



1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Report of the auditors to the members of Virgin Aviation Services Limited

We have audited the financial statements on pages 5 to 23.

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'Nay'.

29 Aug 1998

Chartered Accountants
Registered Auditor

Consolidated profit and loss account

for the year ended 30 April 1997

	Note	Year ended 30 April 1997		8 months ended 30 April 1996	
		£	£	£	£
Turnover	<i>1(b) & 2</i>				
Continuing operations		9,860,821		1,432,168	
Acquisitions		-		1,748,112	
Discontinued operations		-		5,440,727	
			9,860,821		8,621,007
Cost of sales	<i>3</i>		(6,983,031)		(6,370,363)
Gross profit			2,877,790		2,250,644
Administrative expenses	<i>1(c) & 3</i>		(1,208,260)		(896,730)
Other operating income			-		141,004
Operating profit					
Continuing operations		1,669,530		1,016,024	
Acquisitions		-		157,999	
Discontinued operations		-		320,895	
			1,669,530		1,494,918
Profit on sale of discontinued operations	<i>7</i>		-		5,758,738
Income from interests in associated undertakings			717,564		110,887
Interest receivable and similar income	<i>8</i>		530,746		233,082
Interest payable and similar charges	<i>9</i>		(1,979)		(23,976)
Profit on ordinary activities before taxation	<i>4</i>		2,915,861		7,573,649
Tax on profit on ordinary activities	<i>10</i>		(989,403)		(582,522)
Profit on ordinary activities after taxation			1,926,458		6,991,127
Dividends			(3,858,000)		-
Retained (loss)/profit for the period			(1,931,542)		6,991,127

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 23 form part of these financial statements.

Consolidated balance sheet

at 30 April 1997

	Note	30 April 1997		30 April 1996	
		£	£	£	£
Fixed assets					
Tangible assets	11		827,811		818,601
Investments	12		2,126,740		1,645,972
			<hr/>		<hr/>
			2,954,551		2,464,573
Current assets					
Debtors	13	11,223,018		15,000,256	
Cash at bank and in hand		1,361,024		381,860	
		<hr/>		<hr/>	
		12,584,042		15,382,116	
Creditors: amounts falling due within one year	14	(4,487,795)		(4,854,347)	
		<hr/>		<hr/>	
Net current assets			8,096,247		10,527,769
			<hr/>		<hr/>
Total assets less current liabilities			11,050,798		12,992,342
Creditors: amounts falling due after more than one year	15		-		(10,002)
Provisions for liabilities and charges	16		(36,000)		(36,000)
			<hr/>		<hr/>
Net assets			11,014,798		12,946,340
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		100		100
Profit and loss account	18		11,045,783		12,977,325
Goodwill write off reserve	19		(31,085)		(31,085)
			<hr/>		<hr/>
Equity shareholders' funds	19		11,014,798		12,946,340
			<hr/>		<hr/>

These financial statements were approved by the Board of directors on 29th May 1998 and were signed on its behalf by:

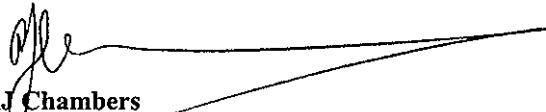

AJ Chambers
Director

The notes on pages 9 to 23 form part of these financial statements.

Company balance sheet
at 30 April 1997

	<i>Note</i>	30 April 1997	30 April 1996
		£	£
Fixed assets			
Tangible assets	<i>11</i>	750,991	782,853
Investments	<i>12</i>	1,000,002	1,000,002
		<hr/>	<hr/>
		1,750,993	1,782,855
Current assets			
Debtors	<i>13</i>	9,535,296	14,352,115
Cash at bank and in hand		525	129,774
		<hr/>	<hr/>
		9,535,821	14,481,889
Creditors: amounts falling due within one year	<i>14</i>	(1,748,537)	(4,000,817)
		<hr/>	<hr/>
Net current assets		7,787,284	10,481,072
		<hr/>	<hr/>
Total assets less current liabilities		9,538,277	12,263,927
Provisions for liabilities and charges	<i>16</i>	(36,000)	(36,000)
		<hr/>	<hr/>
Net assets		9,502,277	12,227,927
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	<i>17</i>	100	100
Profit and loss account	<i>18</i>	9,502,177	12,227,827
		<hr/>	<hr/>
Equity shareholders' funds		9,502,277	12,227,927
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the Board of directors on *29th May, 1998* and were signed on its behalf by:


AJ Chambers
Director

The notes on pages 9 to 23 form part of these financial statements.

Consolidated cash flow statement

for the year ended 30 April 1997

	<i>Note</i>	Year ended 30 April 1997 £ £	8 months ended 30 April 1996 £ £
Net cash (outflow)/ inflow from operating activities	22	(4,951,886)	1,563,903
Return on investments and servicing of finance			
Interest received		530,746	233,082
Interest paid		-	(21,352)
Interest element of finance leases		(1,979)	(2,624)
		<hr/> 528,767	<hr/> 209,106
Taxation			
Group relief paid		(2,003,790)	(629,503)
		<hr/> (2,003,790)	<hr/> (629,503)
Capital expenditure and principal investment			
Purchase of tangible fixed assets		(62,034)	-
Sale of tangible fixed assets		-	49,402
		<hr/> (62,034)	<hr/> 49,402
Acquisitions and disposals			
Sale of subsidiary	24	7,480,000	
Purchase of subsidiary		-	(46,675)
		<hr/> 7,480,000	<hr/> (46,675)
Equity dividends paid		-	(1,000,000)
Cash inflow before use of liquid resources and financing		<hr/> 991,057	<hr/> 146,233
Financing			
Capital element of finance leases		(11,893)	(5,323)
		<hr/> (11,893)	<hr/> (5,323)
Increase in cash	23	<hr/> <hr/> 979,164	<hr/> <hr/> 140,910

The notes on pages 9 to 23 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 1997. 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 associated undertaking is one 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. The group's share of the profits less losses of associates 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 18 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 as incurred.

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.

Notes (continued)

2 Analysis of turnover

	Year ended 30 April 1997	8 months ended 30 April 1996
	Turnover £	Turnover £
<i>By activity</i>		
Mailing and distribution	-	5,440,727
Handling management fees	1,258,825	923,930
Airline cargo general sales agent	8,058,829	1,748,112
Shipping and forwarding	543,167	508,238
	<hr/> 9,860,821 <hr/>	<hr/> 8,621,007 <hr/>
<i>By geographical market</i>		
	Year ended 30 April 1997	8 months ended 30 April 1996
	£	£
United Kingdom	8,305,224	6,219,236
United States of America	1,258,825	2,401,771
Malaysia	296,772	-
	<hr/> 9,860,821 <hr/>	<hr/> 8,621,007 <hr/>

3 Analysis of continued and discontinued operations

	Year ended 30 April 1997			8 months ended 30 April 1996		
	£	£	£	£	£	£
	Continued	Discontinued	Total	Continued	Discontinued	Total
Cost of sales	6,983,031	-	6,983,031	1,714,084	4,656,279	6,370,363
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net operating expenses:						
Administrative expenses	1,208,260	-	1,208,260	433,177	463,553	896,730
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
Depreciation of tangible fixed assets	52,824	19,705
Auditors' remuneration:		
Audit	17,970	29,789
Other services	11,200	-
Hire of plant and machinery:		
Rentals payable under operating leases	4,587	-
	<u> </u>	<u> </u>

5 Remuneration of directors

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
Directors' emoluments	410,927	315,800
Company pension contributions to money purchase schemes	41,013	9,396
Compensation for loss of office	30,000	

The aggregate emoluments of the highest paid director were £148,558 (1996: £142,247) and company pension contributions to money purchase schemes on his behalf were £9,500 (1996: £4,776)

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

Notes (continued)

6 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 1997	8 months ended 30 April 1996
Production	-	42
Selling and distribution	18	10
Administration	18	25
	<hr/> 36	<hr/> 77
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
Wages and salaries	753,341	1,459,158
Social security costs	76,816	134,835
Other pension costs	58,120	345,226
	<hr/> 888,277	<hr/> 1,939,219
	<hr/> <hr/>	<hr/> <hr/>

7 Profit on sale of discontinued operations

On 31 December 1995 the company disposed of its Mailing and Distribution division, for consideration of £7,480,000. The net assets disposed of amounted to £1,721,262 resulting in a profit on disposal of £5,758,738.

8 Interest receivable

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
Other interest	33,137	-
Interest receivable from group undertaking	497,609	233,082
	<hr/> 530,746	<hr/> 233,082
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Interest payable and similar charges

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
On bank loans and overdrafts	-	21,352
Interest payable in respect of finance leases and hire purchase contracts	1,979	2,624
	<u>1,979</u>	<u>23,976</u>

10 Taxation

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
UK Corporation tax at 31% (1996 33%)	-	-
Group relief payable	752,607	617,522
Share of associate undertakings tax	236,796	-
Deferred taxation	-	(35,000)
	<u>989,403</u>	<u>582,522</u>

Notes (continued)

11 Tangible fixed assets

Group	Long leasehold land and buildings £	Short leasehold land and buildings £	Fixtures and fittings £	Plant and equipment £	Total £
<i>Cost</i>					
At 1 May 1996	893,869	1,500	86,117	173	981,659
Additions	-	-	62,034	-	62,034
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1997	893,869	1,500	148,151	173	1,043,693
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 May 1996	112,689	-	50,369	-	163,058
Charge for the year	30,314	1,375	20,962	173	52,824
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1997	143,003	1,375	71,331	173	215,882
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 April 1997	750,866	125	76,820	-	827,811
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1996	781,180	1,500	35,748	173	818,601
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of fixtures and fittings is £17,896 (1996: £28,774) in respect of assets held under finance leases. Depreciation for the year on these assets was £6,878 (1996: £3,539).

Notes (continued)

11 Tangible fixed assets (continued)

Company	Long leasehold land and buildings £	Short leasehold land and buildings £	Fixtures and fittings £	Plant and equipment £	Total £
<i>Cost</i>					
At 1 May 1996 and at 30 April 1997	893,869	1,500	42,397	173	937,939
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 May 1996	112,689	-	42,397	-	155,086
Charge for the year	30,314	1,375	-	173	31,862
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1997	143,003	1,375	42,397	173	186,948
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 April 1997	750,866	125	-	-	750,991
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1996	781,180	1,500	-	173	782,853
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investments

	Interest in associated undertakings £
Group	
<i>Cost</i>	
At 1 May 1996 and at 30 April 1997	1,535,085
	<hr/>
<i>Share of post acquisition reserves</i>	
At 1 May 1996	110,887
Retained profits for the year	480,768
	<hr/>
At 30 April 1997	591,655
	<hr/>
<i>Provisions</i>	
At beginning and end of year	-
	<hr/>
<i>Net book value</i>	
At 30 April 1997	2,126,740
	<hr/> <hr/>
At 30 April 1996	1,645,972
	<hr/> <hr/>

Notes (continued)

12 Fixed asset investments (continued)

Company	Shares in group undertakings £	Participating interests £	Total £
Cost			
At 1 May 1996 and at 30 April 1997	2	1,000,000	1,000,002
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning and end of period	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 April 1997 and at 30 April 1996	2	1,000,000	1,000,002
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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>Associated undertakings</i>				
Plane Handling Limited	England and Wales	Cargo handling	50% ordinary	50% ordinary
* denotes indirect holding				

* denotes indirect holding

Notes (continued)

13 Debtors

	Group		Company	
	30 April 1997	30 April 1996	30 April 1997	30 April 1996
	£	£	£	£
Trade debtors	1,416,064	570,374	9,357	108,554
Amounts owed by parent and fellow subsidiary undertakings	9,545,167	6,630,460	9,418,489	6,630,458
Amounts owed by associates	-	117,585	-	103,200
Other debtors	138,702	7,501,281	107,450	7,480,000
Prepayments and accrued income	123,085	180,556	-	29,903
	<u>11,223,018</u>	<u>15,000,256</u>	<u>9,535,296</u>	<u>14,352,115</u>

Other debtors includes £107,450 recoverable after more than one year.

14 Creditors: amounts falling due within one year

	Group		Company	
	30 April 1997	30 April 1996	30 April 1997	30 April 1996
	£	£	£	£
Bank loans and overdrafts	552	552	-	-
Obligations under finance leases and hire purchase contracts	9,414	11,305	-	-
Trade creditors	614,736	389,777	-	30,852
Amounts owed to parent and fellow subsidiary undertakings	1,367,923	949,221	-	574,233
Amounts owed to associated undertaking	-	673,306	-	673,306
Corporation tax	95,782	2,125,889	304,075	2,702,230
Group relief payable	1,396,446	617,522	1,011,473	-
Dividends payable	385,800	-	385,800	-
Other creditors	2,761	-	-	-
Accruals and deferred income	614,381	86,775	47,189	20,196
	<u>4,487,795</u>	<u>4,854,347</u>	<u>1,748,537</u>	<u>4,000,817</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

Group	30 April 1997 £	30 April 1996 £
Obligations under finance leases and hire purchase contracts	-	10,002
	<u> </u>	<u> </u>

16 Provisions for liabilities and charges

<i>Group</i>	£
Deferred taxation:	
At 1 May 1996	36,000
Credit for the year in the profit and loss account	-
	<u> </u>
At 30 April 1997	36,000
	<u> </u>

Amounts fully provided

	Group and company 30 April 1997 £	30 April 1996 £
Accelerated capital allowances	52,000	52,000
Short term timing differences	(2,000)	(2,000)
	<u> </u>	<u> </u>
	50,000	50,000
Less: advance corporation tax	(14,000)	(14,000)
	<u> </u>	<u> </u>
	36,000	36,000
	<u> </u>	<u> </u>

17 Share capital

	30 April 1997 £	30 April 1996 £
<i>Authorised:</i>		
1000 ordinary shares of £1 each	1000	1000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid:</i>		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

Notes (continued)

18 Reserves

Group	Goodwill write off reserve £	Profit and loss account £	Total £
At 1 May 1996	(31,085)	12,977,325	12,946,240
Retained loss for the year	-	(1,931,542)	(1,931,542)
	<hr/>	<hr/>	<hr/>
At 30 April 1997	(31,085)	11,045,783	11,014,698
	<hr/>	<hr/>	<hr/>
Company		Profit and Loss account £	
At 1 May 1996			12,227,827
Retained loss for the year			(2,725,650)
			<hr/>
At 30 April 1997			9,502,177
			<hr/>

19 Reconciliation of movement in shareholders' funds

	1997 £	1996 £
(Loss)/profit for the financial period	(1,931,542)	6,991,127
Goodwill arising on acquisition written off to reserves	-	(31,085)
Opening shareholders' funds	12,946,340	5,986,298
	<hr/>	<hr/>
Closing shareholders' funds	11,014,798	12,946,340
	<hr/>	<hr/>

20 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)

21 Commitments

- i) There were no capital commitments at 30 April 1997 (1996: £Nil).
- ii) Annual commitments under non-cancellable operating leases are as follows:

	Group 30 April 1997		Company 30 April 1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	6,421	-	-
	<u>-</u>	<u>6,421</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>6,421</u>	<u>-</u>	<u>-</u>

22 Reconciliation of operating profit to net cash (outflow)/ inflow from operating activities

	Year ended 30 April 1997 £	8 months ended 30 April 1996 £
Operating profit	1,669,530	1,494,918
Deprecation charge	52,824	19,705
Decrease/(increase) in stocks	-	20,691
(Increase) in debtors	(7,174,962)	(1,132,146)
Increase in creditors	500,722	1,159,735
	<u>(4,951,886)</u>	<u>1,562,903</u>
Net cash (outflow)/ inflow from operating activities	<u>(4,951,886)</u>	<u>1,562,903</u>

23 Analysis of net funds

	Cash £	Overdraft £	Net £
Balance at 1 May 1996	381,860	(552)	381,308
Net cash inflow/(outflow)	979,164	-	979,164
	<u>1,361,024</u>	<u>(552)</u>	<u>1,360,472</u>
Balance at 30 April 1997	<u>1,361,024</u>	<u>(552)</u>	<u>1,360,472</u>

24 Sale of business

The cash flow amount received of £7,480,000 relates to consideration received for the sale of the mailing and distribution activity on 31 December 1995.

Notes (continued)

25 Related party transactions

As at 30 April 1997, 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 parent undertaking of the Company's largest group, Virgin Travel Investments Limited, which are publicly available (see note 26).

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

26 Ultimate holding company

The ultimate holding company at 30 April 1997 was Virgin Travel Limited, a company registered in The British Virgin Islands. Virgin Travel Investments 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 prepared. 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 those companies may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.