

# **Virgin Aviation Services Limited**

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

**31 August 1995**

Registered number: 1927016



# Virgin Aviation Services Limited

## Directors' report and financial statements

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# **Virgin Aviation Services Limited**

## **Directors' Report**

The directors present their annual report and the audited financial statements for the 10 months ended 31 August 1995.

### **Principal activities**

The principal activities of the Group during the period were the provision of international print distribution services and freight handling.

### **Change of accounting reference date**

The Company changed its accounting reference date for administrative reasons to 31 August on 24 October 1995.

### **Business review**

The directors consider that the results of the Group for the period were encouraging and reflect the continuing recovery in the U.K. and U.S. economies.

There were no significant changes in any of the activities of the Group during the period. The Mailing and Distribution business reported a significant increase in profits due to the addition of some significant new contracts as well as increased volume from existing customers.

The results for the period are set out on page 5.

### **Dividends**

The directors do not recommend the payment of a dividend (1994: £1,000,000). The retained profit for the period of £2,025,372 (1994: £917,158) has been transferred to reserves.

### **Post balance sheet events**

On 31 December 1995 the Company disposed of its Mailing and Distribution division. The consideration was in the form of a loan note for £7,480,000 which, it is expected, will be converted into a 20% holding in the new group. This is subject to adjustment based on the relative performance of the division and the purchaser in the year to 31 December 1996.

### **Fixed assets**

Movements in fixed assets during the period are disclosed in note 8.

# Virgin Aviation Services Limited

## Directors' Report *(continued)*

### Directors and directors' interests

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

R C N Branson (Chairman)  
T M Abbott  
A J Chambers  
R A W Gardner  
G P Howard  
A G Masterson  
N E Primrose  
A Pusateri

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

	31 August 1995 Number	31 October 1994 Number
A J Chambers	5	5
A Pusateri	5	5

None of the other directors who held office at the end of the period had any disclosable interest in the shares of the Company during the period other than as a result of an interest in the shares of the ultimate holding company at 31 August 1995, 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.

By order of the Board



A R Avann  
Company Secretary

120 Campden Hill Road  
London  
W8 7AR

15 February 1996

# Virgin Aviation Services Limited

## 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 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 keeping 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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Brighton Road  
Crawley  
West Sussex  
RH11 9PT

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

We have audited the financial statements on pages 5 to 17.

### **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.

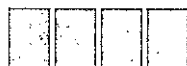
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Company and the Group at 31 August 1995 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
*Registered Auditors*

15 February 1996



# Virgin Aviation Services Limited

## Consolidated profit and loss account for the 10 month period ended 31 August 1995

		10 months ended Note 31 August 1995 £	Year ended October 1994 £
Turnover	1(c) & 2	14,898,724	15,327,164
Cost of sales		(11,541,965)	(11,956,083)
<b>Gross profit</b>		<b>3,356,759</b>	<b>3,371,081</b>
Administrative expenses	1(d)	(957,759)	(1,122,525)
Other operating income		597,017	475,064
<b>Operating profit</b>		<b>2,996,017</b>	<b>2,723,620</b>
Interest receivable from Group undertakings		230,835	113,923
Interest payable and similar charges	6	(7,192)	(4,404)
<b>Profit on ordinary activities before taxation</b>	3	<b>3,219,660</b>	<b>2,833,139</b>
Tax on profit on ordinary activities	7	(1,194,288)	(915,981)
<b>Profit for the financial period</b>		<b>2,025,372</b>	<b>1,917,158</b>
Dividends paid and proposed		-	(1,000,000)
Retained profit for financial period		2,025,372	917,158
Retained profit brought forward		3,960,826	3,043,668
<b>Retained profit carried forward</b>	15	<b>5,986,198</b>	<b>3,960,826</b>

There are no recognised gains or losses other than the profit for the period. The profit for the period arises from continuing operations.

The notes on pages 9 to 17 form part of these financial statements.

# Virgin Aviation Services Limited

## Consolidated balance sheet at 31 August 1995

	Note	31 August 1995		31 October 1994	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8	1,524,880		1,444,674	
<b>Current assets</b>					
Stocks	10	93,817		58,781	
Debtors	11	9,652,496		7,048,942	
Cash at bank and in hand		240,398		11,769	
		<u>9,986,711</u>		<u>7,119,492</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(5,454,293)</u>		<u>(4,552,240)</u>	
<b>Net current assets</b>		<u>4,532,418</u>		<u>2,567,252</u>	
<b>Total assets less current liabilities</b>		<u>6,057,298</u>		<u>4,011,926</u>	
<b>Provisions for liabilities and charges</b>	13	<u>(71,000)</u>		<u>(51,000)</u>	
<b>Net assets</b>		<u>5,986,298</u>		<u>3,960,926</u>	
<b>Capital and reserves</b>					
Called up share capital	14	100		100	
Profit and loss account	15	5,986,198		3,960,826	
<b>Equity shareholders' funds</b>		<u>5,986,298</u>		<u>3,960,926</u>	

These financial statements were approved by the Board of Directors on 15 February 1996 and were signed on its behalf by:

A J Chambers  
Director



The notes on pages 9 to 17 form part of these financial statements.



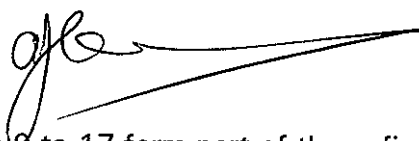
# Virgin Aviation Services Limited

## Company balance sheet at 31 August 1995

	Note	31 August 1995 £	31 October 1994 £
<b>Fixed assets</b>			
Tangible assets	8	1,524,880	1,444,674
Investments	9	99	99
		<u>1,524,979</u>	<u>1,444,773</u>
<b>Current assets</b>			
Stocks	10	93,817	58,781
Debtors	11	8,257,314	6,000,776
Cash at bank and in hand		240,398	11,769
		<u>8,591,529</u>	<u>6,071,326</u>
<b>Creditors: amounts falling due within one year</b>	12	(5,570,724)	(4,635,378)
<b>Net current assets</b>		<u>3,020,805</u>	<u>1,435,948</u>
<b>Total assets less current liabilities</b>		<u>4,545,784</u>	<u>2,880,721</u>
<b>Provisions for liabilities and charges</b>	13	(36,000)	(16,000)
<b>Net assets</b>		<u>4,509,784</u>	<u>2,864,721</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Profit and loss account	15	4,509,684	2,864,621
<b>Equity shareholders' funds</b>		<u>4,509,784</u>	<u>2,864,721</u>

These financial statements were approved by the Board of Directors on 15 February 1996 and were signed on its behalf by:

A J Chambers  
Director



The notes on pages 9 to 17 form part of these financial statements.

# Virgin Aviation Services Limited

## Consolidated cash flow statement

for the 10 month period ended 31 August 1995

	<i>Note</i>	10 months ended 31 August 1995 £	Year ended 31 October 1994 £
<b>Net cash inflow from operating activities</b>	<b>18</b>	<b>851,108</b>	<b>227,832</b>
<b>Return on investments and servicing of finance</b>			
Interest received		230,835	113,923
Interest paid		(7,192)	(4,404)
		<hr/>	<hr/>
<b>Net cash inflow from returns on investment and servicing of finance</b>		<b>223,643</b>	<b>109,519</b>
<b>Taxation</b>			
Corporation tax received		-	7,543
Group relief paid		(460,197)	(27,798)
		<hr/>	<hr/>
<b>Tax paid</b>		<b>(460,197)</b>	<b>(20,255)</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(256,823)	(187,695)
Sale of tangible fixed assets		16,000	5,986
		<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>		<b>(240,823)</b>	<b>(181,709)</b>
		<hr/>	<hr/>
<b>Net cash inflow before financing</b>		<b>373,731</b>	<b>135,387</b>
<b>Net cash flow from financing</b>		<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	<b>19</b>	<b>373,731</b>	<b>135,387</b>
		<hr/>	<hr/>

The notes on pages 9 to 17 form part of these financial statements.

# Virgin Aviation Services Limited

## 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 Group'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.

b) *Basis of consolidation*

The Group financial statements consolidate the financial statements of Virgin Aviation Services Limited and its subsidiary undertaking. The acquisition method of accounting has been adopted. In the Company's accounts, investments in subsidiary undertakings are stated at cost.

In accordance with Section 230(4) of the Companies Act 1985 Virgin Aviation Services Limited is exempt from the requirement to present its own profit and loss account.

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

c) *Turnover*

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

d) *Administrative expenses*

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

e) *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 period. Gains or losses on translation are included in the profit and loss account.

f) *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

# Virgin Aviation Services Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### g) 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.

#### h) Stocks

Stocks are stated at the lower of cost and net realisable value.

#### i) 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.

#### j) 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.

### 2 Analysis of turnover and profit on ordinary activities before taxation

By activity	10 months ended 31 August 1995		Year ended 31 October 1994	
	Turnover £	Profit before tax £	Turnover £	Profit before tax £
Mailing and distribution	12,888,008	1,019,650	12,999,196	669,948
Handling management fees	1,344,041	1,344,041	1,512,251	1,512,251
VAS Shipping	666,675	268,758	815,717	175,876
Share of profit of joint venture (note 9)	-	597,017	-	475,064
Rental income	-	(9,806)	-	-
	<b>14,898,724</b>	<b>3,219,660</b>	<b>15,327,164</b>	<b>2,833,139</b>
<i>By geographical market</i>				
	10 months ended 31 August 1995		Year ended 31 October 1994	
	£		£	
United Kingdom	10,124,437		9,974,475	
United States of America	4,774,287		5,352,689	
	<b>14,898,724</b>		<b>15,327,164</b>	

# Virgin Aviation Services Limited

## Notes (continued)

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	10 months ended 31 August 1995	Year ended 31 October 1994
	£	£
Depreciation of tangible fixed assets	173,931	210,187
Auditors' remuneration:		
Audit	17,476	17,424
Other services	14,200	3,706
Hire of plant and machinery:		
Rentals payable under operating leases	34,985	35,089
(Profit)/loss on disposal of fixed assets	(13,313)	4,026
Exchange gains	(14,796)	(20,040)
	<u>          </u>	<u>          </u>

### 4 Remuneration of directors

	10 months ended 31 August 1995	Year ended 31 October 1994
	£	£
Directors' emoluments	195,531	194,603
	<u>195,531</u>	<u>194,603</u>

The emoluments, excluding pension contributions, of the chairman were £NIL (1994: £NIL) and those of the highest paid director were £74,349 (1994: £74,868).

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

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	10 months ended 31 August 1995	Year ended 31 October 1994
£0 - £5,000	4	4
£45,001 - £50,000	1	-
£50,001 - £55,000	1	2
£65,001 - £70,000	-	-
£70,001 - £75,000	1	1
	<u>          </u>	<u>          </u>

# Virgin Aviation Services Limited

## Notes (continued)

### 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:

	10 months ended 31 August 1995	Year ended 31 October 1994
Production	99	126
Selling and distribution	5	7
Administration	33	25
	<u>137</u>	<u>158</u>

The aggregate payroll costs of these persons were as follows:

	10 months ended 31 August 1995	Year ended 31 October 1994
	£	£
Wages and salaries	1,170,814	1,319,717
Social security costs	93,861	113,781
Other pension costs	37,302	63,387
	<u>1,301,977</u>	<u>1,496,885</u>

### 6 Interest payable and similar charges

	10 months ended 31 August 1995	Year ended 31 October 1994
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	7,192	4,404
	<u>7,192</u>	<u>4,404</u>

### 7 Taxation

	10 months ended 31 August 1995	Year ended 31 October 1994
	£	£
UK corporation tax at 33% (1993: 33%):		
Corporation tax	1,077,655	-
Group relief payable	-	950,305
Adjustment to taxation in respect of prior years' profits	96,633	25,676
Deferred taxation	20,000	(60,000)
	<u>1,194,288</u>	<u>915,981</u>

# Virgin Aviation Services Limited

## Notes (continued)

### 8 Tangible fixed assets

#### Group and Company

	Long leasehold land and buildings £	Short leasehold land and buildings £	Fixtures and fittings £	Plant and equipment £	Total £
<b>Cost</b>					
At 1 November 1994	893,869	1,500	42,397	1,328,649	2,266,415
Additions	-	-	-	256,824	256,824
Disposals	-	-	-	(32,245)	(32,245)
<b>At 31 August 1995</b>	<b>893,869</b>	<b>1,500</b>	<b>42,397</b>	<b>1,553,228</b>	<b>2,490,994</b>
<b>Depreciation</b>					
At 1 November 1994	86,289	-	42,397	693,055	821,741
Charge for the period	14,667	-	-	159,264	173,931
Disposals	-	-	-	(29,558)	(29,558)
<b>At 31 August 1995</b>	<b>100,956</b>	<b>-</b>	<b>42,397</b>	<b>822,761</b>	<b>966,114</b>
<b>Net book value</b>					
At 31 August 1995	792,913	1,500	-	730,467	1,524,880
At 31 October 1994	807,580	1,500	-	635,594	1,444,674

### 9 Investments

Virgin Aviation Services owns 100% of the share capital of Franess Limited, a company incorporated in England and whose principal activity is as a participant in Plane Handling, a joint venture partnership dealing with freight handling in the UK. Franess Limited commenced trading on 1 October 1987.

### 10 Stocks

#### Group and Company

	10 months ended 31 August 1995 £	Year ended 31 October 1994 £
Raw materials and consumables	93,817	58,781

# Virgin Aviation Services Limited

## Notes (continued)

### 11 Debtors

	31 August 1995		31 October 1994	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	1,629,409	1,629,409	1,611,180	1,611,180
Amounts owed by parent and fellow subsidiary undertakings	6,532,094	6,532,094	4,310,596	4,310,596
Amounts owed by joint venture partnership	1,395,182	-	1,048,166	-
Other debtors	-	-	1,270	1,270
Prepayments and accrued income	95,811	95,811	77,730	77,730
	<u>9,652,496</u>	<u>8,257,314</u>	<u>7,048,942</u>	<u>6,000,776</u>

Included in "prepayments and accrued income" is an amount of £11,000 in respect of advance corporation tax which is recoverable after more than one year.

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

	31 August 1995		31 October 1994	
	Group	Company	Group	Company
	£	£	£	£
Bank loans and overdrafts	-	-	145,685	145,685
Trade creditors	1,062,550	1,062,550	881,095	881,095
Amounts owed to parent and fellow subsidiary undertakings	-	-	3	3
Amount owed to subsidiary undertaking	-	695,884	-	527,639
Corporation tax	1,143,743	916,905	70,963	45,809
Group relief payable	1,611,649	1,258,934	1,970,338	1,550,991
Dividends payable	1,000,000	1,000,000	1,000,000	1,000,000
Other taxation and social security	62,265	62,265	54,483	54,483
Accruals and deferred income	574,086	574,086	429,673	429,673
	<u>5,454,293</u>	<u>5,570,624</u>	<u>4,552,240</u>	<u>4,635,378</u>

### 13 Provisions for liabilities and charges

	Group	Company
	£	£
Deferred taxation:		
At 1 November 1994	65,000	30,000
Charge for the period in the profit and loss account	20,000	20,000
	<u>85,000</u>	<u>50,000</u>
Less: advance corporation tax	(14,000)	(14,000)
At 31 August 1995	<u>71,000</u>	<u>36,000</u>



# Virgin Aviation Services Limited

## Notes (continued)

### 13 Provision for liabilities and charges (continued)

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:-

	Amount provided				Amount unprovided			
	Group 1995 £	1994 £	Company 1995 £	1994 £	Group 1995 £	1994 £	Company 1995 £	1994 £
Accelerated capital allowances	87,000	84,800	52,000	49,800	29,407	37,465	-	-
Short term timing difference	(2,000)	(19,800)	(2,000)	(19,800)	-	-	-	-
	<u>85,000</u>	<u>65,000</u>	<u>50,000</u>	<u>30,000</u>	<u>29,407</u>	<u>37,465</u>	<u>-</u>	<u>-</u>
less: advance corporation tax	<u>(14,000)</u>	<u>(14,000)</u>	<u>(14,000)</u>	<u>(14,000)</u>				
	<u>71,000</u>	<u>51,000</u>	<u>36,000</u>	<u>16,000</u>				

### 14 Share capital

	31 August 1995 £	31 October 1994 £
<i>Authorised:</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid:</i>		
100 ordinary shares of £1 each	100	100

### 15 Reserves

	Group £	Company £
At 1 November 1994	3,960,826	2,864,621
Retained profit for period	2,025,372	1,645,063
At 31 August 1995	<u>5,986,198</u>	<u>4,509,684</u>

### 16 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.

# Virgin Aviation Services Limited

## Notes (continued)

### 17 Commitments

- (i) There were no capital commitments at 31 August 1995 (1994: £NIL).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

#### Group and Company

	31 August 1995		31 October 1994	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	11,750	-
In the second to fifth years inclusive	-	54,574	-	44,964
Over five years	102,780	-	102,780	-
	<u>102,780</u>	<u>54,574</u>	<u>114,530</u>	<u>44,964</u>

### 18 Reconciliation of operating profit to net cash inflow from operating activities

	10 months ended 31 August 1995 £	Year ended 31 October 1994 £
Operating profit	2,996,017	2,723,620
Depreciation charge	173,931	210,187
(Profit)/loss on sale of tangible fixed assets	(13,313)	4,026
(Increase) in stocks	(35,036)	(22,863)
(Increase) in debtors	(2,603,555)	(2,858,082)
Increase in creditors	313,647	242,256
Increase/(decrease) in provisions	20,000	(74,000)
Currency translation differences	(583)	2,688
Net cash inflow from operating activities	<u>851,108</u>	<u>227,832</u>

### 19 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Net £
Balance at 1 November 1994	11,769	(145,685)	(133,916)
Net cash inflow before adjustment for the effect of foreign exchange rate changes	228,046	145,685	373,731
Effect of foreign exchange rate changes	583	-	583
Balance at 31 August 1995	<u>240,398</u>	<u>-</u>	<u>240,398</u>

# · Virgin Aviation Services Limited

## Notes *(continued)*

### 20 Ultimate holding company

The ultimate holding company is Virgin Travel Investments Limited, a company registered in England and Wales. Virgin Travel Investments Limited 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.