

Woodhouse Securities Limited

Directors' report and financial statements

31 October 1999

Registered number 2133343



Directors' report and financial statements

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Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 October 1999.

Principal activity

The principal activity is that of hotel proprietor.

Results for the year and transfer to reserves

The results for the year are as presented on page 5 of the financial statements. The profit retained for the year is £2,444,639 (1998: loss of £452,237).

Review of the business

The company purchased 3 hotels during the period from an associated company (Cribyn Limited). These were disposed of along with the 4 hotels already owned by the company for a consideration of £20,500,000 on 30 July 1999.

The directors consider the state of affairs at the balance sheet date to be satisfactory.

Directors

The directors who served throughout the year were as follows:

C J D Crathorne	(resigned 23 March 2000)
W M F Herriot	
STM Murphy	(resigned 4 November 1998)
DP Legge	(appointed 4 November 1998, resigned 10 March 2000)
PR Gram	(appointed 10 March 2000)

None of the directors had an interest in the shares of the company at the end of the financial year, other than as a result of the an interest in the ultimate holding company, Virgin Hotels Group Limited. The interests of the relevant directors in the shares of that company are disclosed in the accounts of that company.

Dividends

The directors do not recommend the payment of a dividend (1998: £Nil).

Directors' report

Year 2000 compliance

No adverse impact from the Year 2000 date change has occurred within the company and none is expected. The cost of achieving the preparation for Year 2000 was not material.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



P Gram
Secretary

22 August 2000

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 standards 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.

Report of the auditors, KPMG, to the members of Woodhouse Securities Limited

We have audited the financial statements on pages 5 to 14.

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 Company's circumstances, consistently applied and adequately disclosed.

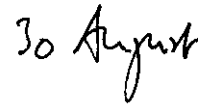
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31 October 1999 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
London



2000

Profit and loss account

for the year ended 31 October 1999

	<i>Note</i>	1999 £	Restated 1998 £
Turnover	<i>1(b)</i>	6,468,613	9,108,802
Cost of sales		(3,524,194)	(4,768,907)
Gross profit		2,944,419	4,339,895
Administrative expenses		(2,462,956)	(3,715,287)
Operating profit		481,463	624,608
Profit on sale of fixed assets	8	2,420,137	-
Other interest receivable and similar income	5	177,848	171,522
Interest payable and similar charges	6	(634,809)	(1,143,277)
Profit/(loss) on ordinary activities before taxation	2	2,444,639	(347,147)
Tax on loss on ordinary activities	7	-	(105,090)
Profit/(loss) retained for the financial year		2,444,639	(452,237)

The notes on pages 7 to 14 form part of these financial statements.

The results of the Company arose solely from discontinued activities.

There is no difference between the reported results and the results based on historical cost for either current or prior years.

Statement of total recognised gains and losses

for the year ended 31 October 1999

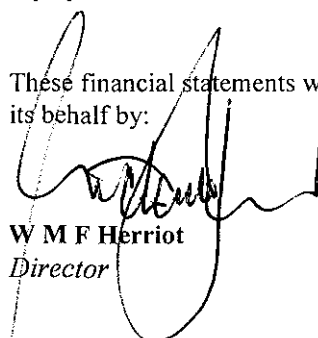
	1999 £	Restated 1998 £
Total gains and losses for the year (being profit for the year)	2,444,639	(452,237)
Prior year adjustment (as explained in Note 1)	119,461	-
Total recognised gains and losses reported since last annual report	2,564,100	(452,237)

Balance sheet

at 31 October 1999

	Note	£	1999	£	Restated 1998	£
Fixed assets						
Tangible fixed assets	8		-		13,085,706	
Investments	9		-		4	
				-	13,085,710	
Current assets						
Stocks	10	-		202,850		
Debtors	11	9,885,875		1,378,651		
Cash at bank and in hand		92,156		1,032,206		
		9,978,031		2,613,707		
Creditors: amounts falling due within one year	12	(5,123,697)		(13,289,722)		
Net current assets/(liabilities)			4,854,334		(10,676,015)	
Net assets and total assets less current liabilities			4,854,334		2,409,695	
Capital and reserves						
Called up share capital	13		14,180,170		14,180,170	
Profit and loss account			(9,325,836)		(11,770,475)	
Equity shareholders' funds	14		4,854,334		2,409,695	

These financial statements were approved by the board of directors on 22 August 2000 and signed on its behalf by:


W M F Herriot
Director

The notes on pages 7 to 14 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

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

Prior to 1 November 1998 the company provided for amounts set aside for repairs and refurbishment. For the year ended 31 October 1999 the company changed its accounting policy in accordance with FRS12 'Provisions and liabilities' so that all such costs are expensed to the profit and loss account as incurred. The effect of this change has been treated as a prior year adjustment.

a) *Basis of preparation*

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, and on a going concern basis in view of a letter of support from Virgin Hotels Group Limited, the ultimate holding company, which undertakes to provide or procure such support as is necessary to enable the Company to continue to trade for the foreseeable future.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

b) *Turnover*

Turnover, which excludes value added tax, represents the sales value of goods and services.

c) *Depreciation*

Depreciation of fixed assets is provided for on a straight line basis applied to original cost at rates estimated to write off each asset over its remaining useful life. For the purpose of calculating depreciation, the effective annual rates for the classes of assets currently held are as follows:

Fixtures and fittings	10% - 15%
Plant and equipment	10% - 25%

It is the Company's practice to maintain hotel properties in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly, the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition, or subsequent valuations are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

e) *Stocks*

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

f) *Capitalisation of interest*

Interest incurred on borrowings to finance specific capital projects is capitalised.

Notes (continued)

1 Accounting policies (continued)

g) *Taxation*

The charge for taxation is based on the profit for the year 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.

h) *Operating leases*

Rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

i) *Pension costs*

The company is a member of a defined contribution pension scheme operated by Virgin Management Limited, a related company. The assets of the scheme are held separately in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

j) *Related party transactions*

Under Financial Reporting Standard 8 the company is exempt from the requirement to disclose intercompany related party transactions on the grounds that it is wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements.

2 Profit/(loss) on ordinary activities before taxation

	1999	1998
	£	£
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Hire of plant and equipment	50,417	64,200
Depreciation of tangible fixed assets	383,810	443,265
Auditors remuneration:		
- for audit services	12,000	12,000
Director's remuneration for services as a director	-	8,248
	<hr/>	<hr/>

All turnover and loss before taxation is derived in the United Kingdom from the operation of hotels.

3 Directors' emoluments

None of the directors received any remuneration from the company in the year (1998: one director received £8,248).

Notes (continued)

4 Staff number and costs

The average number of persons employed by the group (including directors) during the year was 330 (1998: 340) of which 54 (1998: 56) were engaged in administrative duties, and the remainder in selling and distribution.

	1999 £	1998 £
Wages and salaries	2,146,295	2,797,771
Social security costs	148,437	191,012
Pension costs	16,050	27,031
	<hr/> 2,310,782 <hr/>	<hr/> 3,015,814 <hr/>

5 Interest receivable and similar income

	1999 £	1998 £
Amounts receivable from group undertakings	150,561	90,134
Other	27,287	81,388
	<hr/> 177,848 <hr/>	<hr/> 171,522 <hr/>

6 Interest payable and similar charges

	1999 £	1998 £
On bank loans and overdrafts	17,098	8,184
Amounts payable to group undertakings	617,711	1,135,093
	<hr/> 634,809 <hr/>	<hr/> 1,143,277 <hr/>

Notes (continued)

7 Taxation

	1999 £	1998 £
Amounts receivable in respect of group relief at 31% (1998: 31%)	-	105,090
	-	105,090

No tax charge arose in 1999 as a result of the utilisation of tax losses brought forward.

8 Tangible fixed assets

	Freehold Land and Buildings £	Fixtures and fittings £	Plant and equipment £	Total £
<i>Cost</i>				
At 1 November 1998	15,028,138	2,776,550	1,323,660	19,128,348
Additions	20,183	12,819	52,664	85,666
Transfer from other group undertakings	4,350,000	-	-	4,350,000
Disposals	(15,249,321)	(2,789,369)	(1,376,324)	(19,415,014)
Transfers to other group undertakings	(4,149,000)	-	-	(4,149,000)
At 31 October 1999	-	-	-	-
<i>Depreciation</i>				
At 1 November 1998	2,677,287	2,260,050	1,105,305	6,042,642
Charge for the Year	93,248	222,780	67,782	383,810
Eliminated on disposals	(2,770,535)	(2,482,830)	(1,173,087)	(6,426,452)
At 31 October 1999	-	-	-	-
<i>Net book value</i>				
At 31 October 1999	-	-	-	-
At 31 October 1998	12,350,851	516,500	218,355	13,085,706

The company purchased 3 hotels during the period from an associated company (Cribyn Limited). These were disposed of along with the 4 hotels already owned by the company for a consideration of £20,500,000 on 30 July 1999.

Freehold land and buildings included £21,372 in 1998 in respect of capitalised interest.

Notes (continued)

9 Investments

	Ordinary £1 shares in subsidiary undertakings £
At 1 November 1998	4
Disposals during the period	(4)
	<hr/>
At 31 October 1999	-

Subsidiaries:	Country of Incorporation	Ownership %	Nature of business
Rhinefield Time Share Limited	England	100	Development and sale of timeshare apartments
Rhinefield Time Share Management Limited	England	100	Management of timeshare apartments

The two companies were sold during the period due to the sale of Rhinefield House Hotel.

10 Stocks

	1999 £	1998 £
Finished goods and goods for resale	-	202,850
	<hr/>	<hr/>

11 Debtors

	1999 £	1998 £
Trade debtors	72,281	597,784
Amounts owed by parent and fellow subsidiary undertakings	9,379,200	265,770
Amounts owed to related parties	16,234	-
Group relief receivable	335,729	326,634
Other debtors	82,431	54,357
Prepayments and accrued income	-	134,106
	<hr/>	<hr/>
	9,885,875	1,378,651
	<hr/>	<hr/>

Notes (continued)

12 Creditors

	1999	1998
	£	£
Bank loans and overdrafts	31,951	17,392
Trade creditors	47,261	912,297
Amounts due to parent and fellow subsidiary undertakings	4,356,027	11,752,405
Amounts due to related undertakings	245,766	-
Other creditors including tax and social security comprise:		
other creditors	376,540	346,891
Accruals	66,152	260,737
	<u>5,123,697</u>	<u>13,289,722</u>

13 Share capital

	1999	1998
	£	£
<i>Authorised:</i>		
Ordinary shares of £1 each	20,000,000	20,000,000
<i>Issued, called up and fully paid:</i>		
Ordinary shares of £1 each	14,180,170	14,180,170

14 Reconciliation of movements in equity shareholders funds

	1999	Restated 1998
	£	£
Profit/(loss) for the financial year	2,444,639	(452,237)
Shareholders' funds at the beginning of the year (originally £2,656,853 in 1998 before prior year adjustment of £205,079)	2,409,695	2,861,932
	<u>4,854,334</u>	<u>2,409,695</u>

Notes (continued)

15 Capital commitments

As at 31 October 1999 there were no capital commitments either authorised or contracted (1998:£nil).

16 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	1999	1998
	Other £	Other £
Operating leases which expire: In the second to fifth year inclusive	-	4,916
	<u> </u>	<u> </u>

17 Related party disclosure

At 31 October 1999 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 Hotels Group Limited. The principal beneficiaries of those trusts are RCN Branson and his immediate family. The shareholders of Virgin Hotels Group Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard No. 8.

The following is a summary of those transactions and balances between the Company and the related parties which are required to be disclosed under Financial Reporting Standard 8.

	Related undertakings
Payments for pension purposes	£16,050
Debtors	£16,234
Creditors	£245,766

Turnover and purchases are undertaken on normal commercial terms.

The related undertakings with whom the Company transacted during the year were Virgin Cola Limited, Virgin Atlantic Airways Limited, Virgin Freeway Limited, Virgin Vouchers Limited, Virgin Direct Limited and Virgin Management Limited.

Notes (continued)

19 Ultimate holding and controlling company

The company's ultimate holding and controlling company became Virgin Travel Limited, a company incorporated in the British Virgin Islands.

The company's immediate holding and controlling company is Virgin Hotels Group Limited, which is registered in England and Wales, in whose financial statements the results of the company are consolidated.

These consolidated accounts are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3HZ.