

# **Virgin Freeway Limited**

**Directors' report and financial statements**

**31 August 1995**

Registered number: 2364365



# Virgin Freeway Limited

## Directors' report and financial statements

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# Virgin Freeway Limited

## Directors' report

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

## Principal activity and business review

Virgin Freeway Limited has developed a reward incentive scheme in combination with the frequent flyer scheme of Virgin Atlantic Airways Limited. Participating companies award Freeway Miles to their customers on an agreed basis and are billed by Virgin Freeway Limited for those Miles. These customers collect Miles, the details of which are held on a database, and redeem them for awards, being flights, holidays or other leisure activities.

The results for the period are set out on page 4.

## Change of accounting reference date

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

## Fixed assets

Changes to fixed assets are shown in note 8 to these financial statements.

## Proposed dividend

The directors do not recommend the payment of a dividend (1994: £Nil).

## Directors and directors' interests

The directors who held office throughout the period were as follows:

R C N Branson (Chairman)  
R A W Gardner  
N E Primrose  
S B Ridgway

None of the directors had an 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 Freeway 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 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 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 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 Freeway Limited

We have audited the financial statements on pages 4 to 12.

### Respective responsibilities of directors and auditors

As described on page 2 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.

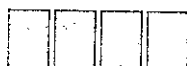
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 the Company's affairs as at 31 August 1995 and of its profit for the 10 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors  
Gatwick

15 February 1996



Member firm of  
Klynveld Peat Marwick Goerdeler

# Virgin Freeway Limited

## Profit and loss account

for the 10 months ended 31 August 1995

	Note	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Turnover	2	2,162,850	1,983,480
Cost of sales		(1,316,265)	(1,134,427)
<b>Gross profit</b>		<b>846,585</b>	<b>849,053</b>
Administrative costs		(515,935)	(523,562)
<b>Operating profit</b>		<b>330,650</b>	<b>325,491</b>
Interest payable and similar charges	5	(51,820)	(79,347)
<b>Profit on ordinary activities before taxation</b>	6	<b>278,830</b>	<b>246,144</b>
Tax on profit on ordinary activities	7	52,938	(148,268)
<b>Profit for the financial period</b>		<b>225,892</b>	<b>97,876</b>
Retained loss brought forward		(1,723,089)	(1,820,965)
<b>Retained loss carried forward</b>		<b>(1,497,197)</b>	<b>(1,723,089)</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 6 to 12 form part of these financial statements.

# Virgin Freeway Limited

## Balance sheet

at 31 August 1995

	Note	1995		1994	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		81,349		66,194
			<u>81,349</u>		<u>66,194</u>
<b>Current assets</b>					
Debtors	9	465,168		364,778	
Cash at bank and in hand		43,916		94	
		<u>509,084</u>		<u>364,872</u>	
<b>Creditors: amounts falling due within one year</b>	10	(1,140,296)		(1,281,146)	
<b>Net current liabilities</b>			<u>(631,212)</u>		<u>(916,274)</u>
<b>Total assets less current liabilities</b>			<u>(549,863)</u>		<u>(850,080)</u>
<b>Provisions for liabilities and charges</b>	11		(947,332)		(873,007)
<b>Net liabilities</b>			<u>(1,497,195)</u>		<u>(1,723,087)</u>
<b>Capital and reserves</b>					
Called up share capital	14		2		2
Profit and loss account			(1,497,197)		(1,723,089)
<b>Equity shareholders' funds</b>			<u>(1,497,195)</u>		<u>(1,723,087)</u>

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

  
S B Ridgway  
Director

The notes on page 6 to 12 form part of these financial statements.

# Virgin Freeway Limited

## Notes

(forming part of the financial statements)

### 1 Accounting policies

The financial statements have been prepared on the basis of the following significant accounting policies which have been applied consistently for the period under review:

a) *Basis of preparation of financial statements*

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, and on a going concern basis. Virgin Travel Investments Limited has undertaken to provide such support as is necessary to maintain the Company as a going concern for the foreseeable future.

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.

b) *Turnover*

Turnover is stated net of Value Added Tax and discounts.

c) *Depreciation*

Depreciation is provided on a straight line basis at 25% on the cost or latest valuation of each asset over its estimated useful life.

d) *Provisions for liabilities and charges*

Provision is made for the estimated cost of providing free travel and other rewards in exchange for the expected redemption of Miles earned by members of the Virgin Freeway frequent flyer scheme as members of this scheme accumulate mileage issued by partners with whom the Company has contracted to provide such rewards.

e) *Deferred taxation*

Deferred taxation, using the liability method, is provided at the rates of corporation tax which are expected to apply when the additional tax is estimated to be payable on all timing differences, except those which it is considered will continue for the foreseeable future.

f) *Pension costs*

The Company participates in a variety of defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amounts charged in the profit and loss account represents the contributions payable by the Company to the schemes in respect of the accounting period.

# Virgin Freeway Limited

## Notes (continued)

### 2 Turnover

Turnover may be analysed as follows:

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Sale of Miles to other participants	1,159,935	898,980
Recharge of operating expenses to Virgin Atlantic Airways	1,002,915	1,084,500
	<u>2,162,850</u>	<u>1,983,480</u>

### 3 Staff numbers

The average number of persons employed by the Company (including directors) during the period were as follows:

	10 months to 31 August 1995	Year ended 31 October 1994
Selling and distribution	1	1
Management and administration	32	25
	<u>33</u>	<u>26</u>

The aggregate payroll costs during the period were as follows:

	£	£
Wages and salaries	321,091	295,876
Social security costs	26,539	24,864
Pension costs	8,137	12,893
	<u>355,767</u>	<u>333,633</u>

### 4 Directors' emoluments

Excluding pension contributions, the emoluments of the chairman during the period were £Nil (1994: £Nil) and those of the highest paid director were £Nil (1994: £Nil). The emoluments of the directors (including the chairman and the highest paid director) were within the following ranges:

	10 months to 31 August 1995	Year ended 31 October 1994
£0 - £5,000	4	4
£50,001 - £55,000	0	0

# Virgin Freeway Limited

## Notes (continued)

### 5 Interest payable and similar charges

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Bank interest payable.	1,027	-
Interest payable to group undertakings	50,793	79,347
	<u>51,820</u>	<u>79,347</u>

### 6 Profit on ordinary activities before taxation

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Profit on ordinary activities before taxation is stated after charging the following:		
Depreciation	23,670	24,645
Auditors' remuneration:		
- For audit services	6,000	5,300
- For other services	3,634	5,981
Operating lease payment	8,171	10,557
	<u>31,475</u>	<u>46,483</u>

### 7 Taxation

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
The taxation charge comprises UK corporation tax at 33% (1994: 33%) arising on:		
Corporation tax	79,124	34,528
Prior year group relief	(26,186)	113,740
	<u>52,938</u>	<u>148,268</u>

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

# Virgin Freeway Limited

## Notes (continued)

### 8 Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Plant & equipment £	Total £
<i>Cost</i>				
At 1 November 1994	33,264	61,375	20,690	115,329
Additions	9,397	4,166	25,262	38,825
Disposal	-	-	(750)	(750)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 August 1995</b>	<b>42,661</b>	<b>65,541</b>	<b>45,202</b>	<b>153,404</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 November 1994	20,825	20,540	7,770	49,135
Charge for the period	5,790	13,520	4,360	23,670
Disposals	-	-	(750)	(750)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 August 1995</b>	<b>26,615</b>	<b>34,060</b>	<b>11,380</b>	<b>72,055</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 August 1995</b>	<b>16,046</b>	<b>31,481</b>	<b>33,822</b>	<b>81,349</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1994	12,439	40,835	12,920	66,194
	<hr/>	<hr/>	<hr/>	<hr/>

# Virgin Freeway Limited

## Notes (continued)

### 9 Debtors

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Trade debtors	315,656	263,220
Amounts due from group undertakings	130,217	64,267
Other debtors	19,295	37,291
	<u>465,168</u>	<u>364,778</u>

The above debtors are due within one year.

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

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Trade creditors	195,237	281,317
Amounts owed to group undertakings	646,353	744,679
Taxation	201,206	249,150
Accruals and deferred income	97,500	6,000
	<u>1,140,296</u>	<u>1,281,146</u>

### 11 Provisions for liabilities and charges

	10 months to 31 August 1995 £	Year ended 31 October 1994 £
Provision for unredeemed Miles at 1 November 1994	873,007	801,012
Amount transferred during the period	74,325	71,995
<b>Provision for unredeemed Miles at 31 August 1995</b>	<u><b>947,332</b></u>	<u><b>873,007</b></u>

The Company has no potential deferred tax liability.

# Virgin Freeway Limited

## Notes (continued)

### 12 Operating lease commitments

The Company has annual commitments under non-cancellable operating leases as follows:

	31 August 1995 £	31 October 1994 £
Operating leases which expire:		
Within one year	3,342	2,416
From two to five years	9,843	6,849
	<u>13,185</u>	<u>9,265</u>

### 13 Capital commitments

As at 31 August 1995, there were capital commitments of £170,000 (1994: £50,000).

### 14 Share capital

	31 August 1995 £	31 October 1994 £
<i>Authorised:</i>		
Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 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.

# **Virgin Freeway Limited**

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

### **16 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 drawn up.

The smallest group of which the Company is a member and for which consolidated financial statements are drawn up is Virgin Travel Group Limited, a company registered in England and Wales.