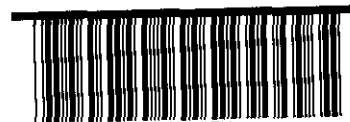


Junopart Limited

Directors' report and financial statements

30 April 1999

Registered number: 2975806



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COMPANIES HOUSE

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Junopart Limited

Directors' report and financial statements

| <i>Contents</i> | <i>Page</i> |
|---|-------------|
| Directors' report | 1 - 2 |
| Statement of directors' responsibilities | 3 |
| Auditors' report to the members of Junopart Limited | 4 |
| Profit and loss account | 5 |
| Statement of total recognised gains and losses | 6 |
| Balance sheet | 7 |
| Notes | 8 - 13 |

Junopart Limited

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 30 April 1999.

Comparative numbers

The prior year numbers have been restated as result of a prior year adjustment (see note 2).

Principal activity

The principal activity of the Company is that of owning and leasing property.

Review of business and future developments

Both the level of business and the year end financial position are 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 do not recommend the payment of a dividend (1998: £ nil).

Directors

The directors who served during the year were as follows:

| | |
|---------------|-----------------------------|
| R C N Branson | (Chairman) |
| I S Burroughs | (appointed 4 November 1998) |
| D P Legge | (appointed 4 November 1998) |
| S T M Murphy | (resigned 4 November 1998) |

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.

The Year 2000 Problem

The Company has participated in the Virgin Travel Group's Year 2000 programme. Management have been keenly aware of the potential impact of the Year 2000 date change on our business. All of our systems are assessed as Year 2000 compliant.

A scheme to retain key IT staff over critical periods has also been put in place.

The Year 2000 programme was established in early 1998. We have obtained advice from outside consulting firms and have employed program managers, administrative support and additional staff to identify, implement solutions for and test Year 2000 compliance. We have followed industry best practice (as defined by Gartner Group).

Junopart Limited

Directors' report *(continued)*

The Year 2000 Problem *(continued)*

We have evaluated the extent to which third-party services, products and systems that are material to our business are Year 2000 compliant and, if not, when and whether these third-party suppliers will achieve such compliance. We have categorised these suppliers as critical or non-critical and have completed verifying the status of services and materials from all critical suppliers. We will continue to monitor their performance into 2000.

No company can guarantee the success of its Year 2000 programme, particularly when having to rely on third parties outside its direct control. Therefore, we have developed contingency plans to deal with a variety of possible scenarios.

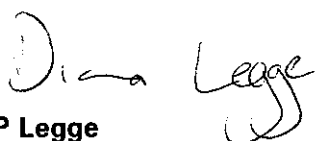
Costs incurred on the Year 2000 programme are taken through the Profit and Loss account as incurred unless they relate to hardware and software upgrades where the costs are capitalised in line with our normal accounting policies.

To date the Year 2000 date change has been experienced without any problems arising.

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 requirements 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



D P Legge
Company Secretary

120 Campden Hill Road
London W8 7AR

28 February 2000

Junopart Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Junopart Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the 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 30 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 February 2000

Junopart Limited

Profit and loss account

for the year ended 30 April 1999

| | | Year ended 30 April 1999 £ | Year ended 30 April 1998 (as restated) £ |
|---|-------------|-------------------------------------|--|
| | <i>Note</i> | | |
| Turnover | 3 | 680,981 | 687,362 |
| | | <hr/> | <hr/> |
| Gross profit | | 680,981 | 687,362 |
| Administrative expenses | | 1,036 | 2,830 |
| | | <hr/> | <hr/> |
| Operating profit | | 682,017 | 690,192 |
| Interest payable and similar charges | 4 | (96,578) | (130,940) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 7 | 585,439 | 559,252 |
| Tax on profit on ordinary activities | 8 | (185,755) | (172,491) |
| | | <hr/> | <hr/> |
| Retained profit for the financial year | | 399,684 | 386,761 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The profit for the year arises from continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

Junopart Limited

Statement of total recognised gains and losses for the year ended 30 April 1999

| | | Year ended 30 April 1999 £ | Year ended 30 April 1998 (as restated) £ |
|---|-------------|-------------------------------------|--|
| | <i>Note</i> | | |
| Retained profit for the financial year | | 399,684 | 386,761 |
| Unrealised gain on revaluation of property | 9 | 1,044,320 | - |
| Total recognised gains and losses for the year | | 1,444,004 | 386,761 |
| Prior year adjustment | 2 | (530,300) | - |
| Total gains and losses recognised since the last annual report | | 913,704 | 386,761 |

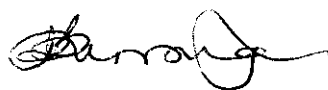
The notes on pages 8 to 13 form part of these financial statements.

Junopart Limited

Balance sheet at 30 April 1999

| | | 30 April 1999 | | 30 April 1998 (as restated) | |
|---|------|---------------|---|--------------------------------|---|
| | Note | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 9 | 3,478,045 | | 2,343,625 | |
| | | | | | |
| Current assets | | | | | |
| Debtors | 10 | 3,836 | | 4,087 | |
| Creditors: amounts falling due within one year | 11 | (2,001,879) | | (2,093,178) | |
| | | | | | |
| Net current liabilities | | (1,998,043) | | (2,089,091) | |
| | | | | | |
| Total assets less current liabilities | | 1,480,002 | | 254,534 | |
| | | | | | |
| Provisions for liabilities and charges | 12 | (236,010) | | (454,545) | |
| | | | | | |
| Net assets/(liabilities) | | 1,243,992 | | (200,011) | |
| | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 13 | 2 | | 2 | |
| Revaluation reserve | | 1,044,320 | | - | |
| Profit and loss reserve | | 199,670 | | (200,013) | |
| | | | | | |
| Equity shareholders' funds/(deficit) | 14 | 1,243,992 | | (200,011) | |

These financial statements were approved by the Board of Directors on 28 February 2000 and were signed on its behalf by:



I S Burroughs
Director

The notes on pages 8 to 13 form part of these financial statements.

Junopart Limited

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:

a) *Basis of preparation*

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

Under Financial Reporting Standard 1 (Revised), the Company is exempt, as a small company, from preparing a cash flow statement.

b) *Depreciation*

No depreciation is provided on freehold land and buildings as it is the Company's policy to maintain its properties in a sound state of repair and accordingly the directors consider that the lives of the properties are so long and residual values at such a level that depreciation is immaterial.

c) *Translation of foreign currencies*

Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the end of the accounting period. Revenues and costs are translated into sterling at the average rate of exchange for the period.

2. Prior year adjustment

The Company adopted Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets) during the year. This has led to the recognition of a provision for outstanding lease obligations, the balance of which at 30 April 1999 is £236,010.

If the provision had not been recognised as a prior year adjustment profits for the current year would have been reduced by £215,625.

3. Analysis of turnover and profit on ordinary activities before taxation

The profit on ordinary activities before taxation is attributable to the Company's principal activity. All turnover originates from within the United States of America.

Junopart Limited

Notes (continued)

4. Interest payable and similar charges

| | Year ended 30 April 1999 £ | Year ended 30 April 1998 £ |
|--|-------------------------------------|-------------------------------------|
| Interest payable to group undertakings | <u>96,578</u> | <u>130,940</u> |

5. Staff numbers

The Company had no employees during the year (1998:nil).

6. Emoluments of the directors

The directors received no emoluments for the year (1998: £ nil).

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

| | Year ended 30 April 1999 £ | Year ended 30 April 1998 £ |
|----------------------------------|-------------------------------------|-------------------------------------|
| Auditors' remuneration: | | |
| Audit | 2,700 | 1,500 |
| Exchange (gain)/loss differences | <u>(19,405)</u> | <u>18,533</u> |

Junopart Limited

Notes (continued)

8. Tax on profit on ordinary activities

| | Year ended 30 April 1999 £ | Year ended 30 April 1998 £ |
|---|-------------------------------------|-------------------------------------|
| <i>UK corporation tax at 31% (1998: 31%):</i> | | |
| Amounts payable in respect of current year | 185,755 | 172,491 |
| | <u>185,755</u> | <u>172,491</u> |

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

9. Tangible fixed assets

Freehold land and buildings

| | £ |
|---------------------------|-------------------------|
| <u>Cost</u> | |
| At 1 May 1998 | 2,343,625 |
| Exchange rate adjustments | 90,100 |
| Revaluation | 1,044,320 |
| At 30 April 1999 | <u>3,478,045</u> |
| <u>Net book value</u> | |
| At 30 April 1999 | <u>3,478,045</u> |
| | <u>2,343,625</u> |
| At 30 April 1998 | 2,343,625 |

During the year the freehold land and building was revalued by £1,044,320 to its market value as at 30 April 1998 of £3,478,044. The valuation was undertaken by Michael B Gold Associates, Inc. real estate appraisers.

Junopart Limited

Notes (continued)

10. Debtors

| | 30 April 1999 £ | 30 April 1998 £ |
|--------------------------------|-----------------------|-----------------------|
| Prepayments and accrued income | 3,836 | 4,087 |

11. Creditors: amounts falling due within one year

| | 30 April 1999 £ | 30 April 1998 £ |
|--|-----------------------|-----------------------|
| Amounts owed to parent undertaking | (9,344) | (9,344) |
| Amounts owed to other group undertakings | (1,547,538) | (1,824,592) |
| Group relief payable | (439,997) | (254,242) |
| Accruals and deferred income | (5,000) | (5,000) |
| | <u>(2,001,879)</u> | <u>(2,093,178)</u> |

12. Provisions for liabilities and charges

| | £ |
|--------------------------------|-----------------------|
| Balance as previously reported | - |
| Prior year adjustment | 454,545 |
| Balance at 1 May 1998 restated | <u>454,545</u> |
| Exchange rate adjustments | 17,475 |
| Utilisation of provision | (236,010) |
| At 30 April 1999 | <u>236,010</u> |

The Company has provided for the future lease obligations associated with the Morton Street property. The provision represents the remaining obligations on the lease.

Junopart Limited

Notes (continued)

13. Share capital

| | 30 April 1999 £ | 30 April 1998 £ |
|------------------------------|-----------------------|-----------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of £1 each | 1,000 | 1,000 |
| | <u> </u> | <u> </u> |
| <i>Issued and called up:</i> | | |
| Ordinary shares of £1 each | 2 | 2 |
| | <u> </u> | <u> </u> |

14. Reconciliation of movements in reserves

| | 30 April 1999 £ |
|--|-----------------------|
| Balance as previously reported | 330,289 |
| Prior year adjustment (see note 2) | (530,300) |
| | <u> </u> |
| Balance at 1 May 1998 restated | (200,011) |
| Retained profit for the financial year | 399,684 |
| | <u> </u> |
| | 199,673 |
| Revaluation of property (see note 9) | 1,044,320 |
| | <u> </u> |
| Balance at 30 April 1999 | <u>1,243,993</u> |

Junopart Limited

Notes (continued)

15. Related party transactions

At 30 April 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 Travel Limited. The principal beneficiaries of those trusts are R C N 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 following is a summary of material transactions and balances by the group with related entities which are required to be disclosed by Financial Reporting Standard 8:

| | Turnover | Interest payable | Balances due from Junopart Limited |
|---------------------------------|----------|------------------|------------------------------------|
| | £ | £ | £ |
| Virgin Atlantic Airways Limited | 680,981 | 96,578 | (1,547,538) |
| Barford Services Limited | - | - | (9,344) |
| | <hr/> | <hr/> | <hr/> |

All of the above transactions were on an arms length basis.

16. Ultimate holding company

At 30 April 1999, the ultimate holding company is Virgin Travel Limited, a company registered in the British Virgin Islands.

As at 30 April 1999, the largest and smallest group in which the results of the Company are consolidated is that headed by Barford Services Limited, a company registered in England and Wales. Copies of the financial statements for this company may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.