

## **Virgin Vouchers Limited**

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

31 January 2003

Registered number 2999861



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COMPANIES HOUSE

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28/11/03

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

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## Directors' report

The directors present their report with the audited financial statements of the Company for the year to 31 January 2003.

### Principal activity

The principal activity of the Company in the period under review was that of a vendor of denominated vouchers, for redemption with selective redemption outlets.

### Results

During the year the Company made a loss of £919,642 (2002: loss £1,229,277). The directors do not recommend the payment of a dividend.

### Review of the business

Despite the increase in sales and gross profit in the year, the Company continues to make substantial losses. In view of this fact, the Directors have granted a trademark licence to a third party, Acorne Sports Limited, who will continue the operational activities of Virgin Vouchers Limited under a trademark agreement.

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

### Directors and directors' interests

The directors during the period under review were:

SML Parden	(appointed 9 September 2002)
WMF Herriot	(resigned 9 September 2002)
S Peckham	(appointed 11 October 2002)

None of the directors who held office at the end of the period had any disclosable interests in the shares of the Company, or other group companies.

### 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. The last resolution will lead to the continuing appointment of KPMG LLP as auditors of the company until further notice.

By order of the Board

PG Gram  
Secretary



120 Campden Hill Road  
London  
W8 7AR

27 November 2003

## **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 standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

kpmg

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Report of the independent auditors to the members of Virgin Vouchers Limited**

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit 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 January 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*27 November* 2003

## **Profit and loss account**

*for the year to 31 January 2003*

	<i>Note</i>	2003 £	2002 £
<b>Turnover</b>	<i>1</i>	3,464,080	2,713,012
Cost of sales		(2,999,171)	(2,565,681)
		<hr/>	<hr/>
<b>Gross profit</b>		464,909	147,331
Administrative expenses		(1,352,425)	(1,457,240)
Distribution costs		(40,079)	(16,956)
		<hr/>	<hr/>
<b>Operating loss</b>		(927,595)	(1,326,865)
Interest receivable and similar income	<i>3</i>	33,133	99,089
Interest payable and similar charges	<i>4</i>	(25,180)	(1,501)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<i>2</i>	(919,642)	(1,229,277)
Tax on loss on ordinary activities	<i>5</i>	-	-
		<hr/>	<hr/>
<b>Retained loss for the year</b>	<i>13</i>	(919,642)	(1,229,277)
Accumulated loss brought forward		(1,371,353)	(142,076)
		<hr/>	<hr/>
<b>Accumulated loss carried forward</b>		(2,290,995)	(1,371,353)
		<hr/>	<hr/>

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

The Company has no recognised gains or losses other than those disclosed in the profit and loss account above.

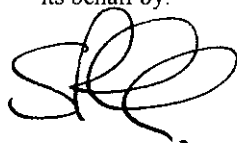
The result arises solely from continuing operations.

## Balance sheet

at 31 January 2003

	Notes	2003	2002
		£	£
<b>Fixed assets</b>			
Tangible assets	7	32,053	46,111
<b>Current assets</b>			
Stock	8	39,057	52,392
Debtors	9	961,623	1,831,864
Cash at bank and in hand		502,414	100
		<u>1,503,094</u>	<u>1,884,356</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(3,826,140)</u>	<u>(3,301,818)</u>
<b>Net current liabilities</b>		<u>(2,323,046)</u>	<u>(1,417,462)</u>
<b>Net liabilities</b>		<u>(2,290,993)</u>	<u>(1,371,351)</u>
<b>Capital and reserves</b>			
Called up share capital	12	2	2
Profit and loss account		<u>(2,290,995)</u>	<u>(1,371,353)</u>
<b>Equity shareholders' deficit</b>	13	<u>(2,290,993)</u>	<u>(1,371,351)</u>

The financial statements were approved by the board of directors on 27 November 2003, and signed on its behalf by:



**S Peckham**  
Director

The notes on pages 6 to 12 form parts 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.

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Going concern*

The financial statements have been prepared on a going concern basis, in view of the fact that the ultimate parent undertaking Virgin Group Investments Limited has formally indicated that it will provide sufficient funding to the company, to enable it to meet its liabilities as they fall due, for at least the next twelve months.

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above, and accordingly, they have prepared the financial statements on a going concern basis.

#### *Fixed assets and depreciation*

Depreciation is provided, to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Office equipment	12,5%-25% per annum.
Leasehold improvements	12.5% per annum

#### *Stocks*

Stock is stated at the lower of cost and net realisable value.

#### *Cash flow statement*

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking, Barfair Limited, includes the company in its own published consolidated financial statements.

#### *Post-retirement benefits*

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme for the period.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Turnover*

The turnover is derived from the sale of denominated vouchers and experiences. Turnover represents the amounts invoiced to customers for goods and services excluding VAT, and is all derived in the UK. It is recognised at the time that a sale is made to the customer.

#### *Redemption*

An accrual is made for voucher and experience redemption once a sale is made. This accrual is net of margins and administrative fees retained by the company and an allowance for the estimated value of vouchers and experiences which will never be redeemed.

### 2 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2003 £	2002 £
Depreciation – owned assets	17,361	13,741
Auditors' remuneration – audit services	11,000	6,000
Operating lease rentals	32,856	25,553
	<hr/>	<hr/>

### 3 Other interest receivable and similar income

	2003 £	2002 £
Interest receivable and similar income	1,218	13,811
Interest receivable on loans to group undertaking	31,915	85,278
	<hr/>	<hr/>
	33,133	99,089
	<hr/>	<hr/>

**Notes (continued)**

**4 Other interest payable and similar charges**

	2003 £	2002 £
Interest payable and similar charges	3,866	1,501
Interest payable on loans from group undertakings	21,314	-
	<hr/> 25,180	<hr/> 1,501

**5 Taxation**

There was no tax credit in the current or prior period.

The current tax credit for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(919,642)	(1,229,277)
Current tax at 30 % (30%)	(275,893)	(368,783)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	28,411	16,309
Depreciation for period in excess of capital allowances	(875)	4,122
Tax losses not utilised or recognised	248,357	348,352
	<hr/>	<hr/>
Total current tax charge (see above)	-	-

*Factors affecting the tax charge for the current period*

As at 31 January 2003 the company had tax losses available to carry forward of approximately £2,099,250 (2002:£1,271,391) against which no deferred tax asset has been recognised. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

## Notes (continued)

### 6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, were as follows:

	2003	2002
Selling and distribution	13	10
Administration	10	8
	<hr/> 23	<hr/> 18
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	437,186	272,749
Social security costs	37,602	24,478
Other pension costs	8,036	4,593
	<hr/> 482,824	<hr/> 301,820
	<hr/> <hr/>	<hr/> <hr/>

The directors were paid no fees or emoluments by the Company during the year (2002:£nil). The Directors are paid by other group companies.

### 7 Tangible fixed assets

	Leasehold improvements £	Office Equipment £	Total £
<b>Cost</b>			
At beginning of year	3,150	104,101	107,251
Additions	-	3,303	3,303
	<hr/> 3,150	<hr/> 107,404	<hr/> 110,554
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation</b>			
At beginning of year	525	60,615	61,140
Charge for the year	394	16,967	17,361
	<hr/> 919	<hr/> 77,582	<hr/> 78,501
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>			
At 31 January 2003	2,231	29,822	32,053
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2002	2,625	43,486	46,111
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**8 Stocks**

	2003 £	2002 £
Finished goods for resale	39,057	22,382
Consumables	-	30,010
	<u>39,057</u>	<u>52,392</u>

**9 Debtors: amounts falling due within one year**

	2003 £	2002 £
Trade debtors	310,193	315,074
Amounts owed by group undertakings	230,848	953,850
Amounts owed by related undertakings	381,518	398,988
Other debtors and deferred income	-	43,911
Prepayments and accrued income	39,064	120,041
	<u>961,623</u>	<u>1,831,864</u>

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

	2003 £	2002 £
Bank overdraft	-	47,410
Trade creditors	109,465	133,876
Amounts owed to group undertakings	384,128	363,449
Amounts owed to related undertakings	1,254,179	1,004,634
Other creditors including tax and social security	125,933	-
Accruals and deferred income	1,952,435	1,752,449
	<u>3,826,140</u>	<u>3,301,818</u>

**Notes (continued)**

**11 Leasing commitments**

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

	2003 Other £	2002 Other £
Operating leases which expire: In the second to fifth years inclusive	30,803	31,663

**12 Called up share capital**

	2003 £	2002 £
<i>Authorised</i> 1,000 Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i> 2 Ordinary shares of £1 each	2	2

**13 Reconciliation of movement in equity shareholders' deficit**

	2003 £	2002 £
Loss for the period	(1,371,351)	(1,229,277)
Opening deficit on equity shareholders' funds	(919,642)	(142,074)
<b>Closing deficit on equity shareholders' funds</b>	<b>(2,290,993)</b>	<b>(1,371,351)</b>

## Notes (continued)

### 14 Related party disclosure

At 31 January 2003, the company's ultimate parent company was Virgin Group Investments Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Investments Limited. The principal beneficiaries of those trusts are Sir RCN Branson and/or his immediate family. The shareholders of Virgin Group Investments 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.

As a 100% owned subsidiary of Barfair Limited, the company has taken advantage of the exemption under FRS8, "Related Party Disclosures", which enables it to exclude disclosure of transactions with Barfair Limited and its subsidiaries.

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 No. 8.

	<b>Related party undertaking</b>	
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Debtors	<b>381,518</b>	398,988
Creditors	<b>1,254,179</b>	1,004,634
	<hr/>	<hr/>

The related party undertakings with whom the Company transacted during the above periods were Virgin Hotels Limited, Virgin Clubs Limited, Virgin Active Limited, Virgin Atlantic Airways Limited, Virgin Cars Limited, The Virgin Cosmetics Company Limited, Virgin Money Limited, Virgin Home Energy Limited, Virgin Holidays Limited, Virgin Mobile Telecoms Limited, Virgin Retail Limited, Virgin Retail Limited, Virgin Rail Group, Virgin Wine Online Limited, Le Petit Blanc Limited, Blanc Restaurants Limited and Virgin Books Limited.

### 15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The largest group in which the results of the company are consolidated are those of Barfair Limited incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Virgin Voyager Limited, incorporated in England and Wales. The consolidated accounts of these groups can be obtained from Companies House, Crown Way, Cardiff, CF4 3HZ.

### 16 Post balance sheet event

From 1<sup>st</sup> May 2003 a trademark licence was granted to Acorne Sports Limited to trade under the name of Virgin Vouchers. This resulted in the operations at Stockton closing on 20<sup>th</sup> June 2003.