Virgin Vouchers Limited

Directors' report and financial statements

31 January 2001
Registered number 2999861

Directors' report and financial statements

Contents

Directors' report

The directors present their report with the audited financial statements of the Company for the year to 31 January 2001.

Principal activity

The principal activity of the Company in the period under review was that of a vendor of discount vouchers, for redemption with other Virgin companies.

Results

During the year the Company made a loss of £18,464 *(2000: profit £276,565)*. The directors do not recommend the payment of a dividend.

Review of the business

The company has experienced difficult trading conditions which has been affected by the introduction of Employers National Insurance on vouchers, although costs have generally been controlled in line with the decrease in turnover.

In order to address this decline in sales the company has employed a sales & marketing director and has branched out into the experience market with the launch of Virgin Incentives in April 2001.

Directors and directors' interests

The directors during the period under review were:

WMF Herriot	
DP Legge	(resigned 10 March 2000)
IS Burroughs	(resigned 1 November 2001)

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 re-appointing 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

WMF Herriot
Director

120 Campden Hill Road
London
W8 7AR
2001

30 November 2001

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.

Independent auditors report to the members of Virgin Vouchers Limited

We have audited the financial statements on pages 4 to 11.

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 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 20 December, 2001

KPMG
Chartered Accountants
Registered Auditors
London

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account

for the year ended 31 January 2001

	Note	**2001**	2000
		£	£
Turnover	*2*	**3,024,972**	4,173,452
Cost of sales		**(2,572,739)**	(3,542,321)
Gross profit		**452,233**	631,131
Administrative expenses		**(580,601)**	(460,070)
Distribution costs		**(13,380)**	(18,391)
Operating (loss)/profit		**(141,748)**	152,670
Interest receivable and similar income	*4*	**123,284**	123,895
(Loss)/profit on ordinary activities before taxation	*3*	**(18,464)**	276,565
Tax on (loss)/profit on ordinary activities	5	**-**	-
Retained (loss)/profit for the year	*13*	**(18,464)**	276,565
Accumulated loss brought forward		**(123,612)**	(400,177)
Accumulated loss carried forward		**(142,076)**	(123,612)

The Company has no recognised gains or losses other than those disclosed in the profit and loss account above. The profit for the period arises solely from continuing operations.

Balance sheet

at 31 January 2001

	Notes	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	*7*		**31,249**		28,231
Current assets					
Stock	8	**25,525**		33,014	
Debtors	*9*	**1,468,321**		1,344,895	
Cash at bank and in hand		**617,010**		1,217,120	
		2,110,856		2,595,029	
Creditors: amounts falling due within one year	*10*	**(2,284,179)**		(2,746,870)	
Net current liabilities			**(173,323)**		(151,841)
Net liabilities			**(142,074)**		(123,610)
Capital and reserves					
Called up share capital	*11*		**2**		2
Profit and loss account			**(142,076)**		(123,612)
Equity shareholders' funds	*13*		**(142,074)**		(123,610)

The financial statements were approved by the board of directors on 30 November 2001, and signed on its behalf by:

WMF Herriot
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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 (formerly known as Virgin Travel 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 the 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	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 (revised 1996), which the group has adopted in these financial statements, 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.

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, Barfair Limited, which prepares and publishes consolidated financial statements.

Notes *(continued)*

2 Turnover

The turnover and profit before taxation are attributable to the principal activity of the Company. Turnover represents the amounts invoiced to customers for goods and services excluding VAT, and is all derived in the UK.

3 (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging:

	2001	2000
	£	£
Depreciation – owned assets	**9,864**	6,509
Auditors' remuneration – audit services	**5,000**	5,000
Operating lease rentals	**17,630**	7,063

4 Interest receivable and similar income

	2001	2000
	£	£
Interest receivable and similar income	**89,423**	87,277
Interest receivable on loan to group undertaking	**33,861**	36,618
	123,284	123,895

Notes *(continued)*

5 Taxation

	2001 £	2000 £
UK Corporation tax at 30% (2000: 30.25%)	-	-

No charge to taxation arises due to loss arising in the current year.

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:

	2001	2000
Selling and distribution	6	5
Administration	1	3
	7	8

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	137,274	133,885
Social security costs	14,624	13,464
Other pension costs	3,715	1,943
	155,613	149,292

The directors were paid no fees or emoluments by the Company during the year (2000:£nil).

Notes *(continued)*

7 Tangible fixed assets

	Leasehold improvements	Office Equipment £	Total
Cost			
At beginning of year	4,936	62,578	67,514
Additions	3,150	12,920	16,070
Disposals	(4,936)	-	(4,936)
At end of year	**3,150**	**75,498**	**78,648**
Depreciation			
At beginning of year	1,645	37,638	39,283
Charge for the year	234	9,630	9,864
Disposals	(1,748)	-	(1,748)
At end of year	**131**	**47,268**	**47,399**
Net book value			
At 31 January 2001	**3,019**	**28,230**	**31,249**
At 31 January 2000	3,291	24,940	28,231

8 Stocks

	2001 £	2000 £
Finished goods for resale	**25,525**	33,014

9 Debtors: amounts falling due within one year

	2001 £	2000 £
Trade debtors	**189,843**	647,424
Amounts owed by group undertakings	**1,233,715**	661,436
Amounts owed by related undertakings	**25,057**	8,472
Other debtors and deferred income	**8,945**	13,270
Prepayments	**10,761**	14,293
	1,468,321	1,344,895

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	**73,441**	27,950
Amounts owed to group undertakings	**349,803**	5,365
Amounts owed to related undertakings	**20,140**	62,610
Other creditors including tax and social security	**630**	-
Accruals	**1,840,165**	2,650,945
	2,284,179	2,746,870

11 Leasing commitments

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

	2001 Other £	2000 Other £
Operating leases which expire:		
In the second to fifth years inclusive	**35,706**	13,289

12 Called up share capital

	2001 £	2000 £
Authorised		
1000 Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**2**	2

Notes *(continued)*

13 Reconciliation of movement in shareholders' funds

	2001	2000
	£	£
(Loss)/profit for the period	**(18,464)**	276,565
Opening shareholders' funds	**(123,610)**	(400,175)
Closing shareholders' funds	**(142,074)**	(123,610)

14 Ultimate parent Company

The ultimate parent undertaking is Virgin Group Investments Limited, a Company incorporated in the British Virgin Islands.

The only accounts into which the results of the company are consolidated are those of an intermediate parent company Barfair Limited. Barfair Limited is registered in England and Wales and its accounts can be obtained from Companies House.