Virgin Vouchers Limited

Directors' report and financial statements

Registered number 2999861

31 March 2006

Directors' report and financial statements

Contents

Directors' report

The directors present their report with the audited financial statements of the Company for the year ended 31 March 2006.

Principal activity

The principal activity of the Company in the period under review was the redemption of denominated vouchers with selective redemption outlets sold in prior periods.

Results

During the period the Company made a loss before tax of £140,721 *(2005: £169,810)*. The directors do not recommend the payment of a dividend.

Review of the business

Acorne Sports Limited 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 Hall
S Peckham

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.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

J Bayliss
Company Secretary

120 Campden Hill Road
London
W8 7AR

30 January 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Virgin Vouchers Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 90by 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB

7 February 2007

Profit and loss account

for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Turnover	*1*	-	60
Cost of sales		57,955	15,972
Gross profit		57,955	16,032
Administrative credit/(expenses)		503	(31,351)
Distribution costs		-	(88)
Operating profit/(loss)		58,458	(15,407)
Interest receivable and similar income	*3*	15,616	22,406
Interest payable and similar charges	*4*	(214,795)	(176,809)
Loss on ordinary activities before taxation	*2*	(140,721)	(169,810)
Tax on loss on ordinary activities	*5*	(408)	-
Retained loss for the period	*10*	*(141,129)*	*(169,810)*
Accumulated loss brought forward		(3,414,557)	(3,244,747)
Accumulated loss carried forward		(3,555,686)	(3,414,557)

The notes on pages 6 to 11 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.

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

Balance sheet

at 31 March 2006

	Notes	£	31 March 2006 £	£	31 March 2005 £
Current assets					
Debtors	7	**242,054**		227,815	
Cash at bank and in hand		**8,302**		42,476	
		250,356		270,291	
Creditors: amounts falling due within one year	8	**(3,806,040)**		(3,684,846)	
Net current liabilities			**(3,555,684)**		(3,414,555)
Net liabilities			**(3,555,684)**		(3,414,555)
Capital and reserves					
Called up share capital	9		**2**		2
Profit and loss account			**(3,555,686)**		(3,414,557)
Equity shareholders' deficit	10		**(3,555,684)**		(3,414,555)

The financial statements were approved by the board of directors on 30 January 2007, and signed on its behalf by:

SHall

SML Hall
Director

The notes on pages 6 to 11 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 parent undertaking Virgin Group Investments Limited has formally indicated that it is its present intention to 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 intermediate 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.

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as its cash flows are included within the consolidated cash flow statement of a parent company, Barfair Limited.

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 crediting:

	Year ended 31 March 2006	Year ended 31 March 2005
	£	£
Auditors' remuneration – audit services	**5,000**	6,500
Release of redemption reserve upon expiration of unredeemed experiences	**(55,224)**	-

3 Interest receivable and similar income

	Year ended 31 March 2006	Year ended 31 March 2005
	£	£
Interest receivable and similar income	**1,361**	8,981
Interest receivable on loans to group undertaking	**14,255**	13,425
	15,616	22,406

Notes *(continued)*

4 Interest payable and similar charges

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Interest payable and similar charges	**263**	795
Interest payable on loans from group undertakings	**214,532**	176,014
	214,795	176,809

5 Taxation

There is a tax charge in the current year of £408. There was no tax charge in the prior period due to losses incurred.

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2005: lower) than the standard rate of corporation tax in the UK (30%: 2005: 30%). The differences are explained below.

	Year ended 31 March 2005 £	Year ended 31 March 2005 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(140,721)**	(169,810)
Current tax at 30 % (2005: 30%)	**(42,216)**	(50,943)
Effects of:		
Expenses not deductible for tax purposes	**60,083**	48,937
Depreciation for period in excess of capital allowances	**-**	-
Utilisation of tax losses b/f	**(17,459)**	-
Tax losses not utilised or recognised	**-**	2,006
Total current tax charge (see above)	**408**	-

Factors that may affect future current and total tax charges

As at 31 March 2006 the company had tax losses available to carry forward of approximately £2,969,930 (2005: £3,028,125) 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:

	Year ended 31 March 2006	Year ended 31 March 2005
Administration	**2**	2
	2	2

The directors were paid no fees or emoluments by the Company during the period (2005: £nil). The Directors are paid by other group companies.

7 Debtors: amounts falling due within one year

	31 March 2006 £	31 March 2005 £
Trade debtors	**61**	77
Amounts owed by related undertakings	**241,993**	227,738
	242,054	227,815

Notes *(continued)*

8 Creditors: amounts falling due within one year

	31 March 2006 £	31 March 2005 £
Trade creditors	2,412	502
Amounts owed to group undertakings	3,721,756	3,397,224
Amounts owed to related undertakings	-	2,839
Other creditors including tax and social security	620	254
Accruals and deferred income	81,252	284,027
	3,806,040	3,684,846

9 Called up share capital

	31 March 2006 £	31 March 2005 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

10 Reconciliation of movement in equity shareholders' deficit

	31 March 2006 £	31 March 2005 £
Opening deficit on equity shareholders' funds	(3,414,555)	(3,244,745)
Loss for the year	(141,129)	(169,810)
Closing deficit on equity shareholders' funds	(3,555,684)	(3,414,555)

Notes *(continued)*

11 Related party disclosure

At 31 March 2006, 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 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.

	Related party undertaking	
	31 March 2006	31 March 2005
	£	£
Debtors	**241,993**	227,738
Creditors	**-**	2,839

The related party undertakings with whom the Company transacted during the above periods were Virgin Clubs Limited, Virgin Retail Group Limited.

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

As at 31 March 2006 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 consolidated accounts of these groups can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.