

## **Virgin Vouchers Limited**

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

31 January 2000

Registered number 2999861



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

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## **Company Information**

*for the year to 31 January 2000*

<b>Secretary:</b>	PG Gram
<b>Registered office:</b>	120 Campden Hill Road London W8 7AR
<b>Registered number:</b>	2999861 (England and Wales)
<b>Auditors:</b>	KPMG PO Box 695 8 Salisbury Square London EC4Y 8BB

## Directors' report

The directors present their report with the audited financial statements of the Company for the year to 31 January 2000.

### 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 profit of £276,565 (1999: profit £278,150). The directors do not recommend the payment of a dividend.

### Review of the business

The company continues to experience strong growth in revenue, due to the consumer incentive market, although the business incentive market has been adversely affected by the introduction of Employers National Insurance on vouchers. 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:

RCN Branson (resigned 14 December 1999)  
WMF Herriot  
DP Legge (resigned 10 March 2000)  
IS Burroughs (appointed 10 March 2000)

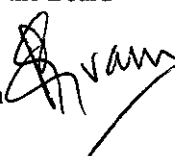
None of the directors who held office at the end of the period had any disclosable interests in the shares of the Company, or other group companies.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

PG Gram  
Secretary



120 Campden Hill Road  
London  
W8 7AR

29 November 2000

## **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.

## Report of the auditors, KPMG, to the members of Virgin Vouchers Limited

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

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 3, 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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors  
London

## **Profit and loss account**

*for the year to 31 January 2000*

	<i>Note</i>	2000 £	1999 £
<b>Turnover</b>	2	<b>4,173,452</b>	3,320,747
Cost of sales		<b>(3,542,321)</b>	(2,705,948)
<b>Gross profit</b>		<b>631,131</b>	614,799
Administrative expenses		<b>(460,070)</b>	(394,259)
Distribution costs		<b>(18,391)</b>	(15,421)
<b>Operating profit</b>		<b>152,670</b>	205,119
Interest receivable and similar income	4	<b>123,895</b>	73,228
Interest payable and similar charges	5	-	(197)
<b>Profit on ordinary activities before taxation</b>	3	<b>276,565</b>	278,150
Tax on profit on ordinary activities	6	-	-
<b>Retained profit for the year</b>	14	<b>276,565</b>	278,150
Accumulated loss brought forward		<b>(400,177)</b>	(678,327)
<b>Accumulated loss carried forward</b>		<b>(123,612)</b>	(400,177)

The notes on pages 7 to 13 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.

There is no difference between the reported profit and the historical profit for either the current or prior years.

The profit for the period arises solely from continuing operations.

## Balance sheet

at 31 January 2000

	Notes	£	2000 £	£	1999 £
<b>Fixed assets</b>					
Tangible assets	8		28,231		9,265
<b>Current assets</b>					
Stock	9	33,014		29,028	
Debtors	10	1,344,895		1,529,082	
Cash at bank and in hand		1,217,120		100	
		<u>2,595,029</u>		<u>1,558,210</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,746,870)</u>		<u>(1,967,650)</u>	
<b>Net current liabilities</b>			<u>(151,841)</u>		<u>(409,440)</u>
<b>Net liabilities</b>			<u>(123,610)</u>		<u>(400,175)</u>
<b>Capital and reserves</b>					
Called up share capital	13		2		2
Profit and loss account			<u>(123,612)</u>		<u>(400,177)</u>
<b>Equity shareholders' funds</b>	14		<u>(123,610)</u>		<u>(400,175)</u>

The financial statements were approved by the board of directors on 29 November 2000, and signed on its behalf by:

  
**WMF Herriot**  
*Director*

The notes on pages 7 to 13 form parts of these financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Accounting convention*

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

#### *Going concern*

The accounts have been prepared on a going concern basis on the grounds that Virgin Group Investments Limited, the ultimate parent Company, has confirmed that it will continue to provide support in order that the Company is able to meet its commitments as they fall due.

#### *Fixed assets and depreciation*

Depreciation is provided by the Company, 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.

## 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 Profit on ordinary activities before taxation

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

	2000 £	1999 £
Depreciation – owned assets	6,509	9,893
Auditors' remuneration – audit services	5,000	4,000
Operating lease rentals	7,063	13,403
	<u>          </u>	<u>          </u>

### 4 Other interest receivable and similar income

	2000 £	1999 £
Other interest receivable	87,277	34,734
Interest receivable on loan to group undertaking	36,618	38,494
	<u>          </u>	<u>          </u>
	123,895	73,228
	<u>          </u>	<u>          </u>

### 5 Interest payable and similar charges

	2000 £	1999 £
Other interest payable	-	197
	<u>          </u>	<u>          </u>
	-	197
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Taxation

	2000 £	1999 £
UK Corporation tax at 30.25% (1999 31%)	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The corporation tax liability for the year has been reduced by £37,303 (1999: £nil) as a result of group relief for a fellow subsidiary undertakings losses.

### 7 Staff numbers and costs

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

	2000	1999
Selling and distribution	5	5
Administration	3	3
	<hr/>	<hr/>
	8	8
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	133,885	130,567
Social security costs	13,464	10,918
Other pension costs	1,943	870
	<hr/>	<hr/>
	149,292	142,355
	<hr/>	<hr/>

The directors were paid no fees or emoluments by the Company during the year (1999:£nil).

## Notes (continued)

### 8 Tangible fixed assets

	Leasehold improvements	Office Equipment £	Total
<i>Cost</i>			
At beginning of year	4,936	37,103	42,039
Additions	-	25,475	25,475
	<hr/>	<hr/>	<hr/>
At end of year	4,936	62,578	67,514
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	1,028	31,746	32,774
Charge for the year	617	5,892	6,509
	<hr/>	<hr/>	<hr/>
At end of year	1,645	37,638	39,283
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 January 2000	3,291	24,940	28,231
	<hr/>	<hr/>	<hr/>
At 31 January 1999	3,908	5,357	9,265
	<hr/>	<hr/>	<hr/>

### 9 Stocks

	2000 £	1999 £
Finished goods for resale	33,014	29,028
	<hr/>	<hr/>

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

	2000 £	1999 £
Trade debtors	647,424	235,701
Amounts owed by group undertakings	661,436	710,095
Amounts owed by related undertakings	8,472	563,028
Other debtors and deferred income	13,270	8,739
Prepayments	14,293	11,519
	<hr/>	<hr/>
	1,344,895	1,529,082
	<hr/>	<hr/>

## Notes (continued)

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

	2000	1999
	£	£
Bank loans and overdrafts	-	21,014
Trade creditors	27,950	19,721
Amounts owed to group undertakings	5,365	15,006
Amounts owed to related undertakings	62,610	5,434
Other creditors including tax and social security	-	-
Accruals	2,650,945	1,906,475
	<u>2,746,870</u>	<u>1,967,650</u>

### 12 Leasing commitments

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

	2000	1999
	Other £	Other £
Operating leases which expire:		
In the second to fifth years inclusive	<u>13,289</u>	<u>7,000</u>

### 13 Called up share capital

	2000	1999
	£	£
<i>Authorised</i>		
1000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

## Notes (continued)

### 14 Reconciliation of movement in shareholders' funds

	2000 £	1999 £
Profit for the period	276,565	278,150
Opening shareholders' funds	(400,175)	(678,325)
<b>Closing shareholders' funds</b>	<b>(123,610)</b>	<b>(400,175)</b>

### 15 Related party disclosure

At 31 January 2000, the Company's ultimate parent Company was Virgin Group Investments Limited (formerly Virgin Travel 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 RCN Branson and 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 8.

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 8:

	Notes	Parent and fellow Subsidiary Undertakings		Related Undertakings	
		2000 £	1999 £	2000 £	1999 £
Turnover	a	129,839	153,832	-	-
Interest receivable	b	36,618	38,494	-	-
Debtors	b	661,436	710,095	8,472	560,028
Creditors	b	5,365	15,006	62,610	5,434

The parent and fellow subsidiary undertakings with whom the Company transacted during the year were Voyager Group Limited, Necker Island (BVI) Limited.

The related undertakings with whom the Company transacted during the year were Virgin Clubs Limited, Virgin Atlantic Airways Limited, Virgin Hotels Limited, Virgin Direct Limited, Virgin Drinks Company Limited, Virgin Net Limited, Virgin Publishing Limited, Virgin Retail Group Limited, Virgin Radio Limited, Virgin Projects Limited, Virgin Management Limited, Virgin Clothing Limited, Virgin Cosmetics Limited, Our Price Limited, Virgin Holidays, Virgin Flight Centre, Virgin Cinemas Limited.

- (a) Turnover comprises sales undertaken on normal commercial terms.
- (b) Inter-Company balances due to the fellow subsidiary undertakings attract interest at a rate of 1.5% above the base rate of Lloyds Bank Plc. Trading balances do not attract interest.

**Notes** *(continued)*

**16 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.