Virgin Vouchers Limited

Directors' report and financial statements

31 January 2002
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 2002.

Principal activity

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

Results

During the year the Company made a loss of £1,229,277 *(2001: loss £18,464)*. The directors do not recommend the payment of a dividend.

Review of the business

The company has experienced consistent trading conditions with the previous year. Administrative expenses have increased in the period due to the launch of Virgin Incentives, which offers experiences to the corporate and consumer markets.

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)
IS Burroughs	(resigned 1 November 2001)
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

Our auditors KPMG have indicated to the directors that their business has transferred to limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 6 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the Board

PG Gram
Secretary

120 Campden Hill Road
London
W8 7AR
29 May 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.

Report of the independent auditor to the members of Virgin Vouchers Limited

We have audited the financial statements on pages 4 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 2002 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

8 Salisbury Square
London
EC4Y 8BB

29 May 2003

Profit and loss account

for the year to 31 January 2002

	Note	2002 £	2001 £
Turnover	*1*	**2,713,012**	2,753,771
Cost of sales		**(2,565,681)**	(2,301,538)
Gross profit		**147,331**	452,233
Administrative expenses		**(1,457,240)**	(580,601)
Distribution costs		**(16,956)**	(13,380)
Operating loss		**(1,326,865)**	(141,748)
Interest receivable and similar income	*3*	**99,089**	123,284
Interest payable and similar charges	*4*	**(1,501)**	-
Loss on ordinary activities before taxation	*2*	**(1,229,277)**	(18,464)
Tax on loss on ordinary activities	5	-	-
Retained loss for the year	*13*	**(1,229,277)**	(18,464)
Accumulated loss brought forward		**(142,076)**	(123,612)
Accumulated loss carried forward		**(1,371,353)**	(142,076)

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 profit for the period arises solely from continuing operations.

Balance sheet

at 31 January 2002

	Notes		**2002**		2001
		£	**£**	£	£
Fixed assets					
Tangible assets	*7*		**46,111**		31,249
Current assets					
Stock	*8*	**52,392**		25,525	
Debtors	*9*	**1,831,864**		1,468,321	
Cash at bank and in hand		**100**		617,010	
		1,884,356		2,110,856	
Creditors: amounts falling due within one year	*10*	**(3,301,818)**		(2,284,179)	
Net current liabilities			**(1,417,462)**		(173,323)
Net liabilities			**(1,371,351)**		(142,074)
Capital and reserves					
Called up share capital	*12*		**2**		2
Profit and loss account			**(1,371,353)**		(142,076)
Deficit on equity shareholders' funds	*13*		**(1,371,351)**		(142,074)

The financial statements were approved by the board of directors on 29 May 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. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. No prior year adjustment has resulted from the adoption of either of these standards.

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	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)*

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:

	2002	2001
	£	£
Depreciation – owned assets	**13,741**	9,864
Auditors' remuneration – audit services	**6,000**	5,000
Operating lease rentals	**25,553**	17,630

3 Other interest receivable and similar income

	2002	2001
	£	£
Interest receivable and similar income	**13,811**	89,423
Interest receivable on loan to group undertaking	**85,278**	33,861
	99,089	123,284

Notes *(continued)*

4 Other interest payable and similar charges

	2002 £	2001 £
Interest payable and similar charges	**1,501**	-

5 Taxation

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

Factors affecting the tax credit for the current 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.

	2002 £	2001 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,229,277)**	(18,464)
Current tax at 30 % (30%)	**(368,783)**	(5,539)
Effects of:		
Expenses not deductible for tax purposes	**16,309**	1,670
Depreciation for period in excess of capital allowances	**4,122**	3,869
Tax losses not utilised or recognised	**348,352**	-
Total current tax charge (see above)	-	-

As at 31 January 2002 the company had tax losses available to carry forward of approximately £1,271,391 (2001:£110,215) against which no deferred tax asset has been recognised.

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:

	2002	2001
Selling and distribution	**10**	6
Administration	**8**	1
	18	7

Notes *(continued)*

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	**272,749**	137,274
Social security costs	**24,478**	14,624
Other pension costs	**4,593**	3,715
	301,820	155,613

The directors were paid no fees or emoluments by the Company during the year (2001:£nil). The Directors are paid by other companies within the same group.

7 Tangible fixed assets

	Leasehold improvements	**Office equipment**	**Total**
	£	£	£
Cost			
At beginning of year	3,150	75,498	78,648
Additions	-	28,603	28,603
At end of year	**3,150**	**104,101**	**107,251**
Depreciation			
At beginning of year	131	47,268	47,399
Charge for the year	394	13,347	13,741
At end of year	**525**	**60,615**	**61,140**
Net book value			
At 31 January 2002	**2,625**	**43,486**	**46,111**
At 31 January 2001	3,019	28,230	31,249

Notes *(continued)*

8 Stocks

	2002	2001
	£	£
Finished goods for resale	**22,382**	25,525
Consumables	**30,010**	-
	52,392	25,525

9 Debtors: amounts falling due within one year

	2002	2001
	£	£
Trade debtors	**315,074**	189,843
Amounts owed by group undertakings	**953,850**	1,233,715
Amounts owed by related undertakings	**398,988**	25,057
Other debtors and deferred income	**43,911**	8,945
Prepayments and accrued income	**120,041**	10,761
	1,831,864	1,468,321

10 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	**47,410**	-
Trade creditors	**133,876**	73,441
Amounts owed to group undertakings	**363,449**	20,140
Amounts owed to related undertakings	**1,004,634**	349,803
Other creditors including tax and social security	**-**	630
Accruals and deferred income	**1,752,449**	1,840,165
	3,301,818	2,284,179

Notes *(continued)*

11 Leasing commitments

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

	2002	2001
	Other	Other
	£	£
Operating leases which expire:		
In the second to fifth years inclusive	**31,663**	35,706

12 Called up share capital

	2002	2001
	£	£
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

13 Reconciliation of movement in shareholders' deficit

	2002	2001
	£	£
Loss for the period	**(1,229,277)**	(18,464)
Opening deficit on equity shareholders' funds	**(142,074)**	(123,610)
Closing deficit on equity shareholders' funds	**(1,371,351)**	(142,074)

Notes *(continued)*

14 Related party disclosure

At 31 January 2002, 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.

	Related party undertaking	
	2002	2001
	£	£
Debtors	**396,286**	25,057
Creditors	**986,665**	349,803

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 Energy Limited, Virgin Holidays Limited, Virgin Mobile Telecoms Limited, Virgin Retail Limited, Virgin Megastores Limited, Virgin Travelstore Limited, Virgin Railways Limited, Virgin Wines 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.