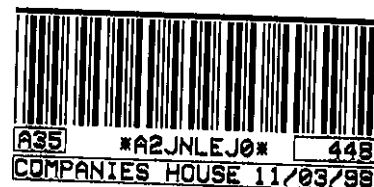


Crawley Business Quarter Limited and Subsidiary Companies

**Directors' report and consolidated
financial statements**

30 April 1998

Registered number: 3145531



Crawley Business Quarter Limited and Subsidiary Companies

Directors' report and consolidated financial statements

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Crawley Business Quarter Limited and Subsidiary Companies

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 1998.

Principal activities

The principal activity of the Group during the year under review is that of property development.

The results for the year are set out on page 5.

Review of Business

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will increase during the next financial year.

Directors and directors' interests

The directors who held office during the year were as follows:

R C N Branson	(Chairman)
T M Abbott	(Deceased 9 December 1997)
N E Primrose	(Resigned 22 December 1998)
F E Farrow	(Resigned 22 December 1998)
A F Walker	(Appointed 22 December 1998)
T Sands	(Appointed 22 December 1998)
I S Burroughs	(Appointed 22 December 1998)

It is with regret that the Company learned of Mr T M Abbott's death on 9 December 1997.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other group companies.

The Year 2000 Problem

There are many risks and uncertainties associated with the Year 2000 problem. Management are continuing to assess the situation and are working towards addressing all of the issues relating to the Group's business and operations. The Group has established a Year 2000 Project which includes a plan to test all systems and identify critical dependancies on third party systems. The total estimated costs of the project including amounts to be spent in future periods have not been quantified. In common with many other companies, no assurances can be given that the Group's systems, or third party systems, will function satisfactorily, or that if problems occur, they will not have a material adverse effect on the Group's operations and financial performance.

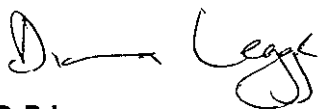
Crawley Business Quarter Limited and Subsidiary Companies

Directors' report *(continued)*

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. This last resolution will lead to the continuing appointment of KPMG as auditors of the Company until further notice.

On behalf of the Board



D P Legge
Company Secretary

120 Campden Hill Road
London W8 7AR

16 February 1999

Crawley Business Quarter Limited and Subsidiary Companies

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 Group and of the profit or loss 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 policies have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, note that the auditors are required by the Companies Act 1985 to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.



1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

Auditors' report to the members of Crawley Business Quarter Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 Group'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 affairs of the Company and the Group as at 30 April 1998 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

16 February 1999

Chartered Accountants
Registered Auditors

Crawley Business Quarter Limited and Subsidiary Companies

Consolidated profit and loss account *for the year ended 30 April 1998*

	<i>Note</i>	Year ended 30 April 1998 £	16 months to 30 April 1997 £
Turnover	<i>1c</i>	-	31,515,654
Cost of sales		(207,038)	(29,645,382)
Gross (loss)/profit		(207,038)	1,870,272
Administrative expenses		(5,616)	(19,290)
Other operating income		11,969	765
Operating (loss)/profit		(200,685)	1,851,747
Interest receivable and similar income	<i>3</i>	186,759	323
Interest payable and similar charges	<i>4</i>	(247,152)	(662,087)
(Loss)/profit on ordinary activities before taxation	<i>5</i>	(261,078)	1,189,983
Tax on (loss)/profit on ordinary activities	<i>7</i>	80,469	(391,203)
Profit on ordinary activities after taxation		(180,609)	798,780
Equity minority interest		5	51
Retained (loss)/profit for the financial period		(180,604)	798,831
Retained profit/(loss) brought forward		797,331	(1,500)
Retained profit carried forward		616,727	797,331

There are no recognised gains or losses other than the loss for the year. The loss for the year arises from continuing operations.

The notes on pages 9 to 15 form part of these financial statements.

Crawley Business Quarter Limited and Subsidiary Companies

Consolidated balance sheet at 30 April 1998

	Note	30 April 1998		30 April 1997	
		£	£	£	£
Current assets					
Stocks	10	7,804,867		7,680,658	
Debtors	11	527,075		16,722,191	
Cash at bank and in hand		-		7,429	
		<u>8,331,942</u>		<u>24,410,278</u>	
Creditors: amounts falling due within one year	12	(7,715,213)		(23,612,945)	
Net current assets			<u>616,729</u>		<u>797,333</u>
Total assets less current liabilities			<u>616,729</u>		<u>797,333</u>
Capital and reserves					
Called up share capital	13		2		2
Profit and loss account			<u>616,727</u>		<u>797,331</u>
			<u>616,729</u>		<u>797,333</u>

These financial statements were approved by the Board of Directors on 16 February 1999 and were signed on its behalf by:



A F Walker
Director

The notes on pages 9 to 15 form part of these financial statements.

Crawley Business Quarter Limited and Subsidiary Companies

Company balance sheet at 30 April 1998

	Notes	30 April 1998 £	30 April 1997 £
Fixed assets			
Investments	9	4	4
Current assets			
Stocks	10	4,757,617	4,677,263
Debtors	11	449,868	16,645,720
Cash at bank and in hand		-	868
		<u>5,207,485</u>	<u>21,323,851</u>
Creditors: amounts falling due within one year	12	(4,719,528)	(20,798,543)
Net current assets		<u>487,957</u>	<u>525,308</u>
Total assets less current liabilities		<u>487,961</u>	<u>525,312</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account		487,959	525,310
Equity shareholders' funds		<u>487,961</u>	<u>525,312</u>

These financial statements were approved by the Board of Directors on 16 February 1999 and were signed on its behalf by:



A F Walker
Director

The notes on pages 9 to 15 form part of these financial statements.

Crawley Business Quarter Limited and Subsidiary Companies

Cash flow statement

for the year ended 30 April 1998

	Notes	Year ended 30 April 1998 £	£	16 months to 30 April 1997 £	£
Net cash inflow from operating activities	14	52,959		669,186	
Returns on investments and servicing of finance					
Interest received		186,759		323	
Interest paid		(247,152)		(662,087)	
		<u>(60,393)</u>		<u>(661,764)</u>	
Cash outflow before management of liquid resources and financing		(7,434)		7,422	
Financing					
Issue of ordinary shares in subsidiary undertaking		5		7	
		<u>5</u>		<u>7</u>	
(Decrease)/increase in cash in the year		<u>(7,429)</u>		<u>7,429</u>	

The notes on pages 9 to 15 form part of these financial statements.

Crawley Business Quarter Limited and Subsidiary Companies

Notes

(forming part of the financial statements)

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the financial statements for the year under review.

a) *Basis of preparation*

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

The holding company has taken advantage of section 230(4) of the Companies Act 1985, and a separate profit and loss account of the Company has not been published. The profit for the period attributable to the Company is disclosed in note 8.

b) *Basis of consolidation*

The financial statements consolidate Crawley Business Quarter Limited ("the Company") and its subsidiaries, together ("the Group").

The consolidated financial statements are prepared using the principles of acquisition accounting.

c) *Turnover*

Turnover represents sales of developments in the United Kingdom, excluding value added tax, and includes turnover attributed to long term contracts based on their stage of completion.

d) *Administrative expenses*

Administrative expenses comprise overhead expenses together with marketing and promotional costs.

e) *Development properties and work in progress*

Interest incurred on loans to finance the costs of properties in the course of development is added to the cost of the relevant project with the exception of instances where it would result in cost exceeding net realisable value.

Progress payments received or receivable, where in excess of recorded turnover, are deducted and, to the extent that such payments exceed the value of work in progress on any contract, the excess is included in current liabilities. The amount, if any, by which recorded turnover on long-term contracts is in excess of payments on account is classified as "amounts recoverable on contracts" and is separately disclosed within debtors.

Crawley Business Quarter Limited and Subsidiary Companies

Notes

(continued)

1. Principal accounting policies (continued)

f) *Deferred taxation*

Deferred taxation, using the liability method, is provided at the rates of corporation tax which are expected to apply when the additional tax is estimated to be payable on all timing differences, to the extent that it is probable that liabilities will crystallise in the foreseeable future.

2. Staff numbers and costs

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

	Year ended 30 April 1998	16 months to 30 April 1997
Management and administration	Nil	Nil

3. Interest receivable and similar income

	Year ended 30 April 1998 £	16 months to 30 April 1997 £
On amounts due from parent undertaking	186,759	323

4. Interest payable and similar charges

	Year ended 30 April 1998 £	16 months to 30 April 1997 £
On amounts due to fellow subsidiary undertakings	247,152	662,087

Crawley Business Quarter Limited and Subsidiary Companies

Notes

(continued)

5. (Loss)/profit on ordinary activities before taxation

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

	Year ended 30 April 1998 £	16 months to 30 April 1997 £
Auditors' remuneration: Audit	1,500	1,500
	<u> </u>	<u> </u>

6. Emoluments of directors

The directors received no emoluments for the year (1997:£nil).

7. Tax on (loss)/profit on ordinary activities

	Year ended 30 April 1998 £	16 months to 30 April 1997 £
<i>UK corporation tax at 31% (1997: 33%):</i>		
Group relief recoverable/(payable)	80,469	(391,203)
	<u> </u>	<u> </u>

Group relief payments will be received or paid where losses are surrendered to or from other group companies.

8. (Loss)/profit for the financial period

The retained (loss)/profit for the financial period has been dealt with as follows:

	Year ended 30 April 1998 £	16 months to 30 April 1997 £
Dealt with in the accounts of the Company	(37,351)	525,310
Retained by subsidiaries	(143,258)	273,470
	<u>(180,609)</u>	<u>798,780</u>

Crawley Business Quarter Limited and Subsidiary Companies

Notes

(continued)

9. Fixed asset investments

Company

Shares in
subsidiary
undertakings
£

At 1 May 1997

and 30 April 1998

4

10. Stocks

	30 April 1998		30 April 1997	
	Group	Company	Group	Company
	£	£	£	£
Work in progress - development land	7,804,867	4,757,617	7,680,658	4,677,263

11. Debtors

	30 April 1998		30 April 1997	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	253,000	251,000	15,826,377	15,826,377
Amounts owed by fellow subsidiary undertakings	123,497	123,497	840,214	793,794
Amounts owed by group undertakings	69,677	58,402	-	-
Other debtors	58	2	37,275	7,224
Group relief recoverable	80,469	16,781	-	-
Social security and other taxes	374	186	18,325	18,325
	527,075	449,868	16,722,191	16,645,720

The above debtors are due within one year

Crawley Business Quarter Limited and Subsidiary Companies

Notes

(continued)

12. Creditors: amounts falling due within one year

	30 April 1998		30 April 1997	
	Group	Company	Group	Company
	£	£	£	£
Trade creditors	-	-	1,133	-
Amounts owed to fellow subsidiary undertakings	6,438,081	3,627,679	21,259,107	18,693,312
Other creditors	-	4	15,705	15,709
Accruals and deferred income	885,929	835,056	1,945,797	1,832,733
Group relief payable	391,203	256,789	391,203	256,789
	<u>7,715,213</u>	<u>4,719,528</u>	<u>23,612,945</u>	<u>20,798,543</u>

13. Share capital

	30 April 1998 £	30 April 1997 £
Authorised:		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and called up		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

14. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	Year ended 30 April 1998 £	16 months to 30 April 1997 £
Operating (loss)/profit	(200,685)	1,851,747
Increase in stocks	(124,209)	(7,680,658)
Decrease/(increase) in debtors	16,275,585	(16,722,145)
(Decrease)/increase in creditors	(14,837,864)	21,275,945
(Decrease)/increase in accruals	(1,059,868)	1,944,297
Net cash inflow from operating activities	<u>52,959</u>	<u>669,186</u>

Crawley Business Quarter Limited and Subsidiary Companies

Notes

(continued)

15. Analysis of net funds

	1 May 1997 £	Cash flow £	30 April 1998 £
Net cash:			
Cash at bank and in hand	7,429	(7,429)	-
	<hr/>	<hr/>	<hr/>
Net funds	7,429	(7,429)	-
	<hr/>	<hr/>	<hr/>

16. Contingent liabilities

The Company is party to a group letter of set-off covering certain of its bank accounts and is a guarantor under certain financing arrangements.

17. Principal subsidiaries

The principal subsidiaries of the Company as at 30 April 1998 were:

	Country of incorporation or registration	% Ordinary issued shares	Principal activity
Mowbury Limited	England & Wales	100	Property development
Manor Management Company Limited	England & Wales	-	Property management

The Company owns two £1 redeemable ordinary shares in Manor Management Limited, representing 100% of this particular class of share. The two redeemable ordinary shares held by the Company give it voting rights to out vote the other ordinary shareholders of Manor Management Company Limited. These voting rights will continue for so long as the Company continues to own plots of land at the Crawley Business Quarter development.

18. Related party transactions

As at 30 April 1998, the Company's ultimate parent company was Virgin Travel Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Travel Limited. The principal beneficiaries of those trusts are R C N Branson and his immediate family. The shareholders of Virgin Travel 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.

• **Crawley Business Quarter Limited and Subsidiary Companies**

Notes

(continued)

18. Related party transactions *(continued)*

The following is a summary of material transactions and balances by the Group with related entities which are required to be disclosed by Financial Reporting Standard 8:

Company	Interest receivable	Interest payable	Balances due to/(from) Crawley Business Quarter Limited
	£	£	£
Virgin Atlantic Airways Limited	-	-	123,497
Vanson Limited	-	-	69,677
Virgin Travel Limited	184,380	-	-
Virgin Travel Group Limited	-	247,152	(6,438,081)
	<u> </u>	<u> </u>	<u> </u>

All of the above transactions were on an arms length basis.

19. Ultimate holding company

As at 30 April 1998, the ultimate holding company is Virgin Travel Limited, a company registered in the British Virgin Islands.

As at 30 April 1998, the immediate parent undertaking of the Company was Virgin Travel Investments Limited. Following a group reorganisation on 30 June 1998, the Company's immediate parent became Barfair Limited.

As at 30 April 1998, the Company is the parent undertaking of the largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up.

Copies of the financial statements for the Company may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.