

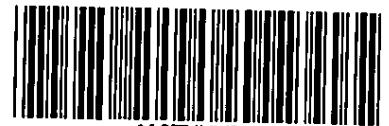
Vexair Limited

**Directors' report and financial
statements**

Registered number 3339466

31 March 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Principal activities

The principal activity of the Company is that of an investment holding company

Business review

The results for the year are set out on page 4 of the financial statements and the loss for the year of £696,773 (2006 loss £19,456,288) has been transferred to reserves

Proposed dividend

The directors do not recommend the payment of a dividend (2006 £nil)

Directors

The directors of the Company during the year were as follows

G D McCallum	
P C K McCall	
W E Whitehorn	(resigned 1 October 2007)
J Bayliss	(appointed 1 October 2007)

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/she ought to have taken as a director to make him/herself 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



B A R Gerrard
Company Secretary

120 Campden Hill Road
London
W8 7AR

20 November 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 the directors 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 for that year

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,
- 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 a 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 Vexair Limited

We have audited the financial statements of Vexair Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, Company Balance Sheet, and the 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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of the company's 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

8 Salisbury Square
London

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EC4Y 8BB
2007

Profit and loss account
for the year ended 31 March 2007

		Year ended 31 March 2007 £	Year ended 31 March 2006 £
	<i>Note</i>		
Administrative expenses		(623,065)	(19,503,389)
Operating loss		(623,065)	(19,503,389)
Interest receivable and similar income	5	11,409	47 101
Interest payable and other charges	6	(85,117)	-
Loss on ordinary activities before taxation	2	(696,773)	(19,456,288)
Tax on loss on ordinary activities	7	-	-
Loss for the year		(696,773)	(19,456,288)

There were no recognised gains or losses in the year other than those shown above, which were derived from continuing operations

The notes on pages 6 to 11 form part of these financial statements

Balance sheet
at 31 March 2007

	<i>Note</i>	31 March 2007 £	31 March 2006 £
Fixed assets			
Investments	8	15,836,107	15,836,107
Current assets			
Debtors	9	1,943,729	1,998,245
Total current assets		<u>1,943,729</u>	<u>1,998,245</u>
Creditors	10	<u>(1,145,648)</u>	<u>(503,391)</u>
Net current assets		<u>798,081</u>	<u>1,494,854</u>
Net assets		<u>16,634,188</u>	<u>17,330,961</u>
Capital and reserves			
Called up share capital	11	1,000	1,000
Share premium	12	36,786,249	36,786,249
Profit and loss account	12	<u>(20,153,061)</u>	<u>(19,456,288)</u>
Equity shareholders' funds	13	<u>16,634,188</u>	<u>17,330,961</u>

The notes on pages 6 to 11 form part of these financial statements

These financial statements were approved by the board of directors on *20 November* 2007
and were signed on its behalf by



G D McCallum
Director

Notes

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

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules in accordance with applicable accounting standards and on a going concern basis

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the immediate parent undertaking includes the Company in its own published consolidated financial statements.

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 FRS 19.

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.

Investments

Investments in subsidiaries are shown at cost less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling as the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Notes (continued)

2 Loss on ordinary activities before taxation

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Provision against carrying value of investments	-	19,000 000

Audit fees for the current and previous year are borne by another group company

3 Remuneration of directors

The directors did not receive any remuneration during the year for services to the Company (2006 £nil)

4 Staff numbers and costs

The Company did not have any employees other than the directors of the Company for the current year or previous year

5 Interest receivable and similar income

	31 March 2007 £	31 March 2006 £
Foreign exchange gain	11,409	47,101

6 Interest payable and other charges

	31 March 2007 £	31 March 2006 £
Foreign exchange loss	54,516	-
Interest payable	30,601	-
	85,117	-

Notes (continued)

7 Taxation

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2006 higher) than the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(696,773)	(19,456,288)
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	(209,032)	(5 836,886)
<i>Effects of</i>		
Expenses not deductible	9,180	5,700,000
UK tax losses not utilised or recognised	199,852	136,886
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Details of the Company's total provided and unprovided deferred tax at the year end (and prior year end) are shown in the table below

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

	Year ended 31 March 2007 Provided £	Year ended 31 March 2007 Unprovided £	Year ended 31 March 2006 Provided £	Year ended 31 March 2006 Unprovided £
<i>The deferred tax figures comprise</i>				
UK tax losses	-	(336,738)	-	(136,886)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(336,738)	-	(136 886)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

8 Fixed asset investments

Company	Investment in subsidiaries £
Cost	
At beginning of the year	34,836,107
Additions	-
	<hr/>
At end of year	34,836,107
	<hr/>
Provision	
At 31 March 2007	(19,000,000)
	<hr/>
At 31 March 2006	(19 000 000)
	<hr/>
Net book value	
At 31 March 2007	15,836,107
	<hr/>
At 31 March 2006	15 836,107
	<hr/>

The companies in which the Company's interest at 31 March 2007 is more than 20% are as follows

	Country of Registration	Principal Activity	Holding %	No. of Shares	Type of share
<i>Subsidiary undertakings</i>					
SN Airholding NV	Belgium	Airline transport	29.9	522,930	Special B shares
VEX Airlines (UK) Limited	England & Wales	Non-trading	100	1	£1 Ordinary shares
Virgin Express Investments Limited	England & Wales	Non-trading	100	1	£1 Ordinary shares

9 Debtors

	31 March 2007 £	31 March 2006 £
Amounts owed by related undertakings	1,943,729	1 998 245
	<hr/>	<hr/>

Notes (continued)

10 Creditors

	31 March 2007 £	31 March 2006 £
Amounts due to parent and related undertakings	530,594	869
Accruals and deferred income	615,054	502,522
	<u>1,145,648</u>	<u>503,391</u>

11 Called up share capital

	31 March 2007 £	31 March 2006 £
<i>Authorised</i>		
1,000 £1 Ordinary shares	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
1,000 £1 (2006 1,000 £1) Ordinary shares	<u>1,000</u>	<u>1,000</u>

12 Share premium and reserves

	Share premium £	Profit and loss account £
At beginning of year	36,786,249	(19,456,288)
Loss for the year	-	(696,773)
	<u>36,786,249</u>	<u>(20,153,061)</u>

Notes (continued)

13 Reconciliation of equity shareholders' funds

	31 March 2007 £	31 March 2006 £
Loss for the financial year	(696,773)	(19 456,288)
On issue of shares	-	36,787 247
Opening equity shareholders' funds	17,330,961	2
	<hr/>	<hr/>
Closing equity shareholders' funds	16,634,188	17,330,961
	<hr/>	<hr/>

14 Related party disclosures

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

At 31 March 2007 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Holdings 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.

15 Ultimate parent company

As at 31 March 2007 the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the results of the Company are consolidated is those of Barfair Limited, registered in England and Wales. The consolidated accounts of this group can be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3QZ.