

**Package Holidays Direct Limited**

Directors' report and financial  
statements

Registered number 3979318

30 April 2002



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2002.

### Principal Activity

The principal activity of the company is the holding and of leasing property and assets.

### Results

The results for the year are set out on page 4 of the financial statements and the loss for the year of £792,776 (2001: £2,115,342) has been transferred to reserves.

### Proposed dividend

The directors do not recommend the payment of a dividend (2001: £nil).

### Directors and directors' interests

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

I Burroughs	(appointed 25 April 2000; resigned 12 November 2001)
S M L Parden	(appointed 12 November 2001)
J E M Bullock	(appointed 28 November 2002)

None of the directors held any beneficial interest in the shares of the company throughout the period.

### Political and charitable contributions

The company made no political or charitable contributions during the period.

### 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.

Our auditors KPMG have indicated that their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 22 May 2002 and the directors there upon appointed KPMG LLP to fill the vacancy arising.

By order of the board



**Peter Gram**  
Secretary

120 Campden Hill Road  
London W8 7AR

5th February 2003

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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 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 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.



PO Box 695  
8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

## **Report of the independent auditors to the members of Package Holidays Direct Limited**

We have audited the financial statements on pages 4 to 15.

### **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 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 30 April 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditors*

5 FEBRUARY 2003

**Profit and loss account**  
*for the period ended 30 April 2002*

	<i>Note</i>	<b>Year ended 30 April 2002 £</b>	<b>13 months to 30 April 2001 £</b>
<b>Turnover</b>		<b>59,005</b>	2,069,113
Administrative expenses		<b>(850,239)</b>	(4,157,008)
<b>Operating loss</b>	2,3	<b>(791,234)</b>	(2,087,895)
Other interest receivable and similar income	4	<b>41,116</b>	12,389
Interest payable and similar charges	5	<b>(42,658)</b>	(39,836)
<b>Loss on ordinary activities before taxation</b>		<b>(792,776)</b>	(2,115,342)
Tax on profit on ordinary activities	6	-	-
<b>Retained loss for the year</b>		<b>(792,776)</b>	(2,115,342)

The company's historical cost results are the same as the reported results.

There were no other gains or losses during the year not reported in the above statement.

The above results relate to discontinued operations.


The notes on pages 7 to 15 form part of these financial statements.

**Balance sheet**  
*at 30 April 2002*

	<i>Note</i>	<b>2002</b> £	2001 £
<b>Fixed assets</b>			
Tangible assets	7	<u>726,621</u>	<u>1,136,805</u>
<b>Current assets</b>			
Debtors	8	325,762	850,865
<b>Creditors: amounts falling due within one year</b>	9	<u>(3,370,188)</u>	<u>(3,304,372)</u>
<b>Net current liabilities</b>		<u>(3,044,426)</u>	<u>(2,453,507)</u>
<b>Total assets less current liabilities</b>		<u>(2,317,805)</u>	<u>(1,316,702)</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(40,313)</u>	<u>(248,640)</u>
<b>Net liabilities</b>		<u>(2,358,118)</u>	<u>(1,565,342)</u>
<b>Capital and reserves</b>			
Called up share capital	11	550,000	550,000
Profit and loss account	12	<u>(2,908,118)</u>	<u>(2,115,342)</u>
		<u>(2,358,118)</u>	<u>(1,565,342)</u>
<b>Deficit on Shareholders' funds</b>			
Equity		(2,608,118)	(1,815,342)
Non-equity		250,000	250,000
	13	<u>(2,358,118)</u>	<u>(1,565,342)</u>

The notes on pages 7 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 5th February 2003 and were signed on its behalf by:



**Susannah Parden**  
*Director*

## Cash flow statement

	<i>Note</i>	<b>Year ended 30 April 2002</b>	<b>13 months to 30 April 2001</b>
Net cash inflow from operating activities	15	248,817	638,585
Returns on investment and servicing of finance	16	(1,542)	(27,447)
Capital Expenditure	16	-	(830,500)
Net cash inflow/(outflow) before financing		<u>247,275</u>	<u>(219,362)</u>
Financing	16	<u>(188,919)</u>	<u>159,236</u>
Increase/(decrease) in cash in the period		<u>58,356</u>	<u>(60,126)</u>

## Reconciliation of net cash flow to movement in net debt

	<b>Year ended 30 April 2002</b>	<b>13 months to 30 April 2001</b>
Increase/(decrease) in cash in the period	58,356	(60,126)
Finance leases entered into in period	-	(436,324)
Finance leases paid in the period	188,919	-
Movement in net debt in the period	<u>247,275</u>	<u>(496,450)</u>
Net debt at the start of the period	<u>(496,450)</u>	<u>-</u>
Net debt at the end of the period	17 <u>(249,175)</u>	<u>(496,450)</u>



## **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.

#### ***Basis of preparation***

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

The financial statements have been prepared by the directors 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 less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings and equipment 2 - 3 years

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***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.

#### ***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Turnover is recognised when the supplier invoice is received.

#### ***Pension scheme***

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period in which they are incurred.

## Notes (continued)

### 2 Loss on ordinary activities before taxation

	Year ended 30 April 2002 £	13 months to 30 April 2001 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	217,821	110,481
Leased	192,363	160,302
Hire of plant and machinery - rentals payable under operating leases	-	11,277
Hire of land and buildings - rentals payable under operating leases	320,000	320,000
Auditors remuneration	6,000	6,000
	<hr/>	<hr/>

### 3 Staff numbers and costs

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

	Year ended 30 April 2002	13 months to 30 April 2001
Management and admin	1	15
Sales	-	87
	<hr/>	<hr/>
	1	102
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 April 2002 £	13 months to 30 April 2001 £
Wages and salaries	-	1,121,040
Social security costs	-	105,353
Other pension costs	-	2,887
	<hr/>	<hr/>
	-	1,229,280
	<hr/>	<hr/>

No directors received any remuneration for their services to the company in the period (2001: £nil).

**Notes** *(continued)*

**4 Other interest receivable and similar income**

	Year ended 30 April 2002 £	13 months to 30 April 2002 £
Bank interest receivable	634	12,389
Interest on repayment of ABTA Bond	40,482	-
	<u>41,116</u>	<u>12,389</u>

**5 Interest payable and similar charges**

	Year ended 30 April 2002 £	13 months to 30 April 2001 £
On bank loans and overdrafts	9,732	917
Finance charges payable in respect of finance leases and hire purchase contracts	30,733	38,919
Late payment of rent	2,193	-
	<u>42,658</u>	<u>39,836</u>

## Notes (continued)

### 6 Taxation

The Company has no charge for corporation tax due to the losses incurred in the year (2001: £nil).

#### *Factors affecting the tax charge for the current period*

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

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	792,776	2,115,342
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	237,833	646,603
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(2,221)	(9,446)
Depreciation for period in excess of capital allowances	(65,348)	(6,725)
Tax losses not utilised or recognised	(170,264)	(618,432)
Group relief surrendered without charge	-	-
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

#### *Factors that may affect future tax charges*

As at 30 April 2002, the company had tax losses available to carry forward of approximately £2,629,000 (2001: £nil) against which no deferred tax asset has not 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 differences can be deducted.

## Notes (continued)

### 7 Tangible fixed assets

	Fixtures, fittings and equipment (Owned) £	Fixtures, fittings and equipment (Leased) £	Total £
<b>Cost</b>			
At beginning of period	830,500	577,088	1,407,588
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At end of period	830,500	577,088	1,407,588
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of period	110,481	160,302	270,783
Charge for period	217,821	192,363	410,184
	<hr/>	<hr/>	<hr/>
At end of period	328,302	352,665	680,967
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 April 2002	<b>502,198</b>	<b>224,423</b>	<b>726,621</b>
	<hr/>	<hr/>	<hr/>
At 30 April 2001	720,019	416,786	1,136,805
	<hr/>	<hr/>	<hr/>

### 8 Debtors

	2002 £	2001 £
Owed by related parties	21,000	-
Share capital not yet paid	250,000	250,000
Other debtors	54,762	23,629
ABTA bond	-	577,236
	<hr/>	<hr/>
	<b>325,762</b>	850,865
	<hr/>	<hr/>

**Notes (continued)**

**9 Creditors: amounts falling due within one year**

	2002 £	2001 £
Bank loans and overdrafts	1,770	60,126
Trade creditors	-	11,543
Obligations under finance leases and hire purchase contracts (see note 10)	207,092	187,684
Amounts owed to related parties (see note 18)	3,149,326	2,989,789
Other creditors	-	12,851
Accruals and deferred income	12,000	42,379
	<u>3,370,188</u>	<u>3,304,372</u>

**10 Creditors: amounts falling due after more than one year**

	2002 £	2001 £
Obligations under finance leases and hire purchase contracts	40,313	248,640
	<u>40,313</u>	<u>248,640</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2002 £	2001 £
Within one year	219,651	219,401
In the second to fifth years	40,485	255,968
Over five years	-	-
	<u>260,136</u>	<u>475,369</u>
Less future finance charges	(12,731)	(39,045)
	<u>247,405</u>	<u>436,324</u>

## Notes (continued)

### 11 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	1,000,000	1,000,000
Non-equity: 5% non cumulative preference shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	1,500,000	1,500,000
	<hr/>	<hr/>
<i>Allotted and called up</i>		
Equity: Ordinary shares of £1 each	300,000	300,000
Non-equity: 5% non cumulative preference shares of £1 each	250,000	250,000
	<hr/>	<hr/>
	550,000	550,000
	<hr/>	<hr/>

The company issued the above shares at par for £550,000. At the balance sheet date £250,000 in respect of the preference shares remained unpaid (see note 8).

The preference shares are redeemable on 31 December 2004 at par. On a winding up, they would rank behind ordinary shares and would be entitled to a sum equal to the paid up share capital and any accrued preference dividend. They carry no voting rights. The ordinary shares were issued on 25 April 2000, 10 May 2000 and 20 June 2000. The preference shares were issued on 9 September 2000.

### 12 Reserves

	Profit and loss account 2002 £	Profit and loss account 2001 £
At beginning of year	(2,115,342)	-
Loss for the period	(792,776)	(2,115,342)
	<hr/>	<hr/>
At end of year	(2,908,118)	(2,115,342)
	<hr/>	<hr/>

### 13 Reconciliation of Shareholders' Deficit

	Non-equity £	Equity £	Total £
Loss for the financial period	-	(792,776)	(792,776)
Opening equity shareholders' deficit	250,000	(1,815,342)	(1,565,342)
	<hr/>	<hr/>	<hr/>
Closing shareholders' deficit	250,000	(2,608,118)	(2,358,118)
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 14 Commitments

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

	2002 Land and buildings £	2001 Land and buildings £
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	320,000	320,000
Over five years	-	-
	<u>320,000</u>	<u>320,000</u>

### 15 Reconciliation of operating loss to net cash flow from operating activities

	2002 £	2001 £
Operating loss	(791,234)	(2,087,895)
Depreciation	410,184	270,783
Decrease/(Increase) in debtors	525,103	(600,865)
Increase/(Decrease) in creditors	104,760	(3,056,562)
	<u>248,817</u>	<u>638,585</u>
Net cash flow from operating activities		

### 16 Analysis of cash flows

	2002 £	2001 £
<b>Return on investment and servicing of finance</b>		
Interest receivable	41,116	12,389
Interest on bank loan	(9,732)	(917)
Interest element of finance lease rental payments	(30,733)	(38,919)
Interest on late payment of rent	(2,193)	-
	<u>(1,542)</u>	<u>(27,447)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	-	(830,500)
<b>Financing</b>		
Capital element of finance lease rental payments	(188,919)	(140,764)
Ordinary share capital	-	300,000
	<u>(188,919)</u>	<u>159,236</u>



## Notes (continued)

### 17 Analysis of changes in net debt

	At 30 April 2001 £	Cash flows £	At 30 April 2002 £
Cash at bank and in hand	(60,126)	58,356	(1,770)
Finance leases	(436,324)	188,919	(247,405)
Net debt	(496,450)	247,275	(249,175)

### 18 Related party balances and transactions

At 30 April 2002 the Company's ultimate parent undertaking 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 Richard 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.

Related party transactions entered into during the year:

	Fellow subsidiary undertakings		Related undertakings	
	2002 £	2001 £	2002 £	2001 £
Debtors	-	-	271,000	250,000
Creditors	2,299,261	2,489,423	850,065	500,366

The related undertakings with which the Company transacted were, Virgin.com Limited, Virgin Cars Limited and Worldwide Travel East Anglia Limited. The debtor balance represents outstanding share capital not yet paid and trading activity for the year and as such does not attract any interest. The creditor balance represents trading activity and as such does not attract any interest.

The fellow subsidiary with which the Company transacted was, Virgin Travelstore Limited. The creditor balance represents trading activity and as such does not attract any interest.

### 19 Ultimate parent company and parent undertaking

The ultimate parent undertaking at 30 April 2002 was Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.