Package Holidays Direct Limited

Directors' report and financial statements

Registered number 3979318

31 March 2007

Contents

Directors' report

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

Principal activities

The company did not trade during the year and continues to incurs fees relating to its administration The company is likely to be made dormant in the future

Business review

The results for the year are set out on page 4 of the financial statements and the loss for the year of £11,386 (2006 £27,340) has been transferred to reserves

Proposed dividend

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

Directors

The directors who held office during the period were as follows

S M L Hall	(Resigned 29 June 2007)
J E M Phillips	(Resigned 16 October 2007)
G D McCallum	(Alternate to J E M Phillips, appointed 22 September 2006, appointment revoked 16 October 2007)
G D McCallum	(Appointed 16 October 2007)
P C McCall	(Appointed 16 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 she ought to have taken as a director to make 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 Gerrard
Company Secretary

120 Campden Hill Road
London W8 7AR
12 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 they 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 period

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, 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 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 Package Holidays Direct Limited

We have audited the company financial statements of Package Holidays Direct Limited for the year ended 31 March 2007 which comprise primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB
13 November 2007

Profit and loss account
for the year ended 31 March 2007

	Note	**Year ended 31 March 2007 £**	Year ended 31 March 2006 £
Administrative expenses		**(13,092)**	(35,174)
Other income		**-**	7,000
Operating loss		**(13,092)**	(28,174)
Other interest receivable and similar income	*5*	**1,706**	834
Loss on ordinary activities before taxation	*2*	**(11,386)**	(27,340)
Tax on loss on ordinary activities	*6*	**-**	-
Loss for the year		**(11,386)**	(27,340)

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

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

Balance sheet
at 31 March 2007

	Note	31 March 2007 £	31 March 2006 £
Current assets			
Debtors	7	1,851	2,525
Cash at bank and in hand		47,371	53,952
		49,222	56,477
Creditors. amounts falling due within one year	8	(4,862,017)	(4,857,886)
Net current liabilities		(4,812,795)	(4,801,409)
Total assets less current liabilities		(4,812,795)	(4,801,409)
Provisions for liabilities and charges	9	(50,000)	(50,000)
Net liabilities		(4,862,795)	(4,851,409)
Capital and reserves			
Called up share capital	10	300,000	300,000
Profit and loss account	11	(5,162,795)	(5,151,409)
Equity shareholders' deficit		(4,862,795)	(4,851,409)

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

These financial statements were approved by the board of directors on 12 November 2007
and were signed on its behalf by

G D McCallum
Director

Cash flow statement
for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Cash flow from operating activities	*13*	**(8,287)**	(142,934)
Returns on investments and servicing of finance	*14*	**1,706**	834
Net cash outflow before financing		**(6,581)**	(142,100)
Financing	*14*	**-**	177,000
Increase/(Decrease) in cash in the year		**(6,581)**	34,900

Reconciliation of net cash flow to movement in net debt
for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Increase/(Decrease) in cash in the year	*15*	**(6,581)**	34,900
Group loan increased		**-**	(177,000)
		(6,581)	(142,100)
Movement in net debt in the year	*15*	**(6,581)**	(142,100)
Net debt at the start of the year		**(4,549,399)**	(4,407,299)
Net debt at the end of the year	*15*	**(4,555,980)**	(4,549,399)

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

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 accounting

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

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking Virgin Group Holdings Limited has formally indicated that it is its present intention to 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 the going concern basis

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

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Notes *(continued)*

2 Loss on ordinary activities before taxation

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Loss on ordinary activities before taxation is stated after charging.		
Auditors remuneration	**3,819**	3,708

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 or previous year

5 Other interest receivable and similar income

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Bank interest receivable	**1,706**	834

Notes *(continued)*

6 Taxation

The Company has no charge for corporation tax due to the losses incurred in the year (2006 £nil)

Factors affecting the tax charge for the current period

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

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(11,387)**	(27,340)
Current tax at 30% (2006 30%)	**(3,416)**	(8,202)
Effects of		
Tax losses not utilised or recognised	**3,416**	8,202
Total current tax charge (see above)	**-**	-

Factors that may affect future tax charges

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

A deferred tax asset has only been recognised to the extent that there is a reasonable expectation that these losses can be utilised in the foreseeable future

	Year ended 31 March 2007 Provided £	**Year ended 31 March 2007 Unprovided £**	Year ended 31 March 2006 Provided £	Year ended 31 March 2006 Unprovided £
The deferred tax figures above compromise				
Excess of capital allowances over depreciation	**-**	**(96,453)**	-	(96,453)
UK tax losses	**-**	**(1,440,509)**	-	(1,408,260)
	-	**(1,536,962)**	-	(1,504,713)

Notes *(continued)*

7 Debtors

	31 March 2007 £	31 March 2006 £
Other debtors	**1,851**	2,525

8 Creditors: amounts falling due within one year

	31 March 2007 £	31 March 2006 £
Shares classified as liabilities	**250,000**	250,000
Amounts owed to fellow subsidiary undertakings	**2,318,578**	2,318,578
Amounts owed to related undertakings	**1,689,565**	1,684,718
Amounts owed to parent undertaking	**600,055**	600,055
Accruals	**3,819**	4,535
	4,862,017	4,857,886

Notes *(continued)*

9 Provisions for liabilities and charges

	Other Provisions
At beginning of year	**50,000**
Utilised during year	-
At end of year	**50,000**

Provision relates to dilapidations on a property

10 Called up share capital

	31 March 2007 £	31 March 2006 £
Authorised		
Equity 1,000,000 Ordinary shares of £1 each	**1,000,000**	1,000,000
Non-equity 500,000 5% non cumulative preference shares of £1 each	**500,000**	500,000
	1,500,000	1,500,000
Allotted and called up		
Equity 300,000 Ordinary shares of £1 each	**300,000**	300,000
Non-equity 250,000 5% non cumulative preference shares of £1 each	**250,000**	250,000
	550,000	550,000
Shares classified as liabilities	**250,000**	250,000
Shares classified in shareholders funds	**300,000**	300,000
	550,000	550,000

The preference shares are redeemable from 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

11 Reserves

	Profit and loss account £
At beginning of year	**(5,151,409)**
Loss for the year	**(11,386)**
At end of year	**(5,162,795)**

Notes *(continued)*

12 Reconciliation of shareholders' deficit

	Equity 31 March 2007 £	Equity 31 March 2006 £
Loss for the financial year	**(11,386)**	(27,340)
Opening shareholders' deficit	**(4,851,409)**	(4,824,069)
Closing shareholders' deficit	**(4,862,795)**	(4,851,409)

13 Reconciliation of operating loss to net cash flow from operating activities

	31 March 2007 £	31 March 2006 £
Operating loss	**(13,092)**	(28,174)
Decrease/ (increase) in debtors	**674**	120,627
(Decrease)/Increase in creditors	**4,131**	(720)
Decrease in provisions	**-**	(234,667)
Net cash outflow from operating activities	**(8,287)**	(142,934)

14 Analysis of cash flows

	31 March 2007 £	31 March 2006 £
Returns on investment and servicing of finance		
Interest receivable	**1,706**	834
Interest on bank overdraft	**-**	-
	1,706	834
Financing		
Group loan	**-**	177,000
	-	177,000

15 Analysis of net debt

	At beginning of year £	**Cash flow £**	**At end of year £**
Cash at bank	53,952	(6,581)	**47,371**
	53,952	(6,581)	**47,371**
Loans from related parties	(4,603,351)	-	**(4,603,351)**
	(4,549,399)	(6,581)	**(4,555,980)**

Notes *(continued)*

16 Related party balances and transactions

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 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

At the period end, the Company had the following amounts outstanding with related parties

	Fellow subsidiary undertaking		**Related undertakings**		**Parent undertaking**	
	31 March 2007	31 March 2006	**31 March 2007**	31 March 2006	**31 March 2007**	31 March 2006
	£	£	**£**	£	**£**	£
Creditors	**2,318,578**	2,318,578	**1,689,565**	1,684,718	**600,055**	600,055
Purchases	**-**	-	**8,500**	8,075	**-**	-
Turnover	**-**	-	**-**	7,000	**-**	-

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

The related undertakings with which the Company transacted was, Barfair Limited and Virgin Management Limited The creditor balance represents trading activity and as such does not attract any interest

The parent undertaking with which the Company transacted was, Virgin com Limited The creditor balance represents trading activity and as such does not attract any interest

17 Ultimate parent company

The ultimate parent undertaking at 31 March 2007 was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands