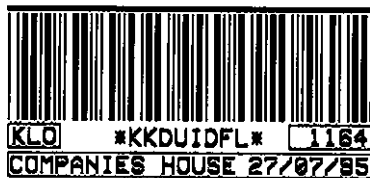


# **Virgin Freeway Limited**

**Directors' report and financial statements**

**31 October 1994**

Registered number: 2364365



# Virgin Freeway Limited

## Directors' report and financial statements

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# Virgin Freeway Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 1994.

### Principal activity and business review

Virgin Freeway Limited has developed a reward incentive scheme in combination with the frequent flyer scheme of Virgin Atlantic Airways Limited. Participating companies award Freeway Miles to their customers on an agreed basis and are billed by Virgin Freeway Limited for those Miles. These customers collect Miles, the details of which are held on a database, and redeem them for awards, being flights, holidays or other leisure activities.

The results for the year are set out on page 4.

### Fixed assets

Changes to fixed assets are shown in note 8 to these financial statements.

### Proposed dividend

The directors do not recommend the payment of a dividend (1993: £Nil).

### Directors and directors' interests

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

R C N Branson (Chairman)  
R A W Gardner  
N E Primrose  
S B Ridgway

None of the directors had an interest in the shares of the Company during the year other than as a result of an interest in the shares of the ultimate holding company at 31 October 1994, Virgin Travel Investments Limited. The interests of the relevant directors are disclosed in the directors' report of that company.

### Auditors

On 6 February 1995, our auditors changed the name under which they practise from KPMG Peat Marwick to KPMG and, accordingly, have signed their report in their new name. 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.

By order of the Board

  
**Andrew Avann**  
Company Secretary

120 Campden Hill Road  
LONDON  
W8 7AR

14 July 1995

# Virgin Freeway Limited

## 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 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 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 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.

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 Virgin Freeway Limited

We have audited the financial statements on pages 4 to 12.

### Respective responsibilities of directors and auditors

As described on page 2 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 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 October 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

14 July 1995

# Virgin Freeway Limited

## Profit and loss account

for the year ended 31 October 1994

	Note	Year ended 31 October 1994 £	Year ended 31 October 1993 £
Turnover	2	1,983,480	2,361,248
Cost of sales		(1,134,427)	(1,019,245)
<b>Gross profit</b>		<b>849,053</b>	<b>1,342,003</b>
Administrative costs		(523,562)	(732,915)
<b>Operating profit</b>		<b>325,491</b>	<b>609,088</b>
Interest payable and similar charges	5	(79,347)	(154,428)
<b>Profit on ordinary activities before taxation</b>	6	<b>246,144</b>	<b>454,660</b>
Tax on profit on ordinary activities	7	(148,268)	(99,753)
<b>Profit for the financial year</b>		<b>97,876</b>	<b>354,907</b>
Retained loss brought forward		(1,820,965)	(2,175,872)
<b>Retained loss carried forward</b>		<b>(1,723,089)</b>	<b>(1,820,965)</b>

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

The notes on pages 6 to 12 form part of these financial statements.


# Virgin Freeway Limited

## Balance sheet

at 31 October 1994

	Note	1994	1993
		£	£
<b>Fixed assets</b>			
Tangible assets	8	66,194	54,379
<b>Current assets</b>			
Debtors	9	364,778	226,971
Cash at bank and in hand		94	-
		<u>364,872</u>	<u>226,971</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,281,146)</u>	<u>(1,301,301)</u>
<b>Net current liabilities</b>		<u>(916,274)</u>	<u>(1,074,330)</u>
<b>Total assets less current liabilities</b>		<u>(850,080)</u>	<u>(1,019,951)</u>
<b>Provisions for liabilities and charges</b>	11	<u>(873,007)</u>	<u>(801,012)</u>
<b>Net liabilities</b>		<u><u>(1,723,087)</u></u>	<u><u>(1,820,963)</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	2	2
Profit and loss account		<u>(1,723,089)</u>	<u>(1,820,965)</u>
<b>Equity shareholders' funds</b>		<u><u>(1,723,087)</u></u>	<u><u>(1,820,963)</u></u>

These financial statements were approved by the Board of Directors on 14 July 1995 and were signed on its behalf by:

  
**S B Ridgway**  
 Director

The notes on page 6 to 12 form part of these financial statements.

# Virgin Freeway Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The financial statements have been prepared on the basis of the following significant accounting policies which have been applied consistently for the year under review:

a) *Basis of preparation of financial statements*

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, and on a going concern basis. Virgin Travel Investments Limited has undertaken to provide such support as is necessary to maintain the Company as a going concern for the foreseeable future.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary.

b) *Turnover*

Turnover is stated net of Value Added Tax and discounts.

c) *Depreciation*

Depreciation is provided on a straight line basis at 25% on the cost or latest valuation of each asset over its estimated useful life.

d) *Provisions for liabilities and charges*

Provision is made for the estimated cost of providing free travel and other rewards in exchange for the expected redemption of miles earned by members of the Virgin Freeway frequent flyer scheme as members of this scheme accumulate mileage.

e) *Pension costs*

The Company participates in a variety of defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amounts charged in the profit and loss account represents the contributions payable by the Company to the schemes in respect of the accounting period.

# Virgin Freeway Limited

## Notes (continued)

### 2 Turnover

Turnover may be analysed as follows:

	Year ended 31 October 1994 £	Year ended 31 October 1993 £
Sale of miles to other participants	898,980	1,033,948
Recharge of operating expenses to Virgin Atlantic Airways	1,084,500	1,327,300
	<u>1,983,480</u>	<u>2,361,248</u>

### 3 Staff numbers

The average number of persons employed by the Company (including directors) during the year were as follows:

	Year ended 31 October 1994	Year ended 31 October 1993
Selling and distribution	1	1
Management and administration	25	15
	<u>26</u>	<u>16</u>

The aggregate payroll costs during the year were as follows:

	£	£
Wages and salaries	295,876	231,071
Social security costs	24,864	20,843
Pension costs	12,893	8,352
	<u>333,633</u>	<u>260,266</u>

### 4 Directors' emoluments

Excluding pension contributions, the emoluments of the chairman during the year were £Nil (1993: £Nil) and those of the highest paid director were £Nil (1993: £52,918). The emoluments of the directors (including the chairman and the highest paid director) were within the following ranges:

	Year ended 31 October 1994	Year ended 31 October 1993
£0 - £5,000	4	3
£50,001 - £55,000	0	1

# Virgin Freeway Limited

## Notes (continued)

### 5 Interest payable and similar charges

	Year ended 31 October 1994 £	Year ended 31 October 1993 £
Interest payable to group undertakings	<u>79,347</u>	<u>154,428</u>

### 6 Profit on ordinary activities before taxation

	Year ended 31 October 1994 £	Year ended 31 October 1993 £
Profit on ordinary activities before taxation is stated after charging the following:		
Depreciation	24,645	61,215
Amortisation of development costs	-	280,989
Directors' emoluments: for management services	-	57,577
Auditors' remuneration:		
- For audit services	5,300	6,003
- For other services	5,981	3,295
Operating lease payment	<u>10,557</u>	<u>15,481</u>

### 7 Tax on profit on ordinary activities

	Year ended 31 October 1994 £	Year ended 31 October 1993 £
UK corporation tax at 33% (1993: 33%) arising on profit on ordinary activities	-	-
Amounts payable in respect of group relief receivable	34,528	100,882
Prior year group relief	<u>113,740</u>	<u>(1,129)</u>
	<u>148,268</u>	<u>99,753</u>

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

# Virgin Freeway Limited

## Notes (continued)

### 8 Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Computer software £	Plant & equipment £	Total £
<i>Cost</i>					
At 1 November 1993	28,320	34,551	196,118	15,998	274,987
Additions	4,944	26,824	-	4,692	36,460
Disposal	-	-	(196,118)	-	(196,118)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 October 1994</b>	<b>33,264</b>	<b>61,375</b>	<b>-</b>	<b>20,690</b>	<b>115,329</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 November 1993	13,360	8,030	196,118	3,100	220,608
Charge for the year	7,465	12,510	-	4,670	24,645
Disposals	-	-	(196,118)	-	(196,118)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 October 1994</b>	<b>20,825</b>	<b>20,540</b>	<b>-</b>	<b>7,770</b>	<b>49,135</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
<b>At 31 October 1994</b>	<b>12,439</b>	<b>40,835</b>	<b>-</b>	<b>12,920</b>	<b>66,194</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 October 1993</b>	<b>14,960</b>	<b>26,521</b>	<b>-</b>	<b>12,898</b>	<b>54,379</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# Virgin Freeway Limited

## Notes (continued)

### 9 Debtors

	31 October 1994 £	31 October 1993 £
Trade debtors	263,220	221,137
Amounts due from group undertakings	64,267	-
Other debtors	37,291	5,834
Group relief receivable	-	-
	<u>364,778</u>	<u>226,971</u>

The above debtors are due within one year.

### 10 Creditors: amounts falling due within one year

	31 October 1994 £	31 October 1993 £
Bank loans and overdrafts	-	1,229
Trade creditors	281,317	132,089
Amounts owed to group undertakings	744,679	1,062,230
Taxation	249,150	99,753
Accruals and deferred income	6,000	6,000
	<u>1,281,146</u>	<u>1,301,301</u>

### 11 Provisions for liabilities and charges

	31 October 1994 £	31 October 1993 £
Provision for unredeemed miles at 1 November 1993	801,012	778,000
Amount transferred during the year	71,995	23,012
	<u>873,007</u>	<u>801,012</u>
<b>Provision for unredeemed miles at 31 October 1994</b>	<b>873,007</b>	<b>801,012</b>

# Virgin Freeway Limited

## Notes (continued)

### 12 Operating lease commitments

The Company has annual commitments under non-cancellable operating leases as follows:

	31 October 1994 £	31 October 1993 £
Operating leases which expire:		
Within one year	2,416	-
From two to five years	6,849	15,380
	<u>9,265</u>	<u>15,380</u>

### 13 Capital commitments

As at 31 October 1994, there were capital commitments of £50,000 (1993: £50,000).

### 14 Share capital

	31 October 1994 £	31 October 1993 £
<i>Authorised:</i>		
Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	2	2
	<u>          </u>	<u>          </u>

### 15 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.

# Virgin Freeway Limited

## Notes *(continued)*

### 16 Ultimate holding company

The ultimate holding company is Virgin Travel Investments Limited, a company registered in England and Wales.

Virgin Travel Investments Limited is the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up.

The smallest group of which the Company is a member and for which consolidated financial statements are drawn up is Virgin Travel Group Limited, a company registered in England and Wales.

The consolidated financial statements for both these companies can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.