

**Virgin Balloon Flights Limited**

**Directors' report and financial  
statements**

**Registered number 2969369**

**31 March 2007**

THURSDAY



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## Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements of the company for the year ended 31 March 2007

### Principal activity

The principal activity of the company was the promotion and provision of passenger balloon flights until operations ceased on 3 July 2003

### Business Review

Virgin Balloon Flights Limited ceased operating on 3 July 2003 when a licence was granted to a third party, Air Xcite Limited, to carry out any remaining flights on behalf of Virgin and to continue to use the Virgin brand. The results for the year are presented on page 4 of the financial statements. The loss for the year of £41,251 (2006 loss £52,631) 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 year were as follows

GD McCallum  
WE Whitehorn (resigned 1<sup>st</sup> October 2007)  
P McCall

### 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 ought to have taken as a director to make himself 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

31 January

2008

## **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 of the company 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 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 Virgin Balloon Flights Limited**

We have audited the financial statements of Virgin Balloon Flights Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and 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**

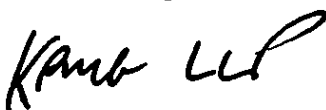
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 its 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  
EC4Y 8BB

31 January 2008

## Profit and loss account

For the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Other operating income		18,756	1,478
Administrative expenses		(7,952)	(4,852)
<b>Operating profit/(loss)</b>		<b>10,804</b>	<b>(3,374)</b>
Interest payable and similar charges	5	(52,055)	(49,257)
<b>Loss on ordinary activities before taxation</b>	4	<b>(41,251)</b>	<b>(52,631)</b>
Tax on loss on ordinary activities	6	-	-
<b>Loss for the financial year</b>		<b>(41,251)</b>	<b>(52,631)</b>

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

There were no recognised gains or losses in the year other than the loss for the financial year, and there are no movements in shareholders' funds other than the loss retained for the year

There is no difference between the reported results and the result based on historical cost for either current or prior periods

## Balance sheet

At 31 March 2007

	Note	£	31 March 2007 £	£	31 March 2006 £
Creditors: amounts falling due within one year	7	(1,769,843)		(1,728,592)	
<b>Net current liabilities</b>			<b>(1,769,843)</b>		<b>(1,728,592)</b>
<b>Total assets less current liabilities</b>			<b>(1,769,843)</b>		<b>(1,728,592)</b>
Creditors: amounts falling due after one year	8		(1,377,264)		(1,377,264)
<b>Net liabilities</b>			<b>(3,147,107)</b>		<b>(3,105,856)</b>
<b>Capital and reserves</b>					
Called up share capital	9		100		100
Share premium account	10		18,742		18,742
Profit and loss account	10		(3,165,949)		(3,124,698)
<b>Equity shareholders' deficit</b>	11		<b>(3,147,107)</b>		<b>(3,105,856)</b>

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

These financial statements were approved by the board of directors on 31 January 2008 and were signed on its behalf by



**GD McCallum**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following significant 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 of financial statements*

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards

Under Financial Reporting Standard No 1 (revised 1996), which the company has adopted in these financial statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking, Barfair Limited, includes the company in its own published consolidated financial statements

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 FRS19

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 differences can be deducted

#### *Pension costs*

The company is a member of a defined contribution pension scheme operated by Virgin Management Limited, a related company. The assets of the scheme are held separately in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period

## Notes (continued)

### 2 Staff numbers and costs

The average number of persons employed by the company during the period was nil (2006 nil)

### 3 Directors' emoluments

None of the directors received any remuneration from the company during the financial period (2006 £nil)  
 The directors are paid by another company within the same group

### 4 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/(crediting)</i>		
Auditors' remuneration – audit	7,000	4,000

### 5 Interest payable and similar charges

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Interest payable and similar charges	52,055	49,257

## Notes (continued)

### 6 Taxation

There was no tax charge in the current or prior period due to losses incurred

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

The current tax charge for the period 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	(41,251)	(52,631)
Current tax at 30 % (2006 30%)	(12,375)	(15,789)
<i>Effects of</i>		
Expenses not deductible for tax purposes	30	-
Losses not utilised or recognised	12,345	15,789
Total current tax charge (see above)	-	-

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

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

	2007		2006
Provided £	Unprovided £	Provided £	Unprovided £
Excess capital allowances over depreciation	(40,883)	-	(40,883)
UK tax losses	(498,769)	-	(486,423)
	(539,652)	-	(527,306)

**Notes (continued)**

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

	31 March 2007 £	31 March
Bank overdraft	951,416	
Amounts owed to group undertakings	811,214	
Other creditors	-	
Accruals and deferred income	7,213	
	<u>1,769,843</u>	

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

	31 March 2007 £	31 March 2
Amounts owed to group undertakings	<u>1,377,264</u>	<u>1,377,264</u>

**9 Share capital**

	31 March 2007 £	31 March 2
<i>Authorised</i> 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,</u>
<i>Allotted, called up and fully paid</i> 100 Ordinary shares of £1 each	<u>100</u>	<u></u>

**10 Share premium and reserves**

	Share Premium £	Profit and loss account £
At 1 April 2006	18,742	(3,124,698)
Loss for the financial year	-	(41,251)
<b>At 31 March 2007</b>	<u>18,742</u>	<u>(3,165,949)</u>

## Notes (continued)

### 11 Reconciliation of movements in shareholders' deficit

	31 March 2007 £	31 March 2006
Opening shareholders' deficit	(3,105,856)	(3,053,221)
Loss for the financial year	(41,251)	(52,631)
Closing shareholders' deficit	<u>(3,147,107)</u>	<u>(3,105,852)</u>

### 12 Contingent liability

Guarantees have been given in respect of bank overdrafts and other borrowings of group companies. These guarantees are supported by mortgage debentures creating fixed and floating charges over all the Company's assets.

### 13 Commitments

There are no annual commitments under non-cancellable operating leases.

### 14 Related party disclosure

At 31 March 2007, the company's ultimate parent company 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.

The following is a summary of those transactions and balances between the Company and the related parties which are required to be disclosed under Financial Reporting Standard No. 8.

	Related party undertaking	
	31 March 2007 £	31 March 2006
Creditors	28,042	13,042
Interest Payable	<u>52,055</u>	<u>49,042</u>

The related parties undertaking with whom the company transacted during the year was Virgin Management Limited.

**Notes** *(continued)*

**15 Ultimate parent company and parent undertaking of larger group of which the company is a member**

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 group in which the results of the company are consolidated is that headed by Barfair Limited registered in England and Wales. The consolidated financial statements for these companies can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ