Rhinefield Timeshare Management Limited

Directors' report and financial statements

31 October 1998

Registered number 1992395

Directors' report and financial statements

Contents

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 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 maintaining 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.

KPMG

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Rhinefield Timeshare Management Limited

We have audited the financial statements on pages 4 to 10.

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditor

1999

Profit and loss account
for the year ended 31 October 1998

	Note	1998	1997
		£	£
Turnover	*1(b)*	**193,481**	154,225
Cost of sales		**(70,634)**	(65,164)
Gross profit		**122,847**	89,061
Administration expenses		**(165,678)**	(86,258)
Operating (loss)/profit		**(42,831)**	2,803
Interest receivable and similar income	*2*	**28,672**	11,356
(Loss)/profit on ordinary activities before taxation	*3*	**(14,159)**	14,159
Tax on (loss)/profit on ordinary activities	*6*	**(8,888)**	9,665
(Loss)/profit retained for the year		**(23,047)**	23,824
Accumulated losses brought forward		**(195,833)**	(219,657)
Accumulated losses carried forward		**(218,880)**	(195,833)

The notes on pages 6 to 10 form part of these financial statements.

The operating loss of the company arose solely from continuing activities.

There is no difference between the reported results and the historical results for either current or prior years.

There were no recognised gains or losses in the year other than those disclosed in the profit and loss account above, and there are no movements in shareholders' funds other than the loss retained for the year.

Balance sheet
at 31 October 1998

	Note	1998 £	1998 £	1997 £	1997 £
Fixed Assets					
Tangible assets	7		265		388
Current assets					
Debtors	8	685,026		571,925	
Cash at bank and in hand		200		200	
		685,226		572,125	
Creditors: amounts falling due within one Year	9	(841,437)		(763,529)	
Net current liabilities			(156,211)		(191,404)
Total assets less current liabilities			(155,946)		191,016
Provisions for liabilities and charges	10		(62,932)		(4,815)
Net liabilities			(218,878)		(195,831)
Capital and reserves					
Called up share capital	11		2		2
Profit and loss account			(218,880)		(195,833)
Equity shareholders' funds			(218,878)		(195,831)

These financial statements were approved by the board of directors on 8 April 1999 and were signed on its behalf by:

WMF Herriot
Director

The notes on pages 6 to 10 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following significant accounting policies have been consistently applied in dealing with items which are considered material in relation to the company's financial statements:

(a) *Basis of preparation*

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

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking.

(b) *Turnover*

Turnover represents the aggregate of amounts of service charges receivable net of value added tax.

(c) *Deferred tax*

Deferred tax, using the liability method, is provided on all timing differences except those which it is considered will not crystallise for the foreseeable future.

(d) *Related party transactions*

Under Financial Reporting Standard 8 the company is exempt from the requirement to disclose intercompany related party transactions on the grounds that it is wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements. There are no other related party transactions.

Notes *(continued)*

2 Interest receivable

	1998 £	1997 £
Bank interest	7,872	11,356
Loan interest from group companies	20,800	-
	28,672	11,356

3 (Loss)/profit on ordinary activities before taxation

rofit on ordinary activities before taxation is stated after charging	1998 £	1997 £
Auditors' remuneration – audit	2,250	2,000
Depreciation of tangible fixed assets	123	120

4 Directors' emoluments

The directors have not received any remuneration from the company during the financial year *(1997: £Nil)*.

5 Staff numbers and costs

The average number of staff employed during the period was:

	1998 £	1997 £
Administration	2	2

The costs incurred in respect of these employees were:

	1998 £	1997 £
Wages and salaries	47,814	41,820

6 Taxation

	1998	1997
	£	£
Group relief payable at 31% (1997 receivable at 33%)	**8,888**	(1,150)
Over provision in prior years	-	(8,515)
	8,888	(9,665)

It is assumed that payments will be made for group relief surrendered from other group companies.

7 Fixed assets

	Plant and Equipment
	£
Cost	
At 1 November 1997 and 31 October 1998	963
Depreciation	
At 1 November 1997	575
Charge for the year	123
At 31 October 1998	698
Net Book Value	
At 31 October 1998	**265**
At 31 October 1997	388

Notes *(continued)*

8 Debtors: amounts falling due within one year

	1998	1997
	£	£
Amounts due from fellow subsidiary undertakings	**14,607**	282,193
Amounts due from parent undertaking	**645,780**	252,859
Group relief receivable	**22,073**	31,738
Prepayments and other debtors	**2,566**	5,135
	685,026	571,925

9 Creditors: amounts falling due within one year

	1998	1997
	£	£
Bank loans and overdrafts	**11,724**	18,784
Amounts owed to group undertakings	**719,929**	676,340
Other creditors	**8,888**	7,655
Accruals and deferred income	**100,896**	60,750
	841,437	763,529

Notes *(continued)*

10 Provision for liabilities and charges

	£
Provision for repairs and maintenance	
At 1 November 1997	4,815
Charge for the year	75,199
Utilised during the year	(17,082)
At 31 October 1998	**62,932**

11 Share capital

	1998 £	1997 £
Authorised		
1,000 ordinary shares of £1 each	**1000**	1000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

12 Holding company

The company's ultimate holding company is Virgin Hotels Group Limited, which is registered in England and Wales, in whose financial statements the results of the company are consolidated. The principal shareholders of Virgin Hotels Group Limited are certain trusts, none of which individually has a controlling interest in that company. The principal beneficiaries of those trusts are RCN Branson and his immediate family.

The consolidated accounts are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3HZ.

KPMG