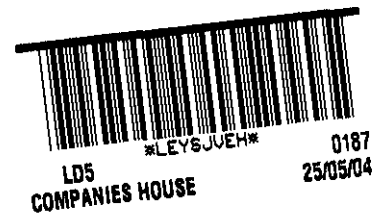


Virgin Voyager Limited

**Directors' report and consolidated
financial statements**

Registered number 2857673

31 January 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2003.

Principal activities

The Company principally acts as an investment holding company in relation to its subsidiary undertakings whose respective activities are detailed in Note 12.

Business review

The results for the year are set out on page 4 of the financial statements and the profit for the year of £3,414,000 (2002: £29,940,000 loss) has been transferred to reserves.

Proposed dividend

The directors do not recommend the payment of a dividend (2002: £Nil).

Directors and directors' interests

The directors who held office during the year and subsequent to the year were as follows:

G D McCallum
W E Whitehorn
S T M Murphy

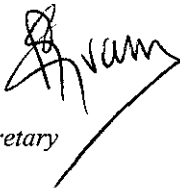
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other group companies.

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. KPMG LLP will therefore continue in office.

By order of the board

P G Gram
Company Secretary



120 Campden Hill Road
London
W8 7AR

10th May 2004

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; 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 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.

Independent auditors' report to the members of Virgin Voyager Limited

We have audited the financial statements on pages 4 to 26.

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 auditor

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 auditor, 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 audit 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 affairs of the Company and the Group as at 31 January 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

10 May 2004
8 Salisbury Square
London
EC4Y 8BB

Consolidated profit and loss account
for the year ended 31 January 2003

	<i>Note</i>	Year ended 31 January 2003	As restated Year ended 31 January 2002
		£000	£000
Group turnover			
Continuing operations		54,442	83,441
Acquisitions		15,050	-
Discontinued operations		2,872	5,897
		<hr/>	<hr/>
		72,364	89,338
Less share of joint ventures' turnover		(6,478)	(20,165)
		<hr/>	<hr/>
	1,4	65,886	69,173
Cost of sales		(33,521)	(24,369)
		<hr/>	<hr/>
Gross profit		32,365	44,804
Distribution costs		(989)	(422)
Administrative expenses (<i>including exceptional credit of £21,500,000</i> <i>(2002: £21,500,000 charge)</i>)	3	(18,652)	(61,551)
Other operating income		1,222	2,159
		<hr/>	<hr/>
Group operating profit/(loss)			
Continuing operations		15,561	(13,308)
Acquisitions		(1,483)	-
Discontinued operations		(132)	(1,702)
		<hr/>	<hr/>
		13,946	(15,010)
Share of operating profit/(loss) of joint ventures	12	5,522	(10,675)
		<hr/>	<hr/>
Total operating profit/(loss)		19,468	(25,685)
(Loss)/profit on disposal of fixed assets – continuing operations		(1,509)	1,936
Profit on disposal of discontinued operation		-	7,382
Loss on disposal of investments		(521)	(128)
Gain on sale of other interests in fixed assets		4	-
		<hr/>	<hr/>
		-	-
Profit/(loss) before interest and taxation		17,442	(16,495)
Other interest receivable and similar income	7	922	2,968
Interest payable and similar charges	8	(15,132)	(15,715)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	3,232	(29,242)
Tax on loss on ordinary activities	9	82	(780)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		3,314	(30,022)
Equity minority interest	21	100	82
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	20	3,414	(29,940)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 26 form part of these financial statements.

Consolidated balance sheet
at 31 January 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Intangible assets	<i>10</i>	43	1
Tangible assets	<i>11</i>	19,630	23,613
Investments	<i>12</i>	-	480
		19,673	24,094
Current assets			
Stocks	<i>13</i>	3,458	1,059
Debtors	<i>14</i>	229,834	263,841
Investments	<i>15</i>	818	818
Cash at bank and in hand		2,034	19,846
		236,144	285,564
Creditors: amounts falling due within one year	<i>16</i>	(285,866)	(340,272)
Net current liabilities		(49,722)	(54,708)
Total assets less current liabilities		(30,049)	(30,614)
Creditors: amounts falling due after more than one year	<i>17</i>	(10,860)	(10,582)
Net liabilities in associates	<i>10</i>	-	(5,770)
Provisions for liabilities and charges	<i>18</i>	(3,047)	(731)
Net liabilities		(43,956)	(47,697)
Capital and reserves			
Called up share capital	<i>19</i>	32,860	32,860
Merger reserve		26,062	26,062
Profit and loss account	<i>20</i>	(103,812)	(107,602)
Equity shareholders' deficit		(44,890)	(48,680)
Minority interests	<i>21</i>	934	983
		(43,956)	(47,697)

The notes on pages 9 to 26 form part of the financial statements.

These financial statements were approved by the board of directors on *10th May* 2004 and were signed on its behalf by:



G D McCallum
 Director

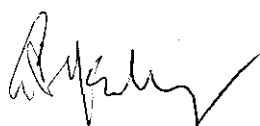
Company balance sheet
at 31 January 2003

	<i>Note</i>	31 January 2003 £000	31 January 2002 £000
Fixed assets			
Investments	<i>12</i>	<u>65,738</u>	<u>65,738</u>
Current assets			
Debtors	<i>14</i>	<u>2,089</u>	25,694
Cash at bank and in hand		<u>368</u>	394
		2,457	26,088
Creditors: amounts falling due within one year	<i>16</i>	<u>(57,028)</u>	<u>(78,109)</u>
Net current liabilities		<u>(54,571)</u>	<u>(52,021)</u>
Net assets		<u>11,167</u>	<u>13,717</u>
Capital and reserves			
Called up share capital	<i>19</i>	<u>32,860</u>	32,860
Other reserves	<i>20</i>	<u>26,062</u>	26,062
Profit and loss account	<i>20</i>	<u>(47,755)</u>	(45,205)
Equity shareholders' funds		<u>11,167</u>	<u>13,717</u>

The notes on pages 9 to 26 form part of these financial statements.

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

10th May 2004



G D McCallum
 Director

Consolidated statement of total recognised gains and losses
for the year ended 31 January 2003

	Group 31 January 2003 £000	Group 31 January 2002 £000
Profit/(loss)/profit for the financial year		
Group	(2,108)	(19,265)
Associates	5,522	(10,675)
	<hr/>	<hr/>
	3,414	(29,940)
 Currency translation differences on net foreign currency investments	 85	 (525)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	3,499	(30,465)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 26 form part of these financial statements.

Reconciliation of movement in equity shareholders' funds
for the year ended 31 January 2003

	Group 31 January 2003 £000	Company 31 January 2003 £000	Group 31 January 2002 £000	Company 31 January 2002 £000
Total recognised gains and losses relating to the year	3,499	(2,550)	(30,465)	(2,050)
Intercompany debt waiver	291	-	-	-
Opening equity shareholders funds	(48,680)	13,717	(18,215)	15,767
Closing equity shareholders' funds	<u>(44,890)</u>	<u>11,167</u>	<u>(48,680)</u>	<u>13,717</u>

The notes on pages 9 to 26 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 Group's financial statements except as noted below.

Basis of accounting

The financial statements have been prepared 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 the going concern basis.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings for the year ended 31 January 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Goodwill and amortisation

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The directors consider each acquisition separately for the purposes of determining the appropriate amortisation period. All goodwill is currently amortised over 20 years.

On the subsequent disposal or termination of a business the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Notes (continued)

Current asset investments

Current asset investments represent the group's investment in a wholly owned subsidiary that is in the process of being liquidated and has therefore not been consolidated in these financial statements. This investment is stated at the lower of net book value and net realisable value.

Tangible 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:

Freehold buildings	-	50 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 5 years
Fixture and fittings	-	4 to 10 years
Motor vehicles	-	3 to 4 years

No depreciation is provided on freehold land.

Investments

Investments in subsidiaries are shown at cost less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction [or, if hedged forward, at the rate of exchange under the related forward currency contract]. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings and associated undertakings are translated at the closing exchange rates. The profit and loss account of such undertakings are translated at the average rate of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

Pension scheme

The Company and its UK subsidiary undertakings are members of a defined contribution pension scheme, operated by Virgin Management Ltd, a related undertaking. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

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 and loss on ordinary activities before taxation

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

2 Analysis of continuing and discontinued operations

	Year ended 31 January 2003			Total	Year ended 31 January 2003		
	Continuing	Discontinued	Acquisitions		Continuing	Discontinued	Total
	£000	£000			£000	£000	£000
Turnover	54,442	15,050	2,872	72,364	83,441	5,897	89,338
Less share of joint ventures' turnover	(6,478)	-	-	(6,478)	(20,165)	-	(20,165)
Cost of sales	(21,692)	(10,374)	(1,455)	(33,521)	(19,187)	(5,182)	(24,369)
Gross profit	26,272	4,676	1,417	32,365	44,089	715	44,804
Distribution costs	(845)	(144)	-	(989)	(422)	-	(422)
Administrative expenses (continuing includes a credit of £21.5m (2002: £21.5m charge))	(10,648)	(6,455)	(1,549)	(18,652)	(59,134)	(2,417)	(61,551)
Other operating income	782	440	-	1,222	2,159	-	2,159
	15,561	(1,483)	(132)	13,946	(13,308)	(1,702)	(15,010)
Share of operating profit/(loss) of joint ventures'	5,522	-	-	5,522	(10,675)	-	(10,675)
Operating profit/(loss)	21,083	(1,483)	(132)	19,468	23,983	(1,702)	(25,685)

Notes (continued)

3 Profit/(loss) on ordinary activities before taxation

	31 January 2003 £000	31 January 2002 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit – Company	4	4
– Group	259	98
Other services – (credit against prior year charges)	(483)	1,981
Exchange losses/(gain)	3,343	(70)
Bad debts written off	-	(82)
Operating leases – land and buildings	-	440
Operating leases – other	2,564	263
Depreciation and other amounts written off tangible fixed assets	2,402	2,393

The exceptional administration credit of £21,500,000 (2002: £21,500,000 charge) relates to the write back of a bad debt provision.

4 Analysis of turnover, profit/(loss) on ordinary activities before interest and taxation and net assets

Turnover, profit/(loss) on ordinary activities before interest and taxation and net assets are analysed below:

By activity

	Turnover 2003 £000	Group operating profit/(loss) 2003 £000	Turnover as restated 2002 £000	Group operating profit/(loss) as restated 2002 £000
Continuing				
Wholesale and retail	22,782	(2,485)	17,299	(2,757)
Limobikes and limousines	1,485	101	290	(43)
Media and entertainment	2,839	(330)	2,825	(246)
Clubs and hotels	5,346	313	4,965	234
Trademark licencing	9,885	3,105	31,460	28,735
Telecoms	501	6,054	1,604	(5,769)
Event management	18,369	(655)	13,227	(1,846)
Balloons	627	(509)	-	-
Management services and other	7,658	14,006	11,771	(42,291)
	69,492	19,600	83,441	(23,983)
Discontinued				
Management services and other	-	-	1,552	(1,700)
Clubs and hotels	2,872	(132)	4,345	(2)
	72,364	19,468	89,338	(25,685)
Less share of associates' revenue/operating loss/(profit)	(6,478)	(5,522)	(20,165)	10,675
	65,886	13,946	69,173	(15,010)

Notes (continued)

4 Analysis of turnover, profit/(loss) on ordinary activities before interest and taxation and net assets (continued)

Net liabilities

	2003 £000	As restated 2002 £000
Continuing		
Wholesale and retail	(12,635)	(7,684)
Limobikes and limousines	(192)	(223)
Media and entertainment	2,222	2,342
Clubs and Hotels	908	1,570
Trademark licencing	43,891	36,526
Telecoms	1,125	-
Event management	(2,769)	(743)
Balloons	(3,055)	-
Management services and other	(73,451)	(77,842)
	<hr/>	<hr/>
	(43,956)	(46,054)
Discontinued		
Clubs and Hotels	-	(1,643)
	<hr/>	<hr/>
	(43,956)	(47,697)
	<hr/> <hr/>	<hr/> <hr/>

By geographical market

	Turnover 2003 £000	Group operating loss 2003 £000	Turnover 2002 £000	Group operating loss 2002 £000
UK and Ireland	62,539	13,469	78,551	(25,674)
Rest of Europe	2,839	(330)	2,825	(246)
Rest of World	6,986	6,329	7,962	235
	<hr/>	<hr/>	<hr/>	<hr/>
	72,364	19,468	89,338	(25,685)
Less share of associates' revenue/operating loss/(profit)	(6,478)	(5,522)	(20,165)	10,675
	<hr/>	<hr/>	<hr/>	<hr/>
	65,886	13,946	69,173	(15,010)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Net liabilities

	2003 £000	2002 £000
UK and Ireland	(48,103)	(52,407)
Rest of Europe	2,222	2,342
Rest of World	1,925	2,368
	<hr/>	<hr/>
	(43,956)	(47,697)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

5 Remuneration of directors

	2003	2002
	£000	£000
Directors' emoluments	975	2,200
Company contributions to money purchase pension schemes	63	41
	1,038	2,241
	1,038	2,241

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £382,000 (2002: £1,350,000). No company pension contributions were made on his behalf.

	Number of directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	2
	3	2
	3	2

6 Staff numbers and costs

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

	Number of Employees	
	2003	2002
Management and administration	214	152
Selling and distribution	405	131
Operations and other	113	86
	732	369
	732	369

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	14,551	13,193
Social security costs	1,184	1,102
Other pension costs	312	236
Other	486	
	16,533	14,531
	16,533	14,531

Notes (continued)

7 Other interest receivable and similar income

	2003	2002
	£000	£000
Bank interest	151	1,207
Receivable from group undertakings	713	1,722
Share of associate	41	-
Other	17	39
	922	2,968
	922	2,968

8 Interest payable and similar charges

	2003	2002
	£000	£000
On bank loans and overdrafts	861	3,325
On group loans	11,643	12,370
Net exchange losses	2,514	-
Share of associate	83	20
Finance charges payable in respect of financial leases	13	-
Other	18	-
	15,132	15,715
	15,132	15,715

Notes (continued)

9 Taxation

Analysis of charge in period

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	1,080
Overseas tax	10	65
Adjustments in respect of prior periods	-	(504)
	10	641
Deferred tax: current period	(87)	139
Deferred tax: adjustments in respect of prior periods	(5)	-
	(82)	780
Tax charge on profit on ordinary activities	(82)	780

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: higher) than the standard rate of corporation tax in the UK 30% (2002: 30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	3,232	(29,242)
	970	(8,773)
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation	436	(1)
Unrelieved tax losses	4,635	58
Utilisation of tax losses brought forward	-	(367)
(Income not taxable)/expenses not deductible for tax purposes	(6,001)	10,228
Adjustment in respect of prior periods	-	(504)
Other short term timing differences	(30)	-
	10	641
Total current tax charge (see above)	10	641

As at 31 January 2003, the Group had tax losses and other timing differences available to carry forward of approximately £98million against which no deferred tax asset has been recognised. A deferred tax asset is regarded 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.

Notes (continued)

10 Intangible fixed assets

	Goodwill 2003 £000	Other assets 2003 £000	Total 2003 £000
<i>Cost</i>			
At beginning of year	-	3	3
Additions	3,943	30	3,973
Foreign exchange	-	1	1
	<hr/>	<hr/>	<hr/>
At end of year	3,943	34	3,977
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Amortisation</i>			
At beginning of year	-	2	2
Impairment	3,907	-	3,907
Charged in year	5	19	24
Foreign exchange	-	1	1
	<hr/>	<hr/>	<hr/>
At end of year	3,912	22	3,934
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 January 2003	31	12	43
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2002	-	1	1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Tangible fixed assets

<i>Group</i>	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
Opening	21,779	5,402	5,088	373	32,642
Additions	82	443	814	1	1,340
Disposals	(872)	(347)	(1,244)	(31)	(2,494)
Exchange differences	(1,948)	(379)	(190)	24	(2,493)
On acquisition of subsidiary	3	375	852	-	1,230
On disposal of subsidiary	(969)	(1,291)	(2,263)	-	(4,523)
Closing	18,075	4,203	3,057	367	25,702
Depreciation					
Opening	2,108	3,800	2,811	310	9,029
Charge for year	883	630	466	71	2,050
Disposals	(1,358)	(159)	(639)	(31)	(2,187)
Exchange differences	(99)	(409)	(138)	(46)	(692)
Impairment	-	237	115	-	352
On disposal of subsidiary	-	(1,229)	(1,251)	-	(2,480)
Closing	1,534	2,870	1,364	304	6,072
Net book value					
At 31 January 2003	16,541	1,333	1,693	63	19,630
At 31 January 2002	19,671	1,602	2,277	63	23,613

The split between freehold and leasehold land and buildings is shown below:

	2003 £000	2002 £000
Net Book Value		
Freehold land and building	11,443	13,651
Leasehold land and buildings	5,098	6,020
	16,541	19,671
Depreciation charged in the year		
Freehold land and building	351	233
Leasehold land and buildings	532	343
	883	576

Notes (continued)

12 Fixed asset investments

Group	Interests in associated undertakings £000	Net liabilities in associated undertakings £000	Other unlisted investments £000	Total £000
Cost				
At beginning of year	3,381	4,084	83	7,548
Additions	-	-	-	-
Reclassification	(2,900)	(4,084)	-	(6,984)
Exchange differences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	481	-	83	564
	<hr/>	<hr/>	<hr/>	<hr/>
Share of post acquisition reserves				
At beginning of year	(1,566)	(9,854)	-	(11,420)
Retained loss for the year	(532)	6,054	-	5,522
Amortisation	(25)	-	-	(25)
Foreign exchange gains	-	313	-	313
Reclassification	2,123	3,487	-	5,610
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Provisions				
At beginning of year	(1,335)	-	(83)	(1,418)
Provided in year	(481)	-	-	(481)
Released in year	1,335	-	-	1,335
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(481)	-	(83)	(564)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 January 2003	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2002	480	(5,770)	-	(5,290)
	<hr/>	<hr/>	<hr/>	<hr/>
Company				
				Shares in group undertaking £000
Cost				
At beginning and end of year				90,806
				<hr/>
Provisions				
At beginning and end of year				(25,068)
				<hr/>
Net book value				
At 31 January 2002 and 2003				65,738
				<hr/>

Notes (continued)

12 Fixed asset investments (continued)

The principal undertakings in which the group's interest at the year end is more than 20% are as follows:

	Country of Registration	Principal Activity	Holding %	Type of share
<i>Subsidiary undertakings</i>				
Virgin Group Limited	England & Wales	Investment holding company	100%	Ordinary £1 shares
Voyager Group Limited*	England & Wales	Holding company	99.99%	Ordinary £1 shares
Virgin Enterprises Limited	England & Wales	Licensing of Virgin brand	100%	Ordinary £1 shares
Virgin Management Limited	England & Wales	Investment and management services company	100%	Ordinary 10p shares
Virgin Bride Limited	England & Wales	Bridal services	100%	Ordinary £1 shares
Necker Island (BVI) Limited	England & Wales	Hotel Operator	100%	Ordinary £1 shares
Virgin Projects Limited	England & Wales	Print, procurement and event organisation	95.24%	Ordinary £1 shares
SL Insurance Limited	England & Wales	Insurance and reinsurance business	100%	Ordinary US\$1 shares
Virgin Limobike Ltd	England & Wales	Motorbike taxi's	100%	Ordinary £1 shares
Virgin Radio International Limited	England & Wales	International radio stations	100%	Ordinary £1 shares
120 Campden Hill Road Limited	England & Wales	Property holding company	100%	Ordinary £1 shares
Virgin Vouchers Limited	England & Wales	Vendor of de- nominated vouchers	100%	Ordinary £1 shares
Sound and Media Limited	England & Wales	Wholesaler of records, videos, tapes and compact discs	98.78% 100%	Ordinary £1 shares Convertible, redeemable £1 preference shares
Virgin Mobile (Asia) Pte Limited	Singapore	Mobile phones	94.48%	Ordinary class B \$1 shares

* Direct investment held by Virgin Voyager Limited

All of the above companies have been consolidated in these financial statements.

On 26th July 2002, the Group converted its holding of 400,000 'A' convertible redeemable preference shares in Sound and Media Limited into 400,000 ordinary 'A' shares of £1 in the company.

On 23 October 2002, the Group disposed of its interests in Heaven Limited for a total of £4.2million resulting in a profit on the transaction of £1.9 million.

Notes (continued)

13 Stocks

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2003 £000
Raw materials and consumables	68	-	124	-
Finished goods and goods for resale	3,390	-	935	-
	<u>3,458</u>	<u>-</u>	<u>1,059</u>	<u>-</u>

14 Debtors

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Trade debtors	5,364	-	5,083	-
Amounts owed by parent and fellow subsidiary undertakings	204,393	134	233,485	23,351
Amounts owed by undertakings in which the company has a participating interest	-	-	6,230	-
Other debtors	15,865	1,955	13,170	2,343
Prepayments and accrued income	4,212	-	5,873	-
	<u>229,834</u>	<u>2,089</u>	<u>263,841</u>	<u>25,694</u>

15 Investments (held as current assets)

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Other investments	818	-	818	-

16 Creditors: amounts falling due within one year

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Bank loans and overdrafts	30,989	-	51,395	-
Trade creditors	8,314	8	6,949	4
Amounts owed to parent and fellow subsidiary undertakings	221,070	56,965	229,489	78,026
Corporation tax	6,293	-	6,285	-
Taxation and social security	893	-	720	-
Other creditors	8,858	-	38,640	45
Accruals and deferred income	9,449	55	6,794	34
	<u>285,866</u>	<u>57,028</u>	<u>340,272</u>	<u>78,109</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Bank loans and overdrafts	9,198	-	10,560	-
Other creditors	24	-	22	-
Finance lease obligations	138	-	-	-
Owed to group undertakings	1,500	-	-	-
	<u>10,860</u>	<u>-</u>	<u>10,582</u>	<u>-</u>

Analysis of bank loans and overdrafts as falling due::

	Group 2003 £000	Group 2002 £000
In one year or less, or on demand	30,989	51,395
Between one and two years	457	605
Between two and five years	1,515	1,862
In five years or more	7,226	8,093
	<u>40,187</u>	<u>61,955</u>

18 Provisions for liabilities and charges

<i>Group</i>	Other provisions	Deferred tax £000	Total £000
At beginning of year	-	731	731
Reclassified from other creditors	1,448	-	1,448
Utilised in year	(41)	(92)	(133)
Amounts provided in year	1,153	-	1,153
Amounts arising on disposal of business	(7)	(62)	(69)
Foreign exchange	-	(83)	(83)
At end of year	<u>2,553</u>	<u>494</u>	<u>3,047</u>

Other provisions relate to the potential liabilities arising from the insurance subsidiary.

The amounts provided/unprovided for deferred tax are set out below:

<i>Group</i>	Provided 2003 £000	Unprovided 2003 £000	Provided 2002 £000	Unprovided 2002 £000
Accelerated capital allowances	871	(823)	731	605
Deferred tax asset arising from losses	(377)	(28,696)	-	(20,101)
Other	-	(37)	-	-
	<u>494</u>	<u>(29,556)</u>	<u>731</u>	<u>(19,496)</u>

Notes (continued)

19 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
25,000,000 "A" Ordinary shares of 10p each	2,500	2,500
5,022,122,880 ordinary shares of US\$ 0.01 each	32,609	32,609
	<hr/>	<hr/>
	35,109	35,109
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
22,122,880 "A" Ordinary shares of 10p	2,212	2,212
4,720,037,880 ordinary shares of US\$ 0.01 each	30,648	30,648
	<hr/>	<hr/>
	32,860	32,860
	<hr/>	<hr/>

20 Share premium and reserves

<i>Group</i>	Merger reserves £000	Profit and loss account £000
At beginning of year	26,062	(107,602)
Retained profit for the year	-	3,414
Intercompany debt waiver	-	291
Foreign exchange losses	-	85
	<hr/>	<hr/>
At end of year	26,062	(103,812)
	<hr/>	<hr/>
<i>Company</i>	Merger reserves £000	Profit and loss account £000
At beginning of year	26,062	(45,205)
Retained profit for the year	-	(2,550)
	<hr/>	<hr/>
At end of year	26,062	(47,755)
	<hr/>	<hr/>

Notes (continued)

21 Minority interests

	Group 2003 £000	Group 2002 £000
At beginning of the year	969	1,065
Share of loss	(100)	(82)
Foreign exchange	65	-
	<hr/>	<hr/>
At end of the year	934	983
	<hr/> <hr/>	<hr/> <hr/>

No adjustment has been made for minority interest in subsidiaries with net liabilities unless the minority shareholders are formally required to fund those net liabilities in proportion to their share of the equity of the company concerned.

22 Commitments

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

Group	Other 2003 £000	Land and buildings 2003 £000	Other 2002 £000	Land and buildings 2002 £000
Operating lease which expire:				
Within one year	14	74	6	17
2 – 5 years	-	1,913	-	1,228
Over five years	-	1,282	-	1,045
	<hr/>	<hr/>	<hr/>	<hr/>
	14	3,269	6	2,290
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Contingent liabilities

The company is party to a group overdraft facility of £85 million, all of which is repayable on demand. The Group provides guarantees for other group and related party undertakings. A number of these guarantees cover operating lease commitments in relation to 19 properties owned by Virgin Active Group Limited, Virgin Clubs Limited, and Virgin Cars Limited. No provision has been made in relation to these guarantees which the directors do not expect to give rise to any liability.

24 Related party disclosures

As a 100% owned subsidiary of Barfair Limited, the Company has taken advantage of the exemption under FRS8: Related Party Disclosures, which enables it to exclude disclosure of transactions with Barfair Limited and its subsidiaries.

As at 31 December 2002, the Company's ultimate parent Company 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 RCN 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 8.

At the year end, the Group had the following amounts outstanding with related parties:

	Associated undertakings		Parent undertakings		Related undertakings	
	2003	2002	2003	2002	2003	2002
	£000	£000	£000	£000	£000	£000
Creditors: amounts falling due within one year	-	-	35,751	62,980	185,319	166,510
Creditors: amounts falling due after one year	-	-	123	-	-	-
Debtors	-	6,230	178,188	210,122	26,205	23,363
Interest payable	83	20	-	-	11,643	12,342
Interest receivable	41	10	-	85	713	1,627

Intercompany funding balances due to and from parent, fellow subsidiary and associated undertakings attracted interest at a rate of 1.5% above the base rate of Lloyds Bank Plc. Intercompany funding balances due to and from related undertakings attracted interest at a rate of 2.5% above the base rate of Lloyds Bank Plc.

The associated undertaking with whom the Group transacted during the year was Sound and Media Limited.

The parent undertakings with whom the Group transacted during the year was Virgin Group Investments Limited.

The related undertakings with whom the Group transacted during the year were Virgin Clubs Limited, Virgin Student Limited, Virgin Mobile Australia (Pty) Limited, Virgin Active Group Limited, Virgin Active South Africa (Pty) Limited, Virgin Atlantic Limited, Virgin Cars Limited, Virgin Rail Group Limited, Virgin Retail Limited, Virgin Entertainment Group Inc, Virgin Money Group Limited, The Virgin Clothing Company Limited, Virgin Vie Limited, Virgin Books Limited, Virgin Travelstore Limited, Bell Chance Limited, Virgin Digital Studios Limited, V2 Music Limited, Virgin Atlantic Airways Limited, Virgin Hotels Limited, Virgin Wine Online Limited, Virgin Cosmetics Limited, Virgin Money Management Services Limited, Virgin Money Personal Financial Services Limited, Virgin Home Limited, Virgin Holidays Limited, Virgin Mobile Telecoms Limited, Virgin Net Limited, Virgin Retail Holdings Limited, Virgin Media Group Limited, The Trainline.com Limited, Virgin Blue Limited, Virgin HomeEnergy Limited, Virgin Audio Holdings Limited, Virgin Biznet Limited, The Virgin Clothing Company Limited, Virgin Express Holdings Plc, Virgin.com Limited, Virgin Investments SA, Rapido TV Investments Limited, Virgin Radio (Asia) Limited, Challenger (Norwich) Limited, Ivanco (No 1) Limited, Ivanco (No 2) Limited, Ivanco (No 3) Limited, Package Holidays Limited, Virgin Wines Limited, Le Petit Blanc Limited, Victory Corporation Plc, Virgin Rail Group Limited, West Coast Trains Limited, Dragonfly SA, Bluebottle Investment Inc, Bluebottle Investments SA, Virgin Ventures Limited and Bluebottle USA Holdings Inc.

Notes *(continued)*

25 Ultimate parent Company and parent undertaking of larger Group

The ultimate parent company is Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the Company and groups results are consolidated are those for Barfair Limited, a company registered in England and Wales. Copies of the group accounts of Barfair Limited can be obtained Companies House.