

Virgin Voyager Limited

**Directors' report and consolidated
financial statements**

Registered number 2857673

14 Month period ended 31 March 2004



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Directors' report

The directors present their report and the audited financial statements for the 14 month period ended 31 March 2004. The comparatives are for 12 months.

During the period the Company changed its year end from 31 January to 31 March.

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 loss for the year of £30,864,000 (year ended 31 January 2003: £3,414,000 profit) has been transferred to reserves.

On 30 January 2004 Virgin Management Limited purchased 77.5% of the voting equity of Virgin Life Care Investments Limited (Formerly Body IQ Investments Limited) by acquiring existing shares in the company for consideration of £449,211.

Post balance sheet event

On 16 June 2004 Virgin Management Limited acquired 49 £1 ordinary F shares in Virgin Business Solutions Limited for a cash consideration of £25,000.

On 30 November 2004, Virgin Management Limited agreed to sell its investment in Virgin Life Care Investments Limited (formerly Body IQ Limited) to another group company, the final consideration has not yet been confirmed.

Proposed dividend

The directors do not recommend the payment of a dividend (2003: £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

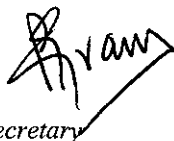
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other group companies.

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

28 February 2005

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 group 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 group 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 group and to prevent and detect fraud and other irregularities.

Report of the independent auditors, KPMG LLP, to the members of Virgin Voyager Limited

We have audited the financial statements on pages 4 to 28.

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 March 2004 and of the loss of the Group for the 14 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

18 March 2005
8 Salisbury Square
London
EC4Y 8BB

Consolidated profit and loss account
for the 14 month period ended 31 March 2004

	<i>Note</i>	14 month period ended 31 March 2004 £000	Year ended 31 January 2003 £000
Group turnover			
Continuing operations		65,501	69,492
Discontinued operations		-	2,872
		<hr/>	<hr/>
		65,501	72,364
Less share of joint ventures' turnover		-	(6,478)
		<hr/>	<hr/>
Cost of sales	1,4	65,501 (29,505)	65,886 (33,521)
		<hr/>	<hr/>
Gross profit		35,996	32,365
Distribution costs		(763)	(989)
Administrative expenses (<i>exceptional item of £nil, 2003: £21,500,000 credit</i>)	3	(51,503)	(18,652)
Other operating income		1,987	1,222
		<hr/>	<hr/>
Group operating (loss)/profit			
Continuing operations		(13,743)	14,078
Acquisitions	2	(540)	-
Discontinued operations		-	(132)
		<hr/>	<hr/>
		(14,283)	13,946
Share of operating profit of joint ventures		-	5,522
		<hr/>	<hr/>
Total operating (loss)/profit	1,4	(14,283)	19,468
Loss on disposal of fixed assets – continuing operations		(233)	(1,509)
Loss on disposal of investments – discontinued operations		-	(521)
Gain on sale of other interests in fixed assets – continuing operations		-	4
		<hr/>	<hr/>
(Loss)/profit before interest and taxation		(14,516)	17,442
Other interest receivable and similar income	7	1,220	922
Interest payable and similar charges	8	(17,234)	(15,132)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	3	(30,530)	3,232
Tax on loss on ordinary activities	9	(272)	82
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation		(30,802)	3,314
Equity minority interest	21	(62)	100
		<hr/>	<hr/>
Retained (loss)/profit for the financial period/year	20	(30,864)	3,414
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 28 form part of these financial statements.

Consolidated statement of total recognised gains and losses
for the 14 month period ended 31 March 2004

	Group 14 month period ended 31 March 2004 £000	Group Year ended 31 January 2003 £000
Loss for the financial period/year		
Group	(30,864)	(2,108)
Associates	-	5,522
	<hr/>	<hr/>
	(30,864)	3,414
Currency translation differences on net foreign currency investments	1,853	85
	<hr/>	<hr/>
Total recognised gains and losses relating to the period/year	(29,011)	3,499
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 28 form part of these financial statements.

Consolidated balance sheet
at 31 March 2004

	<i>Note</i>	2004 £000	2003 £000
Fixed assets			
Intangible assets	<i>10</i>	871	43
Tangible assets	<i>11</i>	16,775	19,630
Investments	<i>12</i>	-	-
		<hr/>	<hr/>
		17,646	19,673
Current assets			
Stocks	<i>13</i>	1,580	3,458
Debtors	<i>14</i>	223,637	229,834
Investments	<i>15</i>	-	818
Cash at bank and in hand		4,252	2,034
		<hr/>	<hr/>
		229,469	236,144
Creditors: amounts falling due within one year	<i>16</i>	(306,485)	(285,866)
		<hr/>	<hr/>
Net current liabilities		(77,016)	(49,722)
		<hr/>	<hr/>
Total assets less current liabilities		(59,370)	(30,049)
Creditors: amounts falling due after more than one year	<i>17</i>	(9,576)	(10,860)
Provisions for liabilities and charges	<i>18</i>	(3,914)	(3,047)
		<hr/>	<hr/>
Net liabilities		(72,860)	(43,956)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>19</i>	32,860	32,860
Merger reserve	<i>20</i>	26,062	26,062
Profit and loss account	<i>20</i>	(132,823)	(103,812)
		<hr/>	<hr/>
Equity shareholders' deficit		(73,901)	(44,890)
Minority interests	<i>21</i>	1,041	934
		<hr/>	<hr/>
		(72,860)	(43,956)
		<hr/>	<hr/>

The notes on pages 9 to 28 form part of the financial statements.

These financial statements were approved by the board of directors on 28 February 2005 and were signed on its behalf by:



G D McCallum
Director

Company balance sheet
at 31 March 2004

	<i>Note</i>	31 March 2004 £000	31 January 2003 £000
Fixed assets			
Investments	12	65,738	65,738
Current assets			
Debtors	14	2,082	2,089
Cash at bank and in hand		319	368
		2,401	2,457
Creditors: amounts falling due within one year	16	(59,568)	(57,028)
Net current liabilities		(57,167)	(54,571)
Net assets		8,571	11,167
Capital and reserves			
Called up share capital	19	32,860	32,860
Other reserves	20	26,062	26,062
Profit and loss account	20	(50,351)	(47,755)
Equity shareholders' funds		8,571	11,167

The notes on pages 9 to 28 form part of these financial statements.

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

28 February 2005



G D McCallum
 Director

Reconciliation of movement in equity shareholders' funds
for the 14 month period ended 31 March 2004

	Group 31 March 2004 £000	Company 31 March 2004 £000	Group 31 January 2003 £000	Company 31 January 2003 £000
Total recognised gains and losses relating to the period/year	(29,011)	(2,596)	3,499	(2,550)
Intercompany debt waiver	-	-	291	-
Opening equity shareholders funds	(44,890)	11,167	(48,680)	13,717
Closing equity shareholders' funds	(73,901)	8,571	(44,890)	11,167

The notes on pages 9 to 28 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.

Prior year numbers were restated to reflect a reclassification of the group relief balances.

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 14 month period ended 31 March 2004. 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).

Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value where it can be measured reliably. Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally the respective unexpired periods.

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.

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.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes (continued)

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

	14 month period ended 31 March 2004			Year ended 31 January 2003		Total
	Acquisitions	Continuing	Total	Continuing	Discontinued	
	£000	£000	£000	£000	£000	£000
Turnover	-	65,501	65,501	69,492	2,872	72,364
Less share of joint ventures' turnover	-	-	-	(6,478)	-	(6,478)
Cost of sales	-	(29,505)	(29,505)	(32,066)	(1,455)	(33,521)
Gross profit	-	35,996	35,996	30,948	1,417	32,365
Distribution costs	-	(763)	(763)	(989)	-	(989)
Administrative expenses (exceptional item of £nil 2003: £21,500,000 credit)	(540)	(50,963)	(51,503)	(17,103)	(1,549)	(18,652)
Other operating income	-	1,987	1,987	1,222	-	1,222
	(540)	(13,743)	(14,283)	14,078	(132)	13,946
Share of operating profit of joint ventures'	-	-	-	5,522	-	5,522
Operating (loss)/profit	(540)	(13,743)	(14,283)	19,600	(132)	19,468

Notes (continued)

3 Loss on ordinary activities before taxation

	31 March 2004 £000	31 January 2003 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit – Company	14	4
– Group	166	259
Other services	8	(483)
Exchange (gain)/loss	(2,824)	3,343
Operating leases – land and buildings	90	-
Operating leases – other	1,808	2,564
Depreciation and other amounts written off tangible fixed assets	1,993	2,402
Amortisation of goodwill and intangible assets	15	-

The exceptional item of £nil (2003: £21,500,000 credit) relates to the write back of a bad debt provision.

4 Analysis of turnover, operating loss and net liabilities

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

By activity

	Turnover	Group operating profit/(loss)	Turnover	Group operating profit/(loss)
	2004 £000	2004 £000	2003 £000	2003 £000
Continuing				
Wholesale and retail	15,222	(2,032)	22,782	(2,485)
Limobikes and limousines	1,817	2	1,485	101
Media and entertainment	3,395	189	2,839	(330)
Clubs and hotels	5,967	580	5,346	313
Trademark licensing	12,428	10,018	9,885	3,105
Telecoms	382	(452)	501	6,054
Event management	19,161	(1,909)	18,369	(655)
Balloons	570	134	627	(509)
Management services and other	6,559	(20,813)	7,658	14,006
	65,501	(14,283)	64,492	19,600
Discontinued				
Clubs and hotels	-	-	2,872	(132)
	65,501	(14,283)	72,364	19,468
Less share of associates' revenue/operating profit	-	-	(6,478)	(5,522)
	65,501	(14,283)	65,886	13,946

Notes *(continued)*

4 Analysis of turnover, operating loss net liabilities *(continued)*

Net liabilities

	31 March 2004 £000	31 January 2003 £000
Continuing		
Wholesale and retail	(14,871)	(12,635)
Limobikes and limousines	(257)	(192)
Media and entertainment	(615)	2,222
Clubs and Hotels	599	908
Trademark licensing	62,137	43,891
Telecoms	(444)	1,125
Event management	(4,589)	(2,769)
Balloons	(2,971)	(3,055)
Management services and other	(111,849)	(73,451)
	(72,860)	(43,956)
	(72,860)	(43,956)

By geographical market

	Turnover 2004 £000	Group operating loss 2004 £000	Turnover 2003 £000	Group operating loss 2003 £000
UK and Ireland	54,557	(7,713)	62,539	13,469
Rest of Europe	3,518	194	2,839	(330)
Rest of World	7,426	(6,764)	6,986	6,329
	65,501	(14,283)	72,364	19,468
Less share of associates' revenue/operating loss/(profit)	-	-	(6,478)	(5,522)
	65,501	(14,283)	65,886	13,946

Net liabilities

	31 March 2004 £000	31 January 2003 £000
UK and Ireland	(76,221)	(48,103)
Rest of Europe	2,558	2,222
Rest of World	803	1,925
	(72,860)	(43,956)
	(72,860)	(43,956)

Notes (continued)

5 Remuneration of directors

	2004	2003
	£000	£000
Directors' emoluments	973	975
Company contributions to money purchase pension schemes	98	63
	<u>1,071</u>	<u>1,038</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £368,477 (2003: £382,000). No company pension contributions were made on his behalf.

	Number of directors	
	2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>3</u>	<u>3</u>

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	
	2004	2003
Management and administration	207	198
Selling and distribution	97	255
Operations and other	120	113
	<u>424</u>	<u>566</u>

The aggregate payroll costs of these persons were as follows:

	14 month period ended 31 March 2004	Year ended 31 January 2003
	£000	£000
Wages and salaries	17,480	14,551
Social security costs	1,599	1,184
Other pension costs	367	312
Other	772	486
	<u>20,218</u>	<u>16,533</u>

Notes *(continued)*

7 Other interest receivable and similar income

	14 month period ended 31 March 2004 £000	Year ended 31 January 2003 £000
Bank interest	122	151
Receivable from group undertakings	1,030	713
Share of associate	-	41
Other	68	17
	<hr/>	<hr/>
	1,220	922
	<hr/> <hr/>	<hr/> <hr/>

8 Interest payable and similar charges

	14 month period ended 31 March 2004 £000	Year ended 31 January 2003 £000
On bank loans and overdrafts	1,016	861
On group loans	13,144	11,643
Net exchange losses	3,049	2,514
Share of associate	-	83
Finance charges payable in respect of financial leases	12	13
Other	13	18
	<hr/>	<hr/>
	17,234	15,132
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Taxation

Analysis of charge in period

	14 month period ended 31 March 2004 £000	Year ended 31 January 2003 £000
<i>UK corporation tax</i>		
Current tax on income for the period		-
Overseas tax	144	10
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	144	10
Deferred tax: current period	128	(87)
Deferred tax: adjustments in respect of prior periods	-	(5)
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	272	(82)
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2003: lower) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below.

	14 month period ended 31 March 2004 £000	Year ended 31 January 2003 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(30,530)	3,232
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	(9,159)	970
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation/depreciation in excess of capital allowances	(134)	436
Unrelieved tax losses	5,262	4,635
Utilisation of tax losses brought forward	(42)	-
Expenses not deductible for tax purposes/(income not taxable)	3,798	(6,001)
Other short term timing differences	(55)	(30)
Overseas (income not taxable)/unrelieved tax losses	474	-
	<hr/>	<hr/>
Total current tax charge (see above)	144	10
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2004, the Group had tax losses and other timing differences available to carry forward of approximately £110 million (2003: £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 2004	Other intangible assets 2004	Total 2004
	£000	£000	£000
<i>Cost</i>			
At beginning of period	3,943	34	3,977
Additions	364	479	843
Disposals	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At end of period	4,307	512	4,819
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Amortisation</i>			
At beginning of period	3,912	22	3,934
Charged in period	5	10	15
Disposals	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At end of period	3,917	31	3,948
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 March 2004	390	481	871
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2003	31	12	43
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year Virgin Management Limited purchased 77.5% of Body IQ Investments Limited. See note 23.

Notes (continued)

11 Tangible fixed assets

<i>Group</i>	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
Opening	18,075	4,203	3,057	367	25,702
Additions	416	557	303	90	1,366
Disposals	(151)	(76)	(596)	(21)	(844)
Exchange differences	(1,313)	(278)	(169)	(45)	(1,805)
Reclassifications	(763)	-	763	-	-
Closing	<u>16,264</u>	<u>4,406</u>	<u>3,358</u>	<u>391</u>	<u>24,419</u>
Depreciation					
Opening	1,534	2,870	1,364	304	6,072
Charge for period	640	674	613	66	1,993
Disposals	(136)	(55)	(82)	(21)	(294)
Exchange differences	(110)	(238)	(119)	(36)	(503)
Impairment	-	252	124	-	376
Reclassifications	(460)	-	460	-	-
Closing	<u>1,468</u>	<u>3,503</u>	<u>2,360</u>	<u>313</u>	<u>7,644</u>
Net book value					
At 31 March 2004	<u>14,796</u>	<u>903</u>	<u>998</u>	<u>78</u>	<u>16,775</u>
At 31 January 2003	<u>16,541</u>	<u>1,333</u>	<u>1,693</u>	<u>63</u>	<u>19,630</u>

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

	2004 £000	2003 £000
Net Book Value		
Freehold land and building	10,039	11,443
Leasehold land and buildings	4,757	5,098
	<u>14,796</u>	<u>16,541</u>
Depreciation charged in the year		
Freehold land and building	379	351
Leasehold land and buildings	261	532
	<u>640</u>	<u>883</u>

Notes (continued)

12 Fixed asset investments

	Interests in associated undertakings £000	Other unlisted investments £000	Total £000
Group			
<i>Cost</i>			
At beginning and end of period	481	83	564
	<u> </u>	<u> </u>	<u> </u>
<i>Provisions</i>			
At beginning and end of period	(481)	(83)	(564)
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 31 January 2003 and 31 March 2004	-	-	-
	<u> </u>	<u> </u>	<u> </u>
 <i>Company</i>			
			Shares in Group undertaking £000
<i>Cost</i>			
At beginning and end of period			90,806
			<u> </u>
<i>Provisions</i>			
At beginning and end of period			(25,068)
			<u> </u>
<i>Net book value</i>			
At 31 January 2003 and 31 March 2004			65,738
			<u> </u>

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
Subsidiary undertakings				
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	Guernsey	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	Investment holding company	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 and retailer of books and DVD's	98.78% 100%	Ordinary £1 shares Convertible, redeemable £1 preference shares
Virgin Mobile Holdings Pte Limited	Singapore	Mobile phones	100%	Ordinary class B \$1 shares
Virgin USA Inc	USA	Investment and management services company	100%	Common stock nil par value
Virgin Life Care Investments Limited** (Formerly Body IQ Investments Limited)	England & Wales	Health / life insurance provider	77.5%	Ordinary A £0.001 shares
Virgin Business Solutions Limited	England & Wales	Telecommunications provider	51%	Ordinary V £1 shares
Virgin Limousines LLC	USA	Limousine service	65%	Ordinary US\$1 shares
Oui FM SAS	France	Radio station	60%	Ordinary
Virgin Balloon Flights Limited	England & Wales	Air Transport	100%	Ordinary £1 shares

*Direct investment held by Virgin Voyager Limited.

**Registered ownership 37.5% but voting ownership 77.5%

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

Notes (continued)

13 Stocks

	Group 31 March 2004 £000	Company 31 March 2004 £000	Group 31 January 2003 £000	Company 31 January 2003 £000
Raw materials and consumables	53	-	68	-
Work in progress	125	-	-	-
Finished goods and goods for resale	1,402	-	3,390	-
	<u>1,580</u>	<u>-</u>	<u>3,458</u>	<u>-</u>

14 Debtors

	Group 31 March 2004 £000	Company 31 March 2004 £000	As restated Group 31 January 2003 £000	As restated Company 31 January 2003 £000
Trade debtors	3,967	-	5,364	-
Amounts owed by parent and fellow subsidiary undertakings	204,530	134	204,393	134
Other debtors	7,897	-	11,214	7
Group relief debtor	4,651	1,948	4,651	1,948
Prepayments and accrued income	2,593	-	4,212	-
	<u>223,637</u>	<u>2,082</u>	<u>229,834</u>	<u>2,089</u>

15 Investments (held as current assets)

	Group 31 March 2004 £000	Company 31 March 2004 £000	Group 31 January 2003 £000	Company 31 January 2003 £000
Other investments	-	-	818	-
	<u>-</u>	<u>-</u>	<u>818</u>	<u>-</u>

16 Creditors: amounts falling due within one year

	Group 31 March 2004 £000	Company 31 March 2004 £000	Group 31 January 2003 £000	Company 31 January 2003 £000
Bank loans and overdrafts	41,150	-	30,989	-
Trade creditors	8,650	-	8,314	8
Amounts owed to parent and fellow subsidiary undertakings	237,424	59,530	221,070	56,965
Corporation tax	6,382	-	6,293	-
Taxation and social security	1,267	-	893	-
Other creditors	7,934	-	8,858	-
Accruals and deferred income	3,678	38	9,449	55
	<u>306,485</u>	<u>59,568</u>	<u>285,866</u>	<u>57,028</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group 31 March 2004 £000	Company 31 March 2004 £000	Group 31 January 2003 £000	Company 31 January 2003 £000
Bank loans and overdrafts	8,077	-	9,198	-
Other Creditors	13	-	24	-
Finance lease obligations	109	-	138	-
Owed to group undertakings	1,377	-	1,500	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,576	-	10,860	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of bank loans and overdrafts as falling due:

	Group 31 March 2004 £000	Group 31 January 2003 £000
In one year or less, or on demand	41,150	30,989
Between one and two years	434	457
Between two and five years	1,432	1,515
In five years or more	6,211	7,226
	<hr/>	<hr/>
	49,227	40,187
	<hr/> <hr/>	<hr/> <hr/>

Analysis of finance leases:

Group	31 March 2004 £000	31 January 2003 £000
Finance leases can be analysed as falling due:		
In one year or less, or on demand	-	28
Between one and two years	78	49
Between two and five years	31	61
	<hr/>	<hr/>
	109	138
	<hr/> <hr/>	<hr/> <hr/>

Included in the total net book value of motor vehicles is £109,000 (2003: £138,000) in respect of assets held under finance leases (and similar hire purchase contracts). Depreciation for the period on these assets is £66,000 (2003: £71,000)

Notes *(continued)*

18 Provisions for liabilities and charges

<i>Group</i>	Other provisions £000	Deferred tax £000	Total £000
At beginning of year	2,553	494	3,047
Utilised during the year	(480)	-	(352)
Amounts provided in year	1,282	128	1,282
Foreign exchange	-	(63)	(63)
	<hr/>	<hr/>	<hr/>
At end of year	3,355	559	3,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 31 March 2004 £000	Unprovided 31 March 2004 £000	Provided 31 January 2003 £000	Unprovided 31 January 2003 £000
Accelerated capital allowances	1,060	(858)	871	(823)
Deferred tax asset arising from losses	(501)	(31,380)	(377)	(28,696)
Other	-	(26)	-	(37)
	<hr/>	<hr/>	<hr/>	<hr/>
	559	(32,264)	494	(29,556)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

19 Called up share capital

	31 March 2004	31 January 2003
	£000	£000
<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/>	<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/>	<hr/> <hr/>

20 Share premium and reserves

	Merger reserves	Profit and loss account
	£000	£000
<i>Group</i>		
At beginning of period	26,062	(103,812)
Retained profit for the period	-	(30,864)
Foreign exchange losses	-	1,853
	<hr/>	<hr/>
At end of period	26,062	(132,823)
	<hr/> <hr/>	<hr/> <hr/>
<i>Company</i>		
At beginning of period	26,062	(47,755)
Retained loss for the period	-	(2,596)
	<hr/>	<hr/>
At end of period	26,062	(50,351)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

21 Minority interests

	Group 2004 £000	Group 2003 £000
At beginning of the period	934	969
Share of profit/(loss)	62	(100)
Share of increase in investment	25	-
Foreign exchange	20	65
	1,041	934
At end of the period	1,041	934

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:

<i>Group</i>	Other 31 March 2004 £000	Land and buildings 31 March 2004 £000	Other 31 January 2003 £000	Land and buildings 31 January 2003 £000
<i>Operating lease which expire:</i>				
Within one year	30	149	14	74
2 – 5 years	147	2,200	-	1,913
Over five years	-	1,688	-	1,282
	177	4,037	14	3,269
	177	4,037	14	3,269

Notes *(continued)*

23 Purchase of subsidiary undertaking

On 30 January 2004 Virgin Management Limited purchased 77.5% of Body IQ Investments Limited by acquiring existing shares in the company.

	Book and fair value £000
Net assets acquired	
Intellectual property	457
Debtor	39
Fixed assets	2
Creditors	(389)

Total net assets	109

Net assets acquired (77.5%)	85
Goodwill	364

Consideration	449
	=====
Satisfied by:	
Cash	449
	=====

Notes (continued)

24 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.

25 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 March 2004, 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 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 8.

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

	Associated undertakings		Parent undertakings		Related undertakings	
	31 March	31 January	31 March	31 January	31 March	31 January
	2004	2003	2004	2003	2004	2003
	£000	£000	£000	£000	£000	£000
Creditors: amounts falling due within one year	-	-	45,471	35,751	191,953	185,319
Creditors: amounts falling due after one year	-	-	-	123	1,377	-
Debtors	-	-	181,063	178,188	23,467	26,205
Interest payable	-	83	130	-	13,014	11,643
Interest receivable	-	41	-	-	1,030	713
Turnover	-	-	700	-	27,884	-
Other operating income	-	-	-	-	947	-
Administration expenses	-	-	-	-	2,350	-

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 parent undertakings with whom the Group transacted during the year was Voyager Investments (BVI) Limited, Barfair Limited and Virgin Group Investments Limited.

Notes (continued)

25 Related party disclosures (continued)

The related undertakings with whom the Group transacted during the year were 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 Retail Investments Limited, Virgin Entertainment Global Limited, Virgin Money Group Limited, The Virgin Clothing Company Limited, Virgin Vie Limited, Virgin Books Limited, Virgin Travelstore Limited, V2 Music (Holdings) Limited, Virgin Atlantic Airways Limited, Virgin Hotels Group Limited, Virgin Wine Online Limited, Virgin Cosmetics Limited, Virgin Money Management Services Limited, Virgin Money Personal Financial Services Limited, Virgin Home Limited, Virgin Mobile Telecoms Limited, Virgin Net Limited, Virgin Retail Holdings Limited, Virgin Media Group Limited, Virgin HomeEnergy Limited, Virgin Audio Holdings Limited, Virgin Express Holdings Plc, Virgin.com Limited, Virgin Investments SA, Virgin Radio (Asia) Limited, Ivanco (No 1) Limited, Ivanco (No 3) Limited, Package Holidays Direct Limited, Virgin Wines Limited, Victory Corporation Plc, Virgin Rail Group Holdings Limited, West Coast Trains Limited, Dragonfly SA, Bluebottle Investment Inc, Virgin Ventures Limited, Exitium Limited, Virgin Blue Holdings Limited, Virgin Audio Limited, Virgin Audio Holdings Inc, Bluebottle UK Limited, The Virgin Drinks Group Limited, Virgin Fitness SA, Virgin Homephone Limited, Virgin Leisure Limited, Virgin Mobile USA Inc, Virgin Mobile USA LLC, Virgin Performance Limited, Virgin Pulse Holdings LLC, Virgin Sky Investments Limited, Trainline Holdings Limited, Vanson Developments Limited, Motor Solutions Limited, Virgin Cars (Holdings) Limited, Cricket SA, Newstart Investments Limited, Planet Rapido.com Limited, and Bluebottle USA Holdings Inc

26 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 group 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 from Companies House.

27 Post balance sheet event

On 16 June 2004 Virgin Management Limited acquired 49 £1 ordinary F shares in Virgin Business Solutions Limited for a cash consideration of £25,000.

On 30 November 2004, Virgin Management Limited agreed to sell its investment in Virgin Life Care Investments Limited (formerly Body IQ Limited) to another group company, the final consideration has not yet been confirmed.