

VIRGIN VOYAGER LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 JANUARY 2002

Registered number 2857673



LD3	*L074GNUT*	0122
COMPANIES HOUSE		27/08/03
LD4	*LZGGYNF6*	0474
COMPANIES HOUSE		12/08/03

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Directors' report

The directors present their consolidated annual report and financial statements for the year ended 31 January 2002.

Principal activities

The Company principally acts as an investment holding company in relation to its subsidiary undertakings whose respective activities are detailed in Note 11.

Results for the year and business review

The results of the Group for the year are set out on page 5. The loss of £29,940,000 for the year (2001: £15,671,000) has been transferred to reserves.

Proposed dividend

The directors do not recommend the payment of a dividend (2001: £Nil).

Post balance sheet events

On 23 October 2002, the Group disposed of its entire interests in Heaven Limited for a total of £4.2million making a loss on the transaction of £137,000.

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.

Directors and directors' interests

The directors who held office during the year and in the period to date were as follows:

Sir Richard Branson	(resigned 15 January 2002)
G D McCallum	
W E Whitehorn	(appointed 15 January 2002)
S T M Murphy	(appointed 15 January 2002)

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.

Directors' report *(continued)*

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



Peter Gram
Company Secretary

120 Campden Hill Road
London
W8 7AR

31 July 2003

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 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 group 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 5 to 27.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, 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 Group'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 2002 and of the loss 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

8 Salisbury Square
London
EC4Y 8BB

4 August 2003

Consolidated profit and loss account

for the year ended 31 January 2002

	<i>Note</i>	Year ended 31 January 2002 £000	Year ended 31 January 2001 £000
Group turnover			
Continuing operations		67,621	23,491
Discontinued operations		<u>1,552</u>	<u>1,478</u>
	1,3	<u>69,173</u>	<u>24,969</u>
 Cost of sales		 <u>(24,369)</u>	 <u>(8,198)</u>
 Gross profit		 44,804	 16,771
Distribution costs		(422)	(119)
Administrative expenses		(61,551)	(28,536)
Other operating income		<u>2,159</u>	<u>768</u>
 Group operating loss			
Continuing operations		(13,310)	(9,856)
Discontinued operations		<u>(1,700)</u>	<u>(1,260)</u>
		<u>(15,010)</u>	<u>(11,116)</u>
 Share of operating loss of associates	11	 <u>(10,675)</u>	 <u>(525)</u>
 Total operating loss		 <u>(25,685)</u>	 <u>(11,641)</u>
Profit on disposal of fixed assets – continuing operations		1,936	-
Profit on disposal of discontinued operation		7,382	2,152
Loss on disposal of investments		<u>(128)</u>	<u>-</u>
 Loss before interest and taxation		 <u>(16,495)</u>	 <u>(9,489)</u>
 Other interest receivable and similar income	6	 2,968	 6,533
Interest payable and similar charges	7	<u>(15,715)</u>	<u>(12,692)</u>
 Loss on ordinary activities before taxation	2	 <u>(29,242)</u>	 <u>(15,648)</u>
Tax on loss on ordinary activities	8	(780)	(23)
Loss on ordinary activities after taxation		<u>(30,022)</u>	<u>(15,671)</u>
Equity minority interest	20	82	-
Retained loss for the financial year	19	<u>(29,940)</u>	<u>(15,671)</u>

The notes on pages 10 to 27 form part of the financial statements.

Consolidated balance sheet

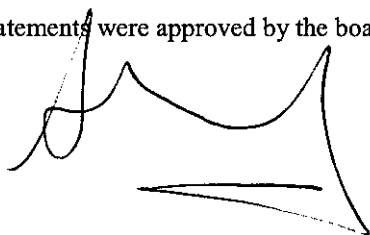
as at 31 January 2002

	Note	2002 £000	2001 £000
Fixed assets			
Intangible assets	9	1	96
Tangible assets	10	23,613	21,597
Investments	11	480	922
		<u>24,094</u>	<u>22,615</u>
Current assets			
Stock	12	1,059	759
Debtors	13	263,841	212,515
Investments	14	818	818
Cash at bank and in hand		19,846	-
		<u>285,564</u>	<u>214,092</u>
Creditors: amounts falling due within one year	15	<u>(340,272)</u>	<u>(253,729)</u>
Net current liabilities		<u>(54,708)</u>	<u>(39,637)</u>
Total assets less current liabilities		<u>(30,614)</u>	<u>(17,022)</u>
Creditors: amounts falling due after more than one year	16	<u>(10,582)</u>	<u>(17)</u>
Net liabilities in associates	11	<u>(5,770)</u>	<u>-</u>
Provisions for liabilities and charges	17	<u>(731)</u>	<u>(111)</u>
Net liabilities		<u>(47,697)</u>	<u>(17,150)</u>
Capital and reserves			
Called up share capital	18	32,860	32,860
Merger reserve		26,062	26,062
Profit and loss account	19	(107,602)	(77,137)
		<u>(48,680)</u>	<u>(18,215)</u>
Shareholders' deficit - equity		<u>(48,680)</u>	<u>(18,215)</u>
Minority interests	20	983	1,065
		<u>(47,697)</u>	<u>(17,150)</u>

The notes on pages 10 to 27 form part of the financial statements.

These financial statements were approved by the board of directors on 31 July 2003 and were signed on its behalf by:

S T M Murphy
 Director



Company balance sheet

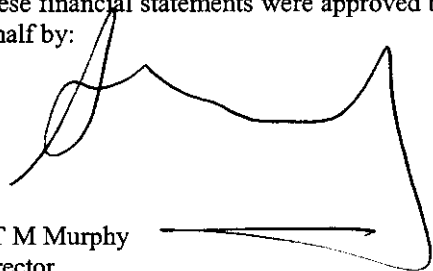
as at 31 January 2002

	<i>Notes</i>	2002 £000	2001 £000
Fixed assets			
Investments	<i>11</i>	65,738	65,738
Current assets			
Debtors	<i>13</i>	25,694	2,476
Cash at bank and in hand		<u>394</u>	<u>139</u>
		26,088	2,615
Creditors	<i>15</i>	<u>(78,109)</u>	<u>(52,586)</u>
Net current liabilities		<u>(52,021)</u>	<u>(49,971)</u>
Net assets		<u>13,717</u>	<u>15,767</u>
Capital and reserves			
Called up share capital	<i>18</i>	32,860	32,860
Merger reserve	<i>19</i>	26,062	26,062
Profit and loss account	<i>19</i>	<u>(45,205)</u>	<u>(43,155)</u>
Shareholders' funds - equity		<u>13,717</u>	<u>15,767</u>

The notes on pages 10 to 27 form part of the financial statements.

These financial statements were approved by the board of directors on 31 July 2003 and were signed on its behalf by:

S T M Murphy
 Director



Consolidated statement of total recognised gains and losses

for the year ended 31 January 2002

	Group 2002 £000	Group 2001 £000
Loss for the financial year		
Group	(19,265)	(15,146)
Associates	<u>(10,675)</u>	<u>(525)</u>
	(29,940)	(15,671)
Currency translation differences on net foreign currency investments	<u>(525)</u>	<u>185</u>
	(30,465)	(15,486)

The notes on pages 10 to 27 form part of the financial statements.

Reconciliation of movements in shareholders' (deficit)/funds

for the year ended 31 January 2002

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Total recognised gains and losses relating to the year	(30,465)	(2,050)	(15,568)	(1,801)
Opening shareholders (deficit)/funds	<u>(18,215)</u>	<u>15,767</u>	<u>(2,647)</u>	<u>17,568</u>
Closing shareholders' (deficit)/funds	<u><u>(48,680)</u></u>	<u><u>13,717</u></u>	<u><u>(18,215)</u></u>	<u><u>15,767</u></u>

The notes on pages 10 to 27 form part of the 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. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. No prior year adjustment has resulted from the adoption of either of these standards.

Basis of preparation

The accounts have been prepared under the historical cost accounting rules, in accordance with applicable accounting standards, and on the going concern basis in view of undertakings from its parent and a related company, that for the next twelve months, they will not require repayment of the intercompany loans to the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings for the year ended 31 January 2002. 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

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).

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

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.

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.

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.

Stocks

Stocks are stated at the lower of cost or net realisable value.

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.

Leases

Operating lease rentals are charged to the profit and loss account as incurred.

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.

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.

Notes (continued)

2 Loss on ordinary activities before taxation

	Year ended 31 January 2002 £000	Year ended 31 January 2001 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration and expenses:		
Audit fees - Company	4	3
- Group	98	91
Other	1,981	197
Charitable donations	62	-
Bad debt (provisions released)/ written off	(82)	3,494
Operating leases – land and buildings	440	530
Operating leases – motor vehicles	-	71
Operating leases - other	263	50
Foreign exchange (gain)/loss	(70)	104
Loss on disposals	-	8
Rent receivable	(1,342)	(615)
Depreciation and other amounts written off tangible fixed assets	2,393	1,480

3 Analysis of turnover, loss on ordinary activities before interest, exceptional items and taxation and net assets

Turnover, loss on ordinary activities before interest, exceptional items and taxation and net assets are analysed below:

<i>By activity</i>	Turnover 2002 £000	Group operating (loss)/profit 2002 £000	Turnover 2001 £000	Group operating (loss)/profit 2001 £000
Continuing				
Wholesale and retail	17,299	(2,757)	2,262	(1,484)
Limobikes and limousines	290	(43)	214	(94)
Media and entertainment	2,825	(246)	2,591	1,601
Clubs and hotels	9,310	232	8,344	(328)
Trademark licencing	31,460	28,735	5,141	2,497
Telecoms	1,604	(5,769)	-	-
Management services and other	24,998	(44,137)	7,487	(12,573)
Discontinued				
Management services and other	1,552	(1,700)	1,478	(1,260)
	89,338	(25,685)	27,517	(11,641)
Less share of associates' revenue/operating loss/(profit)	(20,165)	10,675	(2,548)	525
	69,173	(15,010)	24,969	(11,116)

Notes (continued)

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

Net assets/(liabilities)

	2002 £000	2001 £000
Continuing		
Wholesale and retail	(7,684)	(6,392)
Limobikes and limousines	(223)	(179)
Media and entertainment	2,342	2,663
Clubs and Hotels	(73)	508
Trademark licencing	36,526	15,514
Management services and other	(78,405)	(24,456)
Discontinued		
Management services and other	-	(4,808)
	(47,697)	(17,150)
	(47,697)	(17,150)

By geographical market

	Turnover 2002 £000	Group operating loss 2002 £000	Turnover 2001 £000	Group operating loss 2001 £000
UK and Ireland	78,551	(25,674)	20,663	(13,043)
Rest of Europe	2,825	(246)	2,591	1,601
Rest of World	7,962	235	4,263	(199)
	89,338	(25,685)	27,517	(11,641)
Less share of associates' revenue/operating loss/(profit)	(20,165)	10,675	(2,548)	525
	69,173	(15,010)	24,969	(11,116)

Net assets/(liabilities)

	2002 £000	2001 £000
UK and Ireland	(52,407)	(23,115)
Rest of Europe	2,342	2,663
Rest of World	2,368	3,302
	(47,697)	(17,150)
	(47,697)	(17,150)

Notes (continued)

4 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	2,200	1,604
Company contributions to money purchase pension schemes	41	20
	2,241	1,624
	2,241	1,624

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,350,000 (2001: £1,350,000). No company pension contributions were made on his behalf.

	Number of directors	
	2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	1
	2	1
	2	1

5 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	
	2002	2001
Management and administration	152	108
Selling and distribution	131	111
Operations and other	86	83
	369	302
	369	302

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	13,193	10,272
Social security costs	1,102	879
Other pension costs	236	190
	14,531	11,341
	14,531	11,341

Notes *(continued)*

6 Other interest receivable and similar income

	Year ended 31 January 2002 £000	Year ended 31 January 2001 £000
Group		
Bank interest	1,207	1,615
Interest receivable from related parties	1,722	3,862
Foreign exchange gains	-	1,041
Other interest	39	15
	2,968	6,533

7 Interest payable and similar charges

	Year ended 31 January 2002 £000	Year ended 31 January 2001 £000
Group		
Bank interest	3,325	2,310
Interest payable to related undertakings	12,370	10,306
Foreign exchange losses	-	48
Other interest	20	28
	15,715	12,692

Notes (continued)

8 Taxation

Analysis of charge in period

	2002	2001
	£000	£000
UK corporation tax		
Current tax on income for the period	1,080	(6)
Overseas tax	65	-
Adjustments in respect of prior periods	(504)	-
	641	(6)
Total current tax	641	(6)
Deferred tax	139	29
	780	23
Tax charge on profit on ordinary activities	780	23

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK 30% (2001: 30%). The differences are explained below.

	2002	2001
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	(29,242)	(15,648)
	(8,773)	(4,694)
Current tax at 30% (2001: 30%)	(8,773)	(4,694)
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation	(1)	(298)
Other short term timing differences	-	14
Unrelieved tax losses	58	5,195
Utilisation of tax losses brought forward	(367)	(534)
Adjustment in respect of prior years	(504)	-
Expenses not deductible for tax purposes	10,228	311
	641	(6)
Total current tax charge (see above)	641	(6)

Notes (continued)

9 Intangible fixed assets

Group	Other assets 2002 £'000
<i>Cost</i>	
At 1 February 2001	97
Write downs	(4)
Disposals	(90)
At 31 January 2002	<u>3</u>
<i>Amortisation</i>	
At 1 February 2001	1
Charged in year	<u>1</u>
At 31 January 2002	<u>2</u>
<i>Net book value</i>	
At 31 January 2002	<u>1</u>
At 31 January 2001	<u>96</u>

Notes (continued)

10 Tangible fixed assets

Group	Land and buildings	Plant and equipment	Fixtures, fittings and office equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 February 2001	19,196	5,412	5,782	-	30,390
Additions	5,565	1,047	814	373	7,799
Assets of disposed subsidiaries	-	-	(75)	-	(75)
Exchange differences	433	83	38	-	554
Disposals	(3,415)	(1,140)	(1,471)	-	(6,026)
At 31 January 2002	<u>21,779</u>	<u>5,402</u>	<u>5,088</u>	<u>373</u>	<u>32,642</u>
Depreciation					
At 1 February 2001	2,434	4,100	2,259	-	8,793
Charge for year	576	782	725	310	2,393
Disposals	(904)	(1,140)	(161)	-	(2,205)
Exchange differences	2	58	28	-	88
Assets of disposed subsidiaries	-	-	(40)	-	(40)
At 31 January 2002	<u>2,108</u>	<u>3,800</u>	<u>2,811</u>	<u>310</u>	<u>9,029</u>
Net book value					
At 31 January 2002	<u>19,671</u>	<u>1,602</u>	<u>2,277</u>	<u>63</u>	<u>23,613</u>
At 31 January 2001	<u>16,762</u>	<u>1,312</u>	<u>3,523</u>	<u>-</u>	<u>21,597</u>

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

	2002 £000	2001 £000
Net Book Value		
Freehold land and building	13,651	14,700
Leasehold land and buildings	6,020	2,062
	<u>19,671</u>	<u>16,762</u>
Depreciation charged in the year		
Freehold land and building	233	219
Leasehold land and buildings	343	276
	<u>576</u>	<u>495</u>

Notes (continued)

11 Fixed asset investments

Group	Interests in associated undertakings £000	Net liabilities in associated undertakings £000	Other unlisted investments £000	Total investments £000
<i>Cost</i>				
At 1 February 2001	3,469		83	3,552
Additions	-	4,084	-	4,084
Disposals	(88)		-	(88)
At 31 January 2002	3,381	4,084	83	7,548
<i>Share of post acquisition reserves</i>				
At 1 February 2001	(424)	-	-	(424)
Disposal	(269)	-	-	(269)
Retained loss for the year	(821)	(9,854)	-	(10,675)
Tax	(2)	-	-	(2)
Amortisation of premium on acquisition	(50)	-	-	(50)
At 31 January 2002	(1,566)	(9,854)	-	(11,420)
<i>Impairments</i>				
At 1 February 2001	(2,206)	-	-	(2,206)
Provision released/(made) during the year	871	-	(83)	788
At 31 January 2002	(1,335)	-	(83)	(1,418)
<i>Net book value</i>				
At 31 January 2002	480	(5,770)	-	(5,290)
At 31 January 2001	839	-	83	922

Company	Shares in Subsidiaries £000
<i>Cost</i>	
At 1 February 2001 and 31 January 2002	90,806
<i>Provisions</i>	
At 1 February 2001 and 31 January 2002	(25,068)
<i>Net book value</i>	
At 1 February 2001 and 31 January 2002	65,738

Notes (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				
Voyager Group Limited*	England & Wales	Holding company	100%	Ordinary £1 shares
Virgin Group Limited	England & Wales	Investment holding company	100%	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
Heaven Limited	England & Wales	Operator of night club and function venues	100%	Ordinary £1 shares
Necker Island BVI	British Virgin Islands	Hotel Operator	100%	Ordinary £1 shares
Virgin Projects Limited	England & Wales	Print, procurement and event organisation	100%	Ordinary £1 shares
SL Insurance Limited	England & Wales	Insurance and reinsurance business	100%	Ordinary US\$1 shares
Virgin Limobike Ltd	England & Wales	Motorbike taxis	100%	Ordinary £1 shares
Virgin Radio International Limited	England & Wales	International radio stations	100%	Ordinary £1 shares
120 Campden Hill Road Limited	England and Wales	Property holding company	100%	Ordinary £1 shares
Virgin Vouchers Limited	England and Wales	Vendor of de-nominated vouchers	100%	Ordinary £1 shares
Associated undertakings				
Sound and Media Limited**	England & Wales	Wholesaler of records, videos, tapes and compact discs	50% 100%	Ordinary £1 shares Convertible, redeemable £1 preference shares
Virgin Asia Mobile (Asia) Pte Limited	Singapore	Mobile phones	49%	Ordinary class B \$1 shares
Storm Model Management Limited **	England and Wales	Model Agency	50%	Ordinary £1 shares

* Direct investment held by Virgin Voyager Limited

** This is accounted for as an associate undertaking as the Group does not have a significant influence in the affairs of this company.

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 loss on the transaction of £137,000.

Notes (continued)

12 Stocks

	2002	2001
Group	£'000	£'000
Raw materials and consumables	124	158
Finished goods and goods for resale	935	601
	1,059	759

13 Debtors

	Group	Company	Group	Company
	2002	2002	2001	2001
	£000	£000	£000	£000
Trade debtors	5,083	-	2,737	-
Amounts owed by parent and fellow subsidiary undertakings	210,122	23,351	190,745	134
Amounts owed by related undertakings	23,363	-	-	-
Amounts owed by undertakings in which the company has a participating interest	6,230	-	57	-
Other debtors	13,170	2,343	15,945	2,341
Prepayments and accrued income	5,873	-	3,031	1
	263,841	25,694	212,515	2,476

Included within other debtors is an amount of £32,421 (2001: £121,218) owed by Sir Richard Branson, a director of the company during the year, to a subsidiary. The maximum due from Sir Richard Branson during the year was £177,999 (2001: £123,138). The amount due from Sir Richard Branson, which was on interest free terms, has been repaid since the year end.

14 Current asset investments

	Group	Company	Group	Company
	2002	2002	2001	2001
	£000	£000	£000	£000
Other investments	818	-	818	-
	818	-	818	-

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Trade creditors	6,949	4	1,996	-
Bank loans and overdrafts	51,395	-	16,612	-
Amounts owed to parent and fellow subsidiary undertakings	-	-	-	-
Amounts owed to related undertakings	63,540	45,894	204,493	52,508
Corporation tax	6,285	-	649	-
Taxation and social security	720	-	1,112	44
Other creditors	38,640	45	16,978	-
Accruals and deferred income	6,794	34	11,859	34
	<u>340,272</u>	<u>78,109</u>	<u>253,729</u>	<u>52,586</u>

16 Creditors: amounts falling due after more than one year

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Bank loans and overdrafts	10,560	-	-	-
Other creditors	22	-	17	-
	<u>10,582</u>	<u>-</u>	<u>17</u>	<u>-</u>

Analysis of bank loans and overdrafts:

	Group 2002 £000	Group 2001 £000
Bank loans and overdrafts can be analysed as falling due:		
In one year or less, or on demand	51,395	3,364
Between one and two years	605	-
Between two and five years	1,862	-
In five years or more	8,093	-
	<u>61,955</u>	<u>3,364</u>

17 Provisions for liabilities and charges

	Deferred tax £000
At 1 February 2002 (restated)	592
Amounts provided in year	139
At 31 January 2002	<u>731</u>

Notes (continued)

17 Provisions for liabilities and charges (continued)

The amounts provided for deferred taxation are set out below:

	2002		2001 (restated)	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	731	605	592	479
Deferred tax asset arising from losses	-	(20,101)	-	(20,275)
	<u>731</u>	<u>(19,496)</u>	<u>592</u>	<u>731</u>

As at 31 January 2002, the Group had tax losses and other timing differences available to carry forward of approximately £64million against which no deferred tax asset has been recognised. 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.

18 Share capital

	2002 £	2001 £
<i>Authorised</i>		
25,000,000 "A" Ordinary shares of 10p each	2,500,000	2,500,000
5,022,122,880 ordinary shares of US\$ 0.01 each	32,609,109	32,609,109
	<u>35,109,109</u>	<u>35,109,109</u>
<i>Allotted, called up and fully paid</i>		
22,122,880 "A" Ordinary shares of 10p	2,212,228	2,212,228
4,720,037,880 ordinary shares of US\$ 0.01 each	30,647,703	30,647,703
	<u>32,859,931</u>	<u>32,859,931</u>

19 Share premium and reserves

Group	Merger reserve £000	Profit and loss account £000
At 1 February 2001	26,062	(77,137)
Accumulated loss for the year	-	(29,940)
Exchange difference arising on consolidation of subsidiaries	-	(525)
At 31 January 2002	<u>26,062</u>	<u>(107,602)</u>

Notes (continued)

19 Share premium and reserves (continued)

Company	Merger reserve £000	Profit and loss account £000
At 1 February 2001	26,062	(43,155)
Accumulated loss for the year	-	(2,050)
At 31 January 2002	26,062	(45,205)

20 Minority interests

	Group 2002 £000
At 1 February 2001	1,065
Share of loss for year	(82)
At end of year	983

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.

21 Commitments

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

	2002		2001	
	Other £000	Land and buildings £000	Other £000	Land and buildings £000
Group				
Operating leases which expire:				
Within one year	6	17	16	-
2 – 5 years	-	1,228	36	17
Over five years	-	1,045	-	608
	-	1,045	-	608

Notes (continued)

22 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 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 Company had the following amounts outstanding with related parties:

	Associate undertakings 31 January 2002 £000	Parent undertakings 31 January 2002 £000	Related undertakings 31 January 2002 £000
Creditors	-	62,980	166,510
Debtors	6,230	210,122	23,363
Interest payable	-	-	12,342
Interest receivable	10	85	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 undertakings with whom the Group transacted during the year were Exitium Limited, Sound and Media Limited, Virgin Mobile (Asia) Pte Limited, and Storm Model Management Limited.

The parent undertakings with whom the Group transacted during the year were Virgin Group Investments Limited, Barfair Limited, and Voyager Investments (BVI) 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 Limited, Virgin Cars Limited, Virgin Rail Group Limited, Virgin Retail Group UK Limited, Virgin Entertainment Group Inc, Virgin Café Lille SARL, The Virgin Drinks Company Limited, Virgin Direct Limited, Virgin Money Limited, Virgin Clothing Limited, Virgin Vie Limited, Virgin Publishing Limited, Virgin Travelstore Limited, Virgin Active SA, Bellchance Limited, Virgin Books Limited, Virgin Digital Studios Limited, Vanson Developments Limited, V2 Limited, Virgin Atlantic Airways Limited, Virgin Hotels Limited, Virgin Wines Limited, Virgin Cosmetics Limited, Virgin Money Management Service Limited, Virgin Money Personal Financial Services Limited, Virgin Money Unit Trust Limited, Virgin Energy Limited, Virgin Holidays Limited, Virgin Mobile Telecoms Limited, Virgin Net Limited, Virgin Media Group Limited, The Trainline.com Limited, Virgin Blue Limited, Virgin HomeEnergy Limited, Virgin Audio Holdings Limited, Virgin Stores SA, Virgin Special Projects Limited, Virgin Airship and Balloon Company Limited, Virgin Biznet Limited, Virgin Cinemas Group Limited, The Virgin Clothing Company Limited, Virgin Express Plc, Virgin.com Limited, Virgin Investments Group SA, Rapido, Virginmoney Limited, Ivanco No. 2 Limited, Ivanco No. 3 Limited, Package Holidays Limited, Virgin Wines Limited, Le Petit Blanc Limited, Cirbyn Limited, Capolito Roma, Victory Corporation Limited, Virgin Executive Aviation Limited, Westcoast Trains Limited, Dragonfly SA, Bluebottle Investments SA, Virgin Cargo Limited, Virgin Sun Limited, Virgin Ventures Limited, Bluebottle USA Holdings, Sun Microsystems.

Notes *(continued)*

23 Contingent liabilities

The company is party to a group overdraft facility of £60 million, all of which is repayable on demand.

24 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 from the Registrar of Companies, Companies House, Cardiff, CF4 3QZ.