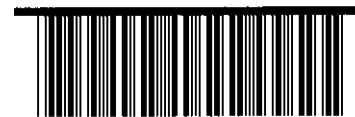


Virgin Voyager Limited

Directors' report and financial statements

31 January 2000

Registered number 2857673



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Virgin Voyager Limited

Directors' Report and Financial Statements for the year ended 31 January 2000

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Virgin Voyager Limited

Report of the Directors'

The directors present their report and the audited financial statements for the year ended 31 January 2000.

Principal activities

The principal activity of the Company is that of an investment holding company.

The profit on ordinary activities after tax of the Company for the year transferred to reserves was £7,302 (1999: £(28,559,312)), as shown on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend. (1999:nil)

Significant changes in fixed assets

The movements in fixed assets during the period are set out in note 7 to the financial statements.

Directors and directors' interests

The directors who held office during the period were as follows:

RCN Branson (Chairman)
GD McCallum

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

Year 2000 Compliance


No significant disruption was experienced as a result of the transition to the year 2000. Management continue to monitor the position carefully.

Virgin Voyager Limited

Auditors

The members of the Company have passed elective resolutions in accordance with sections 366A, 252 and 368 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 re-appointing auditors annually. The last resolution will lead to the continuing appointment of KPMG as auditors of the Company until further notice.

By order of the board


P. Gram
Company Secretary

Date 2001

120 Campden Hill Road
London
W8 7AR

Virgin Voyager Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Virgin Voyager Limited

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

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the director's 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. 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 that we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 January 2000 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditors

22 March 2001

Virgin Voyager Limited

Profit and Loss account for the year ended 31 January 2000.

	Note	2000 £	1999 £
Administrative expenses		(22,479)	(24,079,247)
Operating loss		(22,479)	(24,079,247)
Other interest receivable and similar income	5	29,781	4,253,969
Interest payable and similar charges	6	-	(8,734,034)
Profit/(loss) on ordinary activities before taxation		7,302	(28,559,312)
Tax on profit/(loss) on ordinary activities	7	-	-
Retained profit/(loss) for the financial year		7,302	(28,559,312)

The company has no recognised gains or losses for the year other than the losses shown above, all of which were derived from continuing operations.

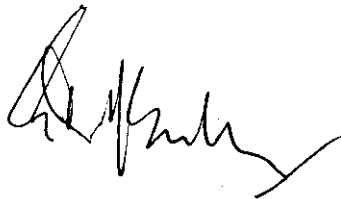
The notes on pages 8 to 13 form part of these financial statements.

Virgin Voyager Limited

Balance Sheet as at 31 January 2000

	Note	2000 £	1999 £
Fixed Assets			
Investments	8	65,737,568	65,737,568
Current Assets			
Debtors	9	54,613,229	54,606,061
Cash at bank and in hand		139,515	139,576
		<u>54,752,744</u>	<u>54,745,637</u>
Creditors			
Amounts falling due within one year	10	(102,921,955)	(102,922,150)
Net current liabilities		<u>(48,169,211)</u>	<u>(48,176,513)</u>
Net Assets		<u>17,568,357</u>	<u>17,561,055</u>
 Capital and reserves			
Called up share capital	11	32,859,931	32,859,931
Other reserves	12	26,062,212	26,062,212
Profit and loss account	12	(41,353,786)	(41,361,088)
Equity shareholders' funds		<u>17,568,357</u>	<u>17,561,055</u>

These financial statements were approved by the board of directors on 20 March 2001 and were signed on its behalf by:



G D McCallum
Director

Virgin Voyager Limited

Reconciliations of movements in shareholders' funds for the year ended 31 January 2000

	2000 £	1999 £
Opening shareholders' funds	17,561,055	46,120,367
Retained profit(loss)for the financial year	7,302	(28,559,312)
Closing shareholders' funds	<u>17,568,357</u>	<u>17,561,055</u>

Virgin Voyager Limited

Notes to the Financial Statements for the year ended 31 January 2000

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. These financial statements have been prepared in accordance with applicable accounting standards. The company is exempt by virtue of s.248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised 1996) which the group has adopted in these financial statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements.

Going Concern

The accounts have been prepared on a going concern basis as Virgin Group Investments Limited, the ultimate holding company, has confirmed that it will continue to provide support in order that the Company can meet its commitments as they fall due.

Investments

Investments in subsidiaries are stated at cost less amounts provided for permanent diminution of value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Virgin Voyager Limited

Notes to the Financial Statements for the year ended 31 January 2000 (*continued*)

2 Profit on ordinary activities before taxation

	2000	1999
	£	£
<i>Profit on ordinary activities before taxation is stated after charging (crediting)</i>		
Auditors' remuneration for audit work	3,570	12,000
Balance waived by creditor during the year	-	(3,000,000)
Provision against investments in subsidiaries	-	25,068,037
Intercompany debt written off	-	2,000,000

3 Remuneration of directors

No directors received emoluments or remuneration as executives during the year.

4 Staff numbers and costs

The company had no employees other than the directors during the year.

5 Other interest receivable and similar income

	2000	1999
	£	£
Group undertakings	-	4,216,505
Affiliated undertakings	20,862	21,648
Bank	8,919	15,816
	<u>29,781</u>	<u>4,253,969</u>

6 Interest payable and similar charges

	2000	1999
	£	£
Payable to group undertakings	-	4,343,367
Payable to affiliated undertakings	-	4,390,667
On other loans	-	-
	<u>-</u>	<u>8,734,034</u>

7 Taxation

There is no charge to corporation tax due to losses brought forward.

Virgin Voyager Limited

Notes to the Financial Statements for the year ended 31 January 2000 (*continued*)

8 Fixed asset investments

	Subsidiary undertakings 2000
Cost:	£
At 31 January 1999 and at 31 January 2000	90,805,606
Provisions:	
At 31 January 1999 and at 31 January 2000	25,068,038
Net book value:	
At 31 January 1999 and at 31 January 2000	65,737,568

The principal subsidiaries in which the Company's interest is more than 10% are as follows:

	Country of registration or incorporation	Principal activity	Class and percentage of shares held (ordinary shares unless otherwise stated)
<i>Subsidiary undertakings</i>			
Virgin Group Limited	England and Wales	Investment holding company	100
Voyager Group Limited	England and Wales	Investment holding company	100*
Virgin Management Limited	England and Wales	Investment holding company and management services	100**
Virgin Enterprises Limited	England and Wales	Investment holding company	100*/**
Necker Island (BVI) Limited	British Virgin Islands	Hotels	100**
Virgin Bride Ltd	England and Wales	Provision of Bridal Services	100**

Virgin Voyager Limited

Notes to the Financial Statements for the year ended 31 January 2000 (*continued*)

Associated undertakings

Sound and Media Ltd	England and Wales	Wholesalers	50**
Storm Model Management Ltd	England and Wales	Model Agency	50**

* Represents holdings in both ordinary shares and preference shares.

** Represents indirect shareholding.

9 Debtors: amounts falling due within one year

	2000	1999
	£	£
Amounts owed by parent undertaking	134,440	134,440
Amounts owed by subsidiary undertakings	51,860,324	51,874,017
Amounts owed by related undertakings	278,642	257,780
Other debtors	2,339,823	2,339,824
	<u>54,613,229</u>	<u>54,606,061</u>

Amounts owed by parent fellow subsidiary and related companies are repayable on demand, although there is no present intention to call for repayment of such amounts.

10 Creditors: amounts falling due within one year

	2000	1999
	£	£
Amounts owed to subsidiary undertakings	56,562,343	56,562,343
Amounts owed to parent undertakings	46,273,280	46,273,280
Other creditors including taxation and social security	44,297	44,297
Accruals and deferred income	42,035	42,230
	<u>102,921,955</u>	<u>102,922,150</u>

Virgin Voyager Limited

Notes to the Financial Statements for the year ended 31 January 2000 (*continued*)

11 Called up share capital

	2000	1999
	£	£
<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>

The directors held no options to subscribe for shares in the Company.

12 Other reserves

	Merger Reserve	Profit and loss account
At 1 February 1999	26,062,212	(41,361,088)
Retained profit for year	-	7,302
At 31 January 2000	<u>26,062,212</u>	<u>(41,353,786)</u>

13 Commitments

The company is party to a group overdraft facility of £6 million, of which £500,000 is repayable on demand.

14 Ultimate parent undertaking

At 31 January 2000 the ultimate parent undertaking was Virgin Travel Limited, a company incorporated in the British Virgin Islands.

Virgin Travel Limited subsequently changed its name to Virgin Group Investments Limited.

The only accounts in which the Company's results are consolidated are those of Barfair Limited. Barfair Limited is registered in England and Wales and its accounts can be obtained from Companies House.

Virgin Voyager Limited

Notes to the Financial Statements for the year ended 31 January 2000 (*continued*)

15 Related party transactions

At 31 January 2000, the Company's ultimate parent company was Virgin Group Investments Limited (formerly Virgin Travel 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 RCN Branson and 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 No. 8.

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

	Parent undertaking £	Subsidiary undertakings £	Related undertakings £
Interest Receivable	-	-	20,862
Debtors	134,440	51,860,324	278,642
Creditors	46,273,280	56,562,343	-

The parent undertakings with whom the Company had an inter-company balance with at the year end were Voyager Investments (BVI) Limited and Barfair Limited.

The subsidiary undertakings with whom the Company transacted during the year were Virgin Management Limited and Voyager Group Limited.

The related undertaking with whom the Company transacted during the year was Virgin Hotels Group Limited, a fellow subsidiary undertaking.

The intercompany balance with Virgin Hotels Group Limited attracted interest at a rate of 2.5% above the base rate of Lloyds TSB Bank plc. All other intercompany balances were interest free.