

G.S.A. Worldwide Limited

Directors' report and financial statements

30 April 1998

Registered number 2772032



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 1998.

Principal activities

The Company acts as an airline cargo General Sales Agent.

Business review

The loss on ordinary activities after taxation for the year of £19,136 (1997: loss of £46,230) was transferred to reserves.

The directors do not recommend the payment of a dividend (1997: nil).

The Year 2000 problem

There are many risks and uncertainties associated with the Year 2000 problem. Management are continually assessing the situation and are working towards addressing all of the issues relating to the Company's business and operations. A scheme to retain key IT staff over the critical period has been put in place. The Company is participating in the Year 2000 Project of a fellow subsidiary of the Company's intermediate holding company Virgin Travel Group Limited, which includes a plan to test all systems throughout the Group. The total estimated costs of the project including amounts to be spent in future periods have not been quantified. In common with many other companies, no assurances can be given that the Company's systems, or third party systems, will function satisfactorily, or that if problems occur, they will not have a material adverse effect on the Company's operations and financial performance.

Directors and directors' interests

The directors who held office during the year were:

AJ Chambers
GP Howard
NE Primrose
RCN Branson
TM Abbott (deceased 9 December 1997)

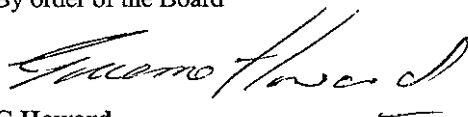
It is with regret that the Company learned of Mr T M Abbott's death on 9 December 1997.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company other than as a result of an interest in the shares of the intermediate holding company, Virgin Aviation Services Limited. The interests of the relevant directors are disclosed in the directors' report of that company.

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 to holding annual general meetings, laying accounts before the Company in general meetings and reappointing auditors annually. This last resolution will lead to the continuing appointment of KPMG as auditors of the Company until further notice.

By order of the Board



G Howard
Director

120 Campden Hill Road
London
W8 7AR

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting policies 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, note that the auditors are required by the Companies Act 1985 to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.



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Brighton Road
Crawley
West Sussex RH11 9PT

Report of the auditors to the members of G.S.A. Worldwide Limited

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

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 April 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

10 November 1998

*Chartered Accountants
Registered Auditors*

Profit and loss account

for the year ended 30 April 1998

	<i>Note</i>	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Turnover	<i>2</i>	-	543,457
Cost of sales		-	(458,274)
		<hr/>	<hr/>
Gross profit		-	85,183
Administrative expenses		(25,910)	(130,534)
		<hr/>	<hr/>
Operating loss		(25,910)	(45,351)
Other interest receivable and similar income	<i>5</i>	-	168
Interest payable and similar charges	<i>6</i>	-	(1,047)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	<i>3</i>	(25,910)	(46,230)
Tax on loss on ordinary activities	<i>7</i>	6,774	-
		<hr/>	<hr/>
Retained loss for the financial period		(19,136)	(46,230)
Profit and loss account brought forward		7,641	53,871
		<hr/>	<hr/>
Profit and loss account carried forward		(11,495)	7,641
		<hr/> <hr/>	<hr/> <hr/>

The Company has no recognised gains or losses other than the loss for the year. The loss for the year arises from continuing operations.

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

Balance sheet

at 30 April 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	8		-		23,079
Current assets					
Debtors	9	40,632		27,406	
Cash at bank and in hand		-		72,045	
		<u>40,632</u>		<u>99,451</u>	
Creditors: amounts falling due within one year	10	<u>(28,127)</u>		<u>(90,889)</u>	
Net current assets			12,505		8,562
Net assets			<u>12,505</u>		<u>31,641</u>
Capital and reserves					
Called up share capital	11	24,000		24,000	
Profit and loss account		(11,495)		7,641	
Equity shareholders' funds			<u>12,505</u>		<u>31,641</u>

These financial statements were approved by the Board of Directors on 10 November 98 and were signed on its behalf by:



GP Howard
 Director

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

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Under Financial Reporting Standard 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Air Cargo Partners Limited which in turn is a wholly owned subsidiary undertaking of Virgin Aviation Services Limited and its cash flows are included within the consolidated cash flow statement of Virgin Aviation Services Limited.

Depreciation

Depreciation is calculated using the straight line method by the Company to write off the cost less the estimated residual value of tangible fixed assets over their anticipated useful lives as follows:

Furniture and fittings	25% per annum
Motor vehicles	25% per annum
Office equipment	25% per annum

Taxation

The charge for taxation is based on the profit for the year 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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the asset is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and depreciated over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance elements which is charged to the profit and loss account and capital element which reduces the obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

2 Turnover

Turnover represents the amounts, excluding value added tax, attributable to the principal activity of the Company.

3 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Depreciation - owned assets	13,592	5,791
Depreciation - assets on hire purchase or finance leases	-	6,878
Auditors' remuneration - audit	1,200	3,320
	<u> </u>	<u> </u>

4 Staff costs

The average number of persons employed by the company, in administration and sales (including directors) during the year was nil (1997: 2). The aggregate payroll costs of these persons (including directors) were as follows:

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Wages and salaries	-	39,304
Social security costs	-	3,834
Other pension costs	-	5,672
	<u> </u>	<u> </u>
	-	48,810
	<u> </u>	<u> </u>

There were no directors' emoluments during the year (1997: £nil).

5 Other interest receivable and similar income

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
Other	-	168
	<u> </u>	<u> </u>

Notes (continued)

6 Interest payable and similar charges

	Year ended 30 April 1988 £	Year ended 30 April 1997 £
Finance charges payable in respect of finance leases and hire purchase contracts	-	1,047

7 Taxation

The tax charge on the loss on ordinary activities for the year was as follows:

	Year ended 30 April 1998 £	Year ended 30 April 1997 £
UK corporation tax at 31% (1997: 33%) on the profit for the year	-	-
Group relief receivable at 31%	6,774	-

Group relief payments will be received or paid where losses are surrendered to or from other group companies

8 Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
Cost				
At beginning of year	5,474	34,750	15,917	56,141
Disposals	(5,474)	(34,750)	(15,917)	(56,141)
At end of year	-	-	-	-
Depreciation				
At beginning of year	4,551	16,854	11,657	33,062
Charge for the year	923	8,689	3,980	13,592
On disposals	(5,474)	(25,543)	(15,637)	(46,654)
At end of year	-	-	-	-
Net book value				
At 30 April 1998	-	-	-	-
At 1 May 1997	923	17,896	4,260	23,079

Notes (continued)

8 Tangible fixed assets (continued)

Included in the total net book value of motor vehicles is £nil (1997: £17,896) in respect of assets held under finance leases. Depreciation for the year on these assets was £nil (1997: £6,878).

9 Debtors: amounts falling due within one year

	30 April 1998 £	30 April 1997 £
Trade debtors	-	6,961
Amounts owed by group undertakings	13,586	173
Other debtors	27,046	20,272
	<hr/>	<hr/>
	40,632	27,406
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	30 April 1998 £	30 April 1997 £
Bank loans and overdrafts	-	552
Obligations under finance leases and hire purchase contracts	-	9,414
Trade creditors	-	5,070
Amounts owed to parent and fellow subsidiary undertakings	-	45,567
Corporation tax	28,127	28,127
Other creditors including taxation and social security	-	2,159
	<hr/>	<hr/>
	28,127	90,889
	<hr/>	<hr/>

11 Called up share capital

	30 April 1998 £	30 April 1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	24,000	24,000
	<hr/>	<hr/>

Notes *(continued)*

12 Related party transactions

At 30 April 1998, the Company's ultimate parent company was Virgin Travel Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Travel Limited. The principal beneficiaries of those trusts are RCN Branson and his immediate family. The shareholders of Virgin Travel 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.

The Company, being a wholly owned subsidiary undertaking of Virgin Travel Limited, has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the group or investees of the group qualifying as related parties. These transactions have been disclosed in the consolidated financial statements of the intermediate holding company, Virgin Travel Group Limited, which are publicly available (see note 13).

13 Ultimate holding company

As at 30 April 1998 the ultimate holding company is Virgin Travel Limited, a company registered in British Virgin Islands.

Virgin Travel Group Limited, a company registered in England and Wales, is the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up.

The smallest group of which the Company is a member and for which consolidated financial statements are drawn up is Virgin Aviation Services Limited, a company registered in England and Wales.

Copies of the financial statements for both companies may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.