

**Virgin Voyager Limited**

**Directors' report and financial  
statements**

**Registered number 2857673**

**31 March 2006**

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## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Report of the independent auditors, KPMG LLP, to the members of Virgin Voyager Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

### Principal activities

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

### Business review

The results for the year are set out on page 4 of the financial statements and the loss for the year of £4,878,364 (2005: £20,132,306 profit) has been transferred to reserves.

### Proposed dividend

The directors do not recommend the payment of a dividend (2005: £nil).

### Directors and their interests

The directors of the Company during the year and their interests in the shares of the Company as recorded in the register of directors' interests were as follows:

G D McCallum  
W E Whitehorn  
S T M Murphy (resigned 2 September 2005)  
P C K McCall (appointed 2 September 2005)

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

### Disclosure of information to auditors

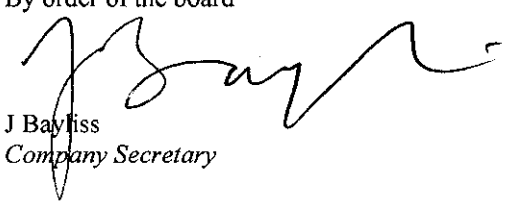
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### 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.

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

  
J Bayliss  
Company Secretary

120 Campden Hill Road  
London  
W8 7AR

14 December 2006

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the 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 of Virgin Voyager Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

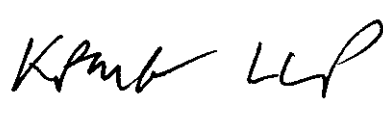
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2006 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

  
**KPMG LLP**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

*14 December* 2006

**Profit and loss account**  
*for the year ended 31 March 2006*

		Year ended 31 March 2006 £	Year ended 31 March 2005 £
	<i>Note</i>		
Administrative expenses ( <i>exceptional item of £nil (2005: £25,068,038 credit)</i> )		(36,657)	25,020,009
Other operating income		1,415	1,312
<b>Operating (loss)/profit</b>		<b>(35,242)</b>	<b>25,021,321</b>
Interest receivable and similar income	3	108,390	-
Interest payable and similar charges	4	(3,003,771)	(4,889,015)
<b>(Loss)/profit on ordinary activities before taxation</b>	2	<b>(2,930,623)</b>	<b>20,132,306</b>
Tax on (loss)/profit on ordinary activities	7	(1,947,741)	-
<b>Retained (loss)/profit for the year</b>		<b>(4,878,364)</b>	<b>20,132,306</b>

There were no recognised gains or losses in the year other than those shown above, which were derived from continuing operations.

The notes on pages 6 to 11 form part of these financial statements.

**Balance sheet**  
*at 31 March 2006*

	<i>Note</i>	<b>31 March 2006 £</b>	<b>31 March 2005 £</b>
<b>Fixed assets</b>			
Investments	8	192,023,235	192,023,235
<b>Current assets</b>			
Debtors	9	40,242,830	2,088,893
Bank		221,167	257,764
<b>Total current assets</b>		40,463,997	2,346,657
<b>Creditors: amounts falling due within one year</b>	10	(107,445,307)	(64,449,603)
<b>Net current liabilities</b>		(66,981,310)	(62,102,946)
<b>Net assets</b>		125,041,925	129,920,289
<b>Capital and reserves</b>			
Called up share capital	11	32,860,131	32,860,131
Share premium	12	101,217,429	101,217,429
Merger reserves	12	26,062,212	26,062,212
Profit and loss account	12	(35,097,847)	(30,219,483)
<b>Equity shareholders' funds</b>	13	125,041,925	129,920,289

The notes on pages 6 to 11 form part of these financial statements.

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

14 December 2006

  
W E Whitehorn  
Director

## Notes

### 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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below. Their adoption has had no material effect. FRS 28 'Corresponding amounts' imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

#### *Basis of preparation*

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

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking Virgin Group Investments Limited has formally indicated that it is its present intention to provide sufficient funding to the Company, to enable it to meet its liabilities as they fall due, for at least the next twelve months.

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on a going concern basis.

The Company is exempt by virtue of s228 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.

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the immediate parent undertaking includes the Company in its own published consolidated financial statements.

#### *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.

#### *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 as the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.



## Notes (continued)

### 2 Loss on ordinary activities before taxation

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit fees	4,845	4,700
Exceptional item	-	(25,068,038)

The exceptional item of £nil (2005: £25,068,038) is in relation to the release of an investment provision.

### 3 Other interest receivable and similar income

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Receivable from group undertakings	108,390	-

### 4 Interest payable and similar charges

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Payable to group undertakings	3,003,771	4,889,015

### 5 Remuneration of directors

The directors did not receive any remuneration during the year for services to the Company (2005: £nil).

### 6 Staff numbers and costs

The Company did not have any employees other than the directors of the Company for the current year or previous period.

## Notes (continued)

### 7 Taxation

#### Analysis of charge in year

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments to prior periods	1,947,741	-
Total current tax	1,947,741	-

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2005: lower) than the standard rate of corporation tax in the UK 30% (2005:30%). The differences are explained below.

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(2,930,623)	20,132,306
Current tax at 30% (2005: 30%)	(879,187)	6,039,692
<i>Effects of:</i>		
Expenses not deductible for tax purposes	901,131	810,090
Income not taxable	-	(7,520,411)
Tax losses not utilised or recognised	-	670,629
Utilisation of UK tax losses brought forward	(21,944)	-
Adjustments in respect of prior periods	1,947,741	-
Total current tax charge	1,947,741	-

Details of the Company's total provided and unprovided deferred tax at the period end (and prior period end) are shown in the table below.

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 difference can be deducted.

	Year ended 31 March 2006 Provided £	Year ended 31 March 2006 Unprovided £	Year ended 31 March 2005 Provided £	Year ended 31 March 2005 Unprovided £
<i>The deferred tax figures comprise:</i>				
UK tax losses	-	(7,199,054)	-	(7,220,998)
	-	(7,199,054)	-	(7,220,998)

## Notes (continued)

### 8 Fixed asset investments

Company	Investment in subsidiaries £
<b>Cost</b>	
At 31 March 2006 and 31 March 2005	192,023,235
<b>Provision</b>	
At 31 March 2006 and 31 March 2005	-
<b>Net book value</b>	
At 31 March 2006 and 31 March 2005	192,023,235

The companies in which the Company's interest at 31 March 2006 is more than 20% are as follows:

	Country of Registration	Principal Activity	Holding %	No. of Shares	Type of share
<i>Subsidiary undertakings</i>					
Virgin Group Limited	England & Wales	Investment holding company	100%	1,225,103,000	Ordinary 10p shares

### 9 Debtors

	31 March 2006 £	31 March 2005 £
Amounts owed by related undertakings	40,242,830	141,152
Group relief	-	1,947,741
	<u>40,242,830</u>	<u>2,088,893</u>

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	31 March 2006 £	31 March 2005 £
Amounts due to parent and related undertakings	107,423,924	64,420,153
Accruals and deferred income	21,383	29,450
	<u>107,445,307</u>	<u>64,449,603</u>

### 11 Called up share capital

	31 March 2006 £	31 March 2005 £
<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	32,609,000	32,609,000
	<u>35,109,000</u>	<u>35,109,000</u>
<i>Allotted, called up and fully paid</i>		
22,124,880 "A" Ordinary shares of 10p	2,212,488	2,212,488
4,720,037,880 ordinary shares of US\$ 0.01 each	30,647,643	30,647,643
	<u>32,860,131</u>	<u>32,860,131</u>

### 12 Reserves

	Share premium £	Merger reserves £	Profit and loss account £
At beginning of year	101,217,429	26,062,212	(30,219,483)
Retained loss for the year	-	-	(4,878,364)
	<u>101,217,429</u>	<u>26,062,212</u>	<u>(35,097,847)</u>

## Notes (continued)

### 13 Reconciliation of equity shareholders' deficit

	31 March 2006 £	31 March 2005 £
(Loss)/profit for the financial year	(4,878,364)	20,132,306
Opening equity shareholders' funds	129,920,289	8,570,354
On share issue	-	101,217,629
	<hr/>	<hr/>
Closing equity shareholders' funds	125,041,925	129,920,289
	<hr/>	<hr/>

### 14 Contingent liabilities

The company is party to a group overdraft facility of £130 million, all of which is repayable on demand.

### 15 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

At 31 March 2006 the Company's ultimate parent undertaking 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 No. 8.

	Related undertakings 31 March 2006 £	31 March 2005 £
Interest payable	3,003,771	2,699,750
Creditors: amounts due in less than one year	82,552,996	39,549,225

The related undertakings with whom the Company transacted were Virgin Holdings Limited and Virgin Cinemas Group Limited

### 16 Ultimate parent company

As at 31 March 2006 the Company is a subsidiary undertaking of Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the results of the Company are consolidated is those of Barfair Limited, registered in England and Wales. The consolidated accounts of this group can be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3QZ.