

Virgin Voyager Limited

**Directors' report and financial
statements**

Registered number 2857673

31 March 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

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 £3,257,221 (2006 £4,878,364) has been transferred to reserves

Proposed dividend

The directors do not recommend the payment of a dividend (2006 £nil)

Directors

The directors of the Company during the year were as follows

G D McCallum

W E Whitehorn (resigned 1 October 2007)

P C K McCall

J Bayliss (appointed 1 October 2007)

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


B A R Gerrard
Company Secretary

120 Campden Hill Road
London
W8 7AR

21 November 2007
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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 and applicable law (UK Generally Accepted Accounting Practice).

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 UK 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 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 company 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 of Virgin Voyager Limited for the year ended 31 March 2007 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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.

In addition we 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 2007 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

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB

27 November 2007

Profit and loss account
for the year ended 31 March 2007

		Year ended 31 March 2007 £	Year ended 31 March 2006 £
	<i>Note</i>		
Administrative expenses		(46,077)	(36,657)
Other operating income		329	1,415
		<hr/>	<hr/>
Operating loss		(45,748)	(35,242)
Interest receivable and similar income	3	866,050	108,390
Interest payable and similar charges	4	(4,077,523)	(3,003,771)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(3,257,221)	(2,930,623)
Tax on loss on ordinary activities	7	-	(1,947,741)
		<hr/>	<hr/>
Loss for the year		(3,257,221)	(4,878,364)
		<hr/>	<hr/>

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 2007

	<i>Note</i>	31 March 2007 £	31 March 2006 £
Fixed assets			
Investments	8	192,023,235	192,023,235
Current assets			
Debtors	9	134,440	40,242,830
Bank		185,334	221,167
Total current assets		319,774	40,463,997
Creditors amounts falling due within one year	10	(70,558,305)	(107,445,307)
Net current liabilities		(70,238,531)	(66,981,310)
Net assets		121,784,704	125,041,925
Capital and reserves			
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	(38,355,068)	(35,097,847)
Equity shareholders' funds	13	121,784,704	125,041,925

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

These financial statements were approved by the board of directors on 21 November 2007 and were signed on its behalf by



G D McCallum
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

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 Holdings 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 at 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 2007 £	Year ended 31 March 2006 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit of these financial statements	5,150	4,845

3 Other interest receivable and similar income

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Receivable from group undertakings	866,050	108,390

4 Interest payable and similar charges

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Payable to group undertakings	4,077,425	3,003,771
Other Interest	98	-
	<u>4,077,523</u>	<u>3,003,771</u>

5 Remuneration of directors

The directors did not receive any remuneration during the year for services to the Company (2006 £nil)

6 Staff numbers and costs

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

Notes (continued)

7 Taxation

Analysis of charge in year

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments to prior periods	-	1,947,741
	<hr/>	<hr/>
Total current tax	-	1,947,741
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation tax in the UK 30% (2006 30%). The differences are explained below

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(3,257,221)	(2,930,623)
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	(977,166)	(879,187)
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,223,288	901,131
Income not taxable	-	-
Tax losses not utilised or recognised	-	-
Utilisation of UK tax losses brought forward	(246,122)	(21,944)
Adjustments in respect of prior periods	-	1,947,741
	<hr/>	<hr/>
Total current tax charge	-	1,947,741
	<hr/>	<hr/>

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 2007 Provided £	Year ended 31 March 2007 Unprovided £	Year ended 31 March 2006 Provided £	Year ended 31 March 2006 Unprovided £
<i>The deferred tax figures comprise</i>				
UK tax losses	-	(6,952,932)	-	(7,199,054)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(6,952,932)	-	(7,199,054)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

8 Fixed asset investments

	Investment in subsidiaries £
Cost	
At 31 March 2007 and 31 March 2006	192,023,235
	<hr/>
Net book value	
At 31 March 2007 and 31 March 2006	192,023,235
	<hr/>

The company in which Virgin Voyager Limited's interest at 31 March 2007 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 2007 £	31 March 2006 £
Amounts owed by related undertakings	134,440	40,242,830
	<hr/>	<hr/>

Notes (continued)

10 Creditors' amounts falling due within one year

	31 March 2007 £	31 March 2006 £
Amounts due to parent and related undertakings	70,536,121	107,423,924
Accruals and deferred income	22,184	21,383
	<u>70,558,305</u>	<u>107,445,307</u>

11 Called up share capital

	31 March 2007 £	31 March 2006 £
<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	(35,097,847)
Retained loss for the year	-	-	(3,257,221)
	<u>101,217,429</u>	<u>26,062,212</u>	<u>(38,355,068)</u>

Notes (continued)

13 Reconciliation of equity shareholders' deficit

	31 March 2007 £	31 March 2006 £
Loss for the financial year	(3,257,221)	(4,878,364)
Opening equity shareholders' funds	125,041,925	129,920,289
	<hr/>	<hr/>
Closing equity shareholders' funds	121,784,704	125,041,925
	<hr/>	<hr/>

14 Contingent liabilities

The company is party to a group overdraft facility of £200 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 2007 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Holdings 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 2007 £	31 March 2006 £
Interest payable	4,077,425	3,003,771
Creditors' amounts due in less than one year	45,655,981	82,552,996

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 2007 the Company is a subsidiary undertaking of Virgin Group Holdings 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, and Cardiff, CF4 3QZ