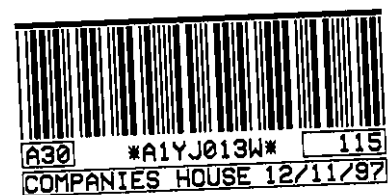


Virgin Voyager Limited

Directors' report and financial statements

31 January 1997

Registered number 2857673



Virgin Voyager Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report pursuant to S.248 Companies Act 1985	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8-13

Virgin Voyager Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 January 1997.

Principal activities

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

The loss on ordinary activities after tax of the company for the period transferred to reserves was £1,475,000 (1996: £2,969,000), as shown on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend.

Significant changes in fixed assets

The movements in fixed assets during the period are set out in note 8 to the financial statements.

Directors and directors' interests

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

RCN Branson (Chairman)
TM Abbott
STM Murphy

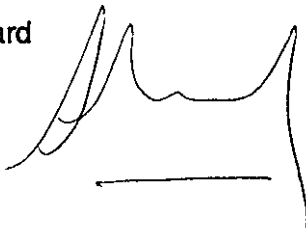
None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company or other group companies.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

STM Murphy
Director



120 Campden Hill Road
London
W8 7AR

Date

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;
- 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.

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

Pursuant to section 248 of the Companies Act 1985

We have examined the relevant accounts of Virgin Voyager Limited and of its subsidiary undertakings. The scope of work for the purpose of this report was limited to ascertaining whether Virgin Voyager Limited is entitled to the exemption from the requirement to prepare group accounts for the year ended 31 January 1997.

In our opinion, the group consisting of Virgin Voyager Limited and its subsidiary undertakings is a medium group in respect of the year ended 31 January 1997, and Virgin Voyager Limited is therefore entitled to the exemption from the requirement to prepare group accounts under section 248 of the Companies Act 1985.

KPMG

31 July 1997

*Chartered Accountants
Registered Auditors*

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

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 affairs of the company as at 31 January 1997 and its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



31 July 1997

**Chartered Accountants
Registered Auditors**

Virgin Voyager Limited

Profit and loss account for the year ended 31 January 1997

	<i>Note</i>	1997 £'000	1996 £'000
Administrative expenses		(26)	(33)
Operating loss		<u>(26)</u>	<u>(33)</u>
Other interest receivable and similar income	5	3,189	2,955
Interest payable and similar charges	6	(6,801)	(6,460)
Loss on ordinary activities before taxation	2-6	<u>(3,638)</u>	<u>(3,538)</u>
Tax on loss on ordinary activities	7	2,163	569
Retained loss for the financial year		<u><u>(1,475)</u></u>	<u><u>(2,969)</u></u>

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.

There is no difference between the historic cost loss and that shown above.

Virgin Voyager Limited

Balance sheet at 31 January 1997

	Note	1997		1996	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	8		90,805		90,805
Current assets					
Debtors	9	45,337		38,376	
Cash at bank and in hand		1,253		43	
			<u>46,590</u>	<u>38,419</u>	
Creditors: amounts falling due within one year	10	(88,012)		(78,366)	
			<u>(41,422)</u>		<u>(39,947)</u>
Net current liabilities					
			<u>49,383</u>		<u>50,858</u>
Net assets					
Capital and reserves					
Called up share capital	11	32,860		32,860	
Other reserves	12	26,062		26,062	
Profit and loss account	12	(9,539)		(8,064)	
			<u>49,383</u>		<u>50,858</u>
Equity shareholders' funds					

These financial statements were approved by the board of directors on 31 July 1997 and were signed on its behalf by:


STM Murphy
Director

Virgin Voyager Limited

Reconciliations of movements in shareholders' funds *for the year ended 31 January 1997*

	1997 £'000	1996 £'000
Opening shareholders' funds	50,858	53,827
Retained loss for the financial year	(1,475)	(2,969)
Closing shareholders' funds	<u>49,383</u>	<u>50,858</u>

Virgin Voyager Limited

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. These financial statements have been prepared in accordance with applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard No. 1 (Revised) to prepare a cashflow statement as it is a small company under section 248 of the Companies Act 1985.

The company is exempt from the requirement to prepare group accounts as it is a medium sized group under section 248 of the Companies Act 1985.

These financial statements present information about the company as an individual undertaking, and not about its group.

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.

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated	1997 £'000	1996 £'000
after charging		
Auditors' remuneration:		
Audit	4	4
Other Services	8	8

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.

Virgin Voyager Limited

Notes (continued)

5 Other interest receivable and similar income

	1997 £'000	1996 £'000
Group undertakings	3,120	2,953
Affiliated undertakings	13	2
Bank	56	0
	<u>3,189</u>	<u>2,955</u>

6 Interest payable and similar charges

	1997 £'000	1996 £'000
On bank loans, overdrafts and other loans wholly repayable within five years	1	67
Payable to group undertakings	3,511	3,645
Payable to affiliated undertakings	3,281	1,815
On other loans	8	933
	<u>6,801</u>	<u>6,460</u>

7 Taxation

	1997 £'000	1996 £'000
UK corporation tax at 33% on loss for year on ordinary activities:		
Group relief receivable	1,199	569
Adjustment in respect of previous period	964	-
	<u>2,163</u>	<u>569</u>

Virgin Voyager Limited

Notes (continued)

8 Fixed asset investments

Subsidiary
undertakings
1997
£'000

Cost and net book value as at 31 January 1996 and 1997

90,805

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)
Subsidiary undertakings			
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*/**
Route Builders Limited	England and Wales	Investment company	100**
Necker Island (BVI) Limited	British Virgin Islands	Hotels	100**
Phoenix Fire Inhibitor Limited	England and Wales	Fire protection	100** prefs 51 ** ords
Heaven Limited	England and Wales	Night-club	100**
Associated undertakings			
Storm Model Management Limited	England and Wales	Model Agency	50**
Rodney Fitch & Co Limited	England and Wales	Design Consultancy	50**

* Represents holdings in both ordinary shares and preference shares.

** Represents indirect shareholding.

Virgin Voyager Limited

Notes (continued)

9 Debtors: amounts falling due within one year

	1997 £'000	1996 £'000
Amounts owed by parent undertaking	119	119
Amounts owed by subsidiary undertakings	44,605	37,337
Amounts owed by related undertakings	214	-
Other debtors	399	920
	<u>45,337</u>	<u>38,376</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

	1997 £'000	1996 £'000
Amounts owed to subsidiary undertakings	46,859	45,510
Amounts owed to related undertakings	41,066	30,595
Other creditors including taxation and social security:		
Corporation tax and social security	44	44
Accruals and deferred income	43	2,217
	<u>88,012</u>	<u>78,366</u>

11 Called up share capital

	1997 £'000	1996 £'000
Authorised		
25,000,000 "A" Ordinary shares of 10p each	2,500	2,500
5,022,122,880 ordinary shares of US\$ 0.01 each	32,609	32,609
	<u>35,109</u>	<u>35,109</u>
Allotted, called up and fully paid		
22,122,880 "A" Ordinary shares of 10p	2,212	2,212
4,720,037,880 ordinary shares of US\$ 0.01 each	30,648	30,648
	<u>32,860</u>	<u>32,860</u>

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

Virgin Voyager Limited

Notes (continued)

12 Other reserves

	Merger Reserve	Profit and loss account
	£'000	£'000
At 1 February 1996	26,062	(8,064)
Retained loss for year	-	(1,475)
At 31 January 1997	<u>26,062</u>	<u>(9,539)</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 1997 the ultimate parent undertaking was Voyager Investments (BVI) Limited, a company incorporated in the British Virgin Islands.

No group financial statements include the results of the company.

15 Related party transactions

At 31 January 1997, the company's ultimate parent company was Voyager Investments (BVI) Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Voyager Investments (BVI) Limited. The principal beneficiaries of those trusts are RCN Branson and his immediate family. The shareholders of Voyager Investments (BVI) 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 £'000	Subsidiary undertakings £'000	Related undertakings £'000
Interest Receivable	-	3,120	14
Interest payable	-	3,511	3,281
Debtors	119	44,605	214
Creditors	-	46,859	41,065

Virgin Voyager Limited

Notes *(continued)*

15 Related party transactions *(continued)*

The parent undertaking with whom the company had an inter-company balance with at the year end was Voyager Investments (BVI) Limited.

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

The related undertakings with whom the company transacted during the year were Virgin Hotels Group Limited and Virgin Travel investments Limited.

Inter-company balances due from the parent undertaking did not attract interest. Inter-company balances due to and from subsidiary undertakings attracted interest at a rate of 1.5% above the base rate of Lloyds Bank Plc. Inter-company balances due to and from related undertakings attracted interest at a rate of 2.5% above the base rate of Lloyds Bank Plc.