

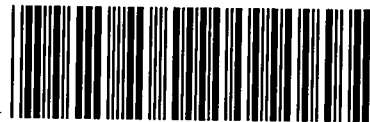
Bluebottle UK Limited

Strategic Report, Directors' Report and Financial Statements

Registered number 3744190

31 December 2013

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Strategic report
for the period ended 31 December 2013

Business review

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

The loss for the year, after taxation, amounted to £6,284,000 (Year ended 31 March 2013: £22,618,000)

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks which impacts the recoverable value of the Company's investments.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Virgin Wings Group ("Group") and are not separately managed. Further discussion of these risks and uncertainties, in context of the Group as a whole, is provided on pages 4-7 of the Group's annual report for the year ended 31 December 2013 which does not form part of this report.

The Company has net current liabilities. However, as detailed in note 1 to the financial statements a parent undertaking, Virgin 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 this support. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis of the KPI's is not necessary for an understanding of the development, performance or position of the business

This report was approved by the board on 19 August 2014 and signed on its behalf.



R P Blok
Director
The Battleship Building
179 Harrow Road
London
W2 6NB

Directors' report

The directors present their report and the financial statements for the period ended 31 December 2013. The previous financial statements were for the 12 month period ended 31 March 2013.

Results and dividends

The loss for the period, after taxation, amounted to £6,284,000 (Year ended 31 March 2013 - loss £22,618,000).

The directors do not recommend the payment of a dividend (Year ended 31 March 2013 - £nil).

Directors

The directors who served during the period were:

N A R Fox (appointed 21 June 2013)

C R Stent (resigned 21 June 2013)

I P Woods

R P Blok (appointed 21 June 2013)

Provision of information to auditor

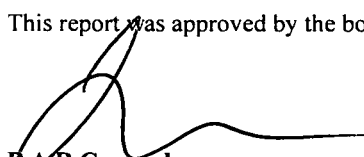
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 19 August 2014 and signed on its behalf.



B A R Gerrard
Company Secretary
Battleship Building
179 Harrow Road
W2 6NB

Directors' responsibilities statement
for the period ended 31 December 2013

The Directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company 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 accounting 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;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. 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.

Independent auditor's report to the members of Bluebottle UK Limited

We have audited the financial statements of Bluebottle UK Limited for the period ended 31 December 2013, set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statements on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Sarah Styant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

19 August 2014

Profit and loss account
for the period ended 31 December 2013

		9 months ended 31 December 2013 £000	12 months ended 31 March 2013 £000
	<i>Note</i>		
Administrative expenses	2	(1,905)	(8,392)
Other operating income		<u>620</u>	<u>1,131</u>
Operating loss	2	(1,285)	(7,261)
Interest receivable and similar income	5	4,891	1,731
Interest payable and similar charges	6	<u>(10,039)</u>	<u>(16,939)</u>
Loss on ordinary activities before taxation		(6,433)	(22,469)
Tax on loss on ordinary activities	7	<u>149</u>	<u>(149)</u>
Loss for the financial period		<u>(6,284)</u>	<u>(22,618)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for the current period or prior year other than those included in the Profit and loss account.

The notes on pages 7 to 14 form part of these financial statements.

Balance sheet
as at 31 December 2013

			31 December 2013		31 March 2013
	<i>Note</i>	£000	£000	£000	£000
Fixed assets					
Intangible assets	8		-		199
Investments	9		603,749		603,749
			<u>603,749</u>		<u>603,948</u>
Current assets					
Debtors	10	326,072		152,014	
Creditors: amounts falling due within one year	11	(705,049)		(524,907)	
Net current liabilities			(378,977)		(372,893)
Net assets			224,772		231,055
Capital and reserves					
Called up share capital	12		152,110		152,110
Share premium account	13		90,414		90,413
Other reserves	13		137		137
Profit and loss account	13		(17,889)		(11,605)
Shareholders' funds	14		224,772		231,055

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 August 2014.



R P Blok
Director

The notes on pages 7 to 14 form part of these financial statements.

Notes to 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.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and 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 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 the going concern basis.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

As the Company is a wholly owned subsidiary of Virgin Group Holdings Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

1.2 Intangible Fixed Assets

Intellectual property rights, concessions, patents, licenses and trademarks purchased are capitalised and amortised through the profit and loss account over the expected useful economic life of the asset.

1.3 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

2. Operating loss

The operating loss is stated after charging/(crediting):

	<i>9 months ended 31 December</i>	12 months ended 31 March
	2013	2013
	£000	£000
Amortisation - intangible fixed assets	199	1,067
Provision released against amounts due from related undertakings	-	(22,971)
Provison against investment in subsidiary	-	30,241
	<u> </u>	<u> </u>

3. Auditors' remuneration

The audit fees for the current period and prior year were borne by another group company.

4. Directors' remuneration

The directors did not receive any remuneration during the period for services to the Company (Year ended 31 March 2013 - £nil).

5. Interest receivable

	<i>9 months ended 31 December</i>	12 months ended 31 March
	2013	2013
	£000	£000
Interest receivable from group companies	2,780	1,731
Net foreign exchange gains	2,111	-
	<u>4,891</u>	<u>1,731</u>

Notes to the financial statements

6. Interest payable

	<i>9 months ended 31 December 2013 £000</i>	12 months ended 31 March 2013 £000
On loans from group undertakings	10,039	15,739
Net foreign exchange losses	-	1,200
	<u>10,039</u>	<u>16,939</u>

7. Taxation

	<i>9 months ended 31 December 2013 £000</i>	12 months ended 31 March 2013 £000
Adjustments in respect of prior periods	(149)	149
Tax on loss on ordinary activities	<u>(149)</u>	<u>149</u>

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (Year ended 31 March 2013 - higher than) the standard rate of corporation tax in the UK of 23% (Year ended 31 March 2013 - 24%). The differences are explained below:

	<i>9 months ended 31 December 2013 £000</i>	12 months ended 31 March 2013 £000
Loss on ordinary activities before tax	(6,433)	(22,469)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (Year ended 31 March 2013 - 24%)	(1,480)	(5,393)
Effects of:		
Expenses not deductible for tax purposes	2,239	7,396
Utilisation of tax losses	(759)	-
Adjustments to tax charge in respect of prior periods	(149)	149
Non-taxable income	-	(5,748)
UK tax losses not utilised or not recognised	-	3,745
Current tax (credit)/charge for the period/year (see note above)	<u>(149)</u>	<u>149</u>

Notes to the financial statements

7. Taxation (continued)

Factors that may affect future tax charges

Details of the Company's total recognised and unrecognised deferred tax assets at the year end (and prior year end) are shown in the table in the balance sheet note 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.

Reductions in the rate from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A rate of 20% has been used within the deferred tax calculations within these financial statements.

	<i>9 months ended 31 December 2013 Recognised £000</i>	<i>9 months ended 31 December 2013 Unrecognised £000</i>	<i>12 months ended 31 March 2013 Recognised £000</i>	<i>12 months ended 31 March 2013 Unrecognised £000</i>
UK tax losses	-	(25,397)	-	(33,873)

8. Intangible fixed assets

	<i>Intellectual property rights £000</i>
Cost	
At 1 April 2013 and 31 December 2013	7,674
Amortisation	
At 1 April 2013	7,475
Charge for the period	199
At 31 December 2013	7,674
Net book value	
At 31 December 2013	-
At 31 March 2013	199

Notes to the financial statements

9. Fixed asset investments

	<i>Investments in subsidiary companies £000</i>	<i>Investment in joint ventures £000</i>	<i>Total £000</i>
Cost or valuation			
At 1 April 2013 and 31 December 2013	670,388	14,292	684,680
Impairment			
At 1 April 2013 and 31 December 2013	80,931	-	80,931
Net book value			
At 31 December 2013	589,457	14,292	603,749
At 31 March 2013	589,457	14,292	603,749

The companies in which the Company's interest at 31 December 2013 is more than 20% are as follows:

	Country of registration	Principal activity	Holding	Class of shares
<i>Subsidiary undertakings</i>				
Barfair Limited	England & Wales	Investment holding company	100%	Ordinary £1 shares
Bluebottle Investments (UK) Limited	England & Wales	Investment holding company	100%	Ordinary £1 shares
VEL Holdings Limited	England & Wales	Investment holding company	100%	Ordinary £1 shares
Victory Acquisitions	England & Wales	Investments holding company	100%	Ordinary £1 shares
Virgin Cinemas Group Limited	England & Wales	Investment holding company	100%	Ordinary £0.001 shares B Preference £1 shares
Virgin Hotels Group Limited	England & Wales	Hotel operator	100%	Ordinary £0.10 shares B Ordinary £0.001 shares
<i>Joint venture undertakings</i>				
Omer Telecom Limited	England & Wales	Mobile phone operator	47%^	A Ordinary €1 shares D Ordinary €0.001 shares

^Bluebottle UK Limited and Carphone Warehouse Group plc each own or control 46.38% of the voting rights but 46.24% of the economic rights. The remaining 7.24% of the voting rights and 7.52% of the economic rights are held by third parties.

Notes to the financial statements

10. Debtors

	<i>31 December</i> 2013 £000	31 March 2013 £000
Amounts owed by group undertakings	<u>326,072</u>	<u>152,014</u>

11. Creditors: Amounts falling due within one year

	<i>31 December</i> 2013 £000	31 March 2013 £000
Trade creditors	1	-
Amounts owed to group undertakings	705,040	524,843
Accruals and deferred income	8	64
	<u>705,049</u>	<u>524,907</u>

12. Share capital

	<i>31 December</i> 2013 £000	31 March 2013 £000
Allotted, called up and fully paid		
152,110,001 ordinary shares of £1 each	<u>152,110</u>	<u>152,110</u>

13. Reserves

	<i>Share premium account</i> £000	<i>Other reserves</i> £000	<i>Profit and loss account</i> £000
At 1 April 2013	90,414	137	(11,605)
Loss for the financial period	-	-	(6,284)
At 31 December 2013	<u>90,414</u>	<u>137</u>	<u>(17,889)</u>

Notes to the financial statements

14. Reconciliation of movement in shareholders' funds

	<i>31 December</i>	31 March
	2013	2013
	£000	£000
Opening shareholders' funds	231,055	253,536
Loss for the financial period/year	(6,284)	(22,618)
Premium on share issues	1	-
Debt waiver	-	137
	<hr/>	<hr/>
Closing shareholders' funds	224,772	231,055
	<hr/>	<hr/>

15. Contingent liabilities

The Company is party to a group overdraft facility of £50 million (Year ended 31 March 2013 - £50 million), all of which is repayable on demand.

Bluebottle UK Limited together with a third party, has given a guarantee to a supplier of Omer Telecom Limited in respect of the obligations of Omer Telecom Limited under a supply contract. The total aggregate liability of the guarantors under the guarantee is capped at Euro 3million.

16. Related party transactions

At 31 December 2013 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are Sir Richard Branson and 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.

As a 100% owned subsidiary of Virgin Group Holdings Limited, the Company has taken advantage of the exemption contained under Financial Reporting Standard 8: Related Party Disclosures, which enables it to exclude disclosure of transactions with Virgin Group Holdings Limited and its wholly owned subsidiaries.

At the year end, the Company had the following amounts outstanding and transactions in the year with related parties:

	Other operating income
	£000
Companies related by virtue of common control or ownership	
Omer Telecom Limited	10

17. Post balance sheet events

On 16 May 2014, the Company and the other shareholders in Omer Telecom Limited ("Omer") entered into an exclusivity agreement with Numericable Group in respect of a proposed acquisition by Numericable of the entire issued share capital of Omer for an enterprise value of approximately €325million. The potential acquisition is subject to the approval of the French Competition Authority.

Notes to the financial statements

18. Ultimate parent undertaking and controlling party

As at 31 December 2013 the ultimate parent company is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the Company and group results are consolidated are those for Virgin Wings Limited and Virgin Holdings Limited respectively, which are both registered in England and Wales. Copies of the consolidated accounts of Virgin Wings Limited and Virgin Holdings Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.