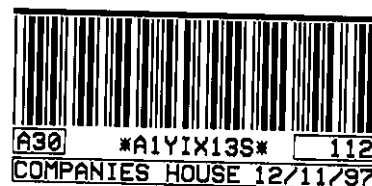


**VIRGIN ENTERPRISES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**31 JANUARY 1997**

**Registered Number : 1073929**



**VIRGIN ENTERPRISES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 1997**

**CONTENTS**

Page 1 to 2	Report of the directors
3	Statement of directors' responsibilities
4	Report of the auditors
5	Profit and loss account
6	Balance sheet
7 to 10	Notes to the financial statements

## **VIRGIN ENTERPRISES LIMITED**

### **Report of the directors**

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

#### **PRINCIPAL ACTIVITIES**

The Company continues to licence the use of the Virgin brand name.

#### **RESULTS**

The profit on ordinary activities after tax of the Company for the year transferred to reserves was £755,235 (1996 : £1,533,728) as shown in the profit and loss account on page 5.

#### **DIVIDEND**

The directors do not recommend the payment of a dividend. (1996 : nil)

#### **DIRECTORS**

The directors during the year were as follows :

T M Abbott  
R C N Branson  
S T M Murphy

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

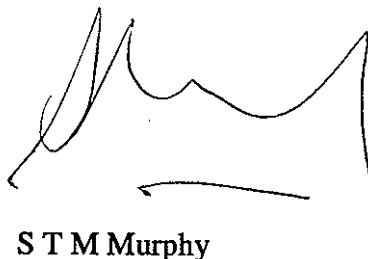
**VIRGIN ENTERPRISES LIMITED**

**Report of the directors**

**AUDITORS**

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

By order of the Board

A handwritten signature in black ink, appearing to be 'S T M Murphy', written over a horizontal line.

S T M Murphy  
Director

120 Campden Hill Road  
London  
W8 7AR

**VIRGIN ENTERPRISES 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 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.

## **REPORT OF THE AUDITORS**

**KPMG**

### **TO THE MEMBERS OF VIRGIN ENTERPRISES LIMITED**

We have audited the financial statements on pages 5 to 10.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3, 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 affairs of the company as at 31 January 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

*Chartered Accountants*

*Registered Auditors*

1 Forest Gate

Brighton Road

Crawley

West Sussex

RH11 9PT

*31 July 1997*

**VIRGIN ENTERPRISES LIMITED**

**Profit and loss account**

**for the year ended 31 January 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover	2	2,187,182	1,703,009
Administrative expenses		(463,255)	(108,834)
Operating profit		<u>1,723,927</u>	<u>1,594,175</u>
Other interest receivable and similar income	6	111,939	43,635
Profit on ordinary activities before taxation	3	<u>1,835,866</u>	<u>1,637,810</u>
Tax on profit on ordinary activities	5	(1,080,631)	(104,082)
Retained profit for the year	11	<u><u>755,235</u></u>	<u><u>1,533,728</u></u>

The notes on pages 7 to 10 form part of these financial statements.

There are no other gains or losses except for the profit disclosed above.

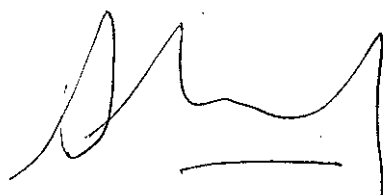
## VIRGIN ENTERPRISES LIMITED

Balance Sheet at 31 January 1997

	<u>Notes</u>	1997 £	1996 £
<b>CURRENT ASSETS</b>			
Debtors	7	4,835,334	5,465,044
Cash at bank and in hand		<u>1,560,597</u>	<u>52,265</u>
		6,395,931	5,517,309
<b>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	(129,387)	(6,000)
<b>NET ASSETS</b>		<u>6,266,544</u>	<u>5,511,309</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	6,365,000	6,365,000
Profit and loss account	11	(98,456)	(853,691)
<b>EQUITY AND NON-EQUITY SHAREHOLDERS' FUNDS</b>	12	<u>6,266,544</u>	<u>5,511,309</u>

The notes on pages 7 to 10 form part of these financial statements.

The financial statements were approved by the Board of Directors on 31 July 1997 and signed on its behalf by :



S T M Murphy

DIRECTOR



# **VIRGIN ENTERPRISES LIMITED**

## **Notes to the financial statements**

### **for the year ended 31 January 1997**

#### **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.

##### **a) Basis of accounting**

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

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under Sections 246 to 249 of the Companies Act 1985.

##### **b) Deferred 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 of 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. TURNOVER**

Turnover represents the amounts (excluding value added tax) derived from the licensing of the Virgin brand name.

#### **3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**

	<b><u>1997</u></b>	<b><u>1996</u></b>
	<b>£</b>	<b>£</b>
The profit on ordinary activities before tax is stated after charging :		
Auditors' remuneration - For audit work	<b><u>4,200</u></b>	<b><u>8,800</u></b>

**VIRGIN ENTERPRISES LIMITED**

**Notes to the financial statements**

**for the year ended 31 January 1997**

(Continued)

**4. DIRECTORS' EMOLUMENTS**

No payment was made in respect of directors' emoluments for the year ended 31 January 1997 (1996 : Nil). The directors were the only employees of the Company.

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The Company's tax charge comprises :

	<u>1997</u> £	<u>1996</u> £
Group relief payable in respect of current year	658,636	104,082
Adjustment in respect of prior years	<u>421,995</u>	<u>-</u>
	<u>1,080,631</u>	<u>104,082</u>

**6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>1997</u> £	<u>1996</u> £
Other interest	<u>111,939</u>	<u>43,635</u>

**7. DEBTORS**

	<u>1997</u> £	<u>1996</u> £
Amounts due from parent undertakings	2,673,499	4,056,191
Amounts due from related undertakings	<u>2,161,835</u>	<u>1,408,853</u>
	<u>4,835,334</u>	<u>5,465,044</u>

**VIRGIN ENTERPRISES LIMITED**

**Notes to the financial statements**

**for the year ended 31 January 1997**  
(Continued)

**8. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>1997</u> £	<u>1996</u> £
Accruals and deferred income	<u>129,387</u>	<u>6,000</u>

**9. SHARE CAPITAL**

	<u>1997</u> £	<u>1996</u> £
Authorised, allotted, called up and fully paid :		
ordinary shares of £1 each	6,215,000	6,215,000
3% non-cumulative preference shares of £1 each	<u>150,000</u>	<u>150,000</u>
	<u>6,365,000</u>	<u>6,365,000</u>

The non-cumulative preference shares have the right in winding up to repayment of the capital paid up in priority to the ordinary shares. They shall not be entitled to participate in the profits or assets of the company.

**10. CAPITAL EXPENDITURE APPROVED**

No capital expenditure had been contracted for or approved by the Directors at 31 January 1997 (1996 : Nil).

**11. PROFIT AND LOSS ACCOUNT**

	<u>1997</u> £	<u>1996</u> £
Balance at beginning of year	(853,691)	(2,387,419)
Retained profit for the year	755,235	1,533,728
Balance at end of year	<u>(98,456)</u>	<u>(853,691)</u>

**VIRGIN ENTERPRISES LIMITED**

**Notes to the financial statements**

**for the year ended 31 January 1997**

**(Continued)**

**12. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS**

	1997		1996	
	<u>Equity</u>	<u>Non-Equity</u>	<u>Equity</u>	<u>Non-Equity</u>
	£	£	£	£
Profit for the financial year	755,235	-	1,533,728	-
Opening shareholders' funds	<u>5,361,309</u>	<u>150,000</u>	<u>3,827,581</u>	<u>150,000</u>
Closing shareholders' funds	<u>6,116,544</u>	<u>150,000</u>	<u>5,361,309</u>	<u>150,000</u>

**13. CONTINGENT LIABILITIES**

The Company is party to a group overdraft facility of £6 million, £500,000 repayable on demand.

**14. ULTIMATE HOLDING COMPANY**

The ultimate holding company is Voyager Investments (BVI) Limited, a company incorporated in the British Virgin Islands. No other group accounts include the results of this 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 company has issued licences for the use of the Virgin name to related undertakings, all of which were negotiated on arms length terms including some which were granted on a royalty-free basis, prior to the 1989 Virgin Group demerger.

Royalties charged to related undertakings during the year for their use of the Virgin name amounted to £2,183,015. Amounts due from such related undertakings at the year end totalled £2,161,835 on which interest of £111,939 was charged at a rate of 3% above the base rate of Lloyds Bank Plc. The related undertakings with whom the company transacted during the year were The Virgin Cola Company Limited, Virgin Cinemas Group Limited, Virgin Direct Limited, Virgin Radio Limited, Virgin Retail California Inc., Virgin Retail Limited and Virgin Spirits Limited.

The company also had an inter-company balance due at the year end of £2,673,499 from its parent undertaking, Virgin Management Limited, which attracted no interest.