

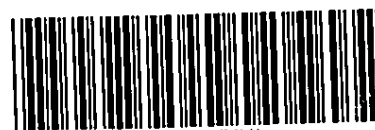
**Virgin Enterprises Limited**

**Directors' report and financial  
statements**

Registered number 1073929

31 March 2007

THURSDAY



\*A7A2ZVUH\*

A35

27/12/2007

27

COMPANIES HOUSE

## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Virgin Enterprises Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## 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 the licensing of the Virgin brand name

### Business performance

The results for the year are set out on page 5 of the financial statements and the profit for the year of £15,681,714 (2006 profit £3,297,069) has been transferred to reserves

The Company continues to derive its revenue from the license of the Virgin brand name. Turnover in the financial year has seen a 46% increase on the prior year to £19.3m. The Company has entered into a material new licence arrangement during the year with Virgin Media.

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

### Working capital and cash flow

The Company is party to a group overdraft facility of £200 million (2006 £130 million), all of which is repayable on demand. Cash is managed centrally across a number of group companies and therefore cash balances held by the company will fluctuate according to its immediate requirements.

### Forward strategy

The Company will continue to enter into licensing arrangements for the Virgin name in line with the expansion of the Virgin Group's activities.

### Environmental and ethical policies

The Company is fully committed to the Virgin Aware initiative to promote environmentally and ethically responsible business practices and managing the business in line with sound corporate government standards.

### Proposed dividend

The directors do not recommend the payment of a dividend on the ordinary or preference shares (2006 £nil)

### Directors

The directors of the Company during the year were as follows

J Bayliss	(appointed 11 July 2006)	
F E Brandon-Farrow		
G D McCallum		
W E Whitehorn	(resigned 1 October 2007)	(alternate M James – appointed 20 December 2006, appointment revoked 1 October 2007)
C J Salway	(appointed 13 September 2007)	

## Directors' report *(continued)*

### Post balance sheet events

Subsequent to the balance sheet date Virgin Group disposed of its investment in the UK Virgin Retail Group of companies. As part of the transaction the Company agreed to make a brand protection payment of up to £53.0m to the purchaser of the shares in Virgin Retail Group Limited. A payment of additional consideration for the shares may become payable to the Company under certain circumstances.

### 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.

The last resolution will lead to the continuing appointment of KPMG LLP as auditors of the company until further notice.

By order of the Board



B A R Gerrard  
Company Secretary

120 Campden Hill Road  
London  
W8 7AR

11 December

2007

## **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 year.

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,
- 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 Enterprises Limited**

We have audited the financial statements (the "financial statements") of Virgin Enterprises Limited for the year ended 31 March 2007 which comprise Company Balance Sheet, Company Profit and Loss Account 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 3.

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 31 March 2007 and of the company's profit 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*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

*13 December 2007*

**Profit and loss account**  
*For the year ended 31 March 2007*

	<i>Note</i>	<b>Year ended 31 March 2007 £</b>	<b>Year ended 31 March 2006 £</b>
<b>Turnover</b>	<i>1</i>	<b>19,339,173</b>	13,276,992
Administrative expenses		<b>(1,510,148)</b>	(9,378,517)
Other operating income		<b>2,718</b>	(57,048)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>17,831,743</b>	3,841,427
Profit on sale of investment	<i>8</i>	<b>310,817</b>	-
Interest receivable	<i>5</i>	<b>3,479,746</b>	899,859
Interest payable	<i>6</i>	<b>(717,056)</b>	(208,876)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>20,905,250</b>	4,532,410
Tax on profit on ordinary activities	<i>7</i>	<b>(5,223,536)</b>	(1,235,341)
		<hr/>	<hr/>
<b>Retained profit for the period</b>		<b>15,681,714</b>	3,297,069
		<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 7 to 13 form part of these financial statements

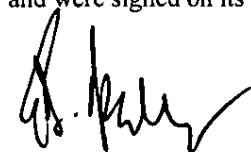
## Balance sheet

At 31 March 2007

	Note	31 March 2007 £	31 March 2006 £
<b>Fixed Assets</b>			
Investments	8	-	-
<b>Current assets</b>			
Debtors	9	107,538,332	129,179,609
Cash at bank		14,237,747	96,891
		121,776,079	129,276,500
<b>Creditors: amounts falling due within one year</b>	10	(47,050,732)	(70,232,867)
<b>Net current assets</b>		74,725,347	59,043,633
<b>Net assets</b>		74,725,347	59,043,633
<b>Capital and reserves</b>			
Called up share capital	11	6,365,000	6,365,000
Profit and loss account	12	68,360,347	52,678,633
		74,725,347	59,043,633
<b>Shareholders' funds</b>			
Equity	13	74,575,347	58,893,633
Non equity	13	150,000	150,000
		74,725,347	59,043,633

The notes on pages 7 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 11 December 2007  
and were signed on its behalf by



G D McCallum  
Director



## Notes

### 1 Accounting policies

#### *Basis of accounting*

The financial statements have been prepared under the historical cost accounting rules in accordance with applicable accounting standards, and on a going concern basis

#### *Basis of preparation*

The Company is exempt by virtue of s248 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 its parent undertaking includes the Company in its own published consolidated financial statements.

#### *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 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.

#### *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.

#### *Turnover*

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

#### *Comparative information*

Corresponding amounts have been adjusted where necessary to ensure they are comparable with the figures for the current year.

### 2 Profit on ordinary activities before taxation

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
- audit of these financial statements	10,300	7,622
Foreign exchange gain	1,869,214	1,460,520

## Notes (continued)

### 3 Remuneration of directors

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

### 4 Staff costs

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

### 5 Interest receivable

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Bank interest receivable	224,967	-
Interest from related undertakings	3,254,779	899,859
	<u>3,479,746</u>	<u>899,859</u>

### 6 Interest payable

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Interest to related undertakings	638,670	208,876
Foreign exchange losses	78,386	-
	<u>717,056</u>	<u>208,876</u>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in year

	Year ended 31 March 2007 £	Year ended 31 March 2007 £	Year ended 31 March 2006 £	Year ended 31 March 2006 £
<i>UK corporation tax</i>				
Current tax on income for the year	5,635,329		1,425,924	
UK – Adjustments to prior periods	(249,400)		(100,000)	
Double tax relief	(324,812)		(141,259)	
		5,061,117		1,184,665
<i>Foreign tax</i>				
Current tax on income for the year	324,812		141,259	
		324,812		141,259
Total current tax		5,385,929		1,325,924
<i>Deferred tax</i>				
Deferred tax – other timing differences		(99,730)		(90,583)
Deferred tax – adjustments in respect of prior periods		(62,663)		-
Tax on profit on ordinary activities		5,223,536		1,235,341

The current tax charge for the year is lower (2006 lower) 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>		
Profit on ordinary activities before tax	20,905,250	4,532,410
Current tax at 30% (2006 30%)	6,271,575	1,359,724
<i>Effects of</i>		
Expenses not deductible for tax purposes	149	5
Income not taxable	(736,125)	(24,388)
Other timing differences	99,730	90,583
Adjustments in respect of prior periods	(249,400)	(100,000)
Total current tax charge (see above)	5,385,929	1,325,924

## Notes (continued)

### 7 Taxation (continued)

Details of the Company's total provided and unprovided deferred tax 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

	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 above comprise</i>				
Short term timing differences	252,976	-	90,583	-

### 8 Investments

	Investment in subsidiaries £
<b>Cost</b>	
At beginning of the year	3
Additions	760,358
Disposals	(760,358)
	<hr/>
At end of the year	3
	<hr/>
<b>Provisions</b>	
At beginning and end of the year	(3)
	<hr/>
<b>Net book Value</b>	
At 31 March 2007 and 31 March 2006	-
	<hr/>

Investments consist of a 100% shareholding in Lawrie Developments Limited, a dormant company registered in England and Wales

On 19 December 2006, the company made an investment of £760,358 in Brazil Limited. This investment consisted of 1.5m fully paid ordinary shares.

On 6 February 2007, the company disposed of its investment in Brazil Limited for £1,071,175 realising a gain on disposal of £310,817.

## Notes (continued)

### 9 Debtors

	31 March 2007 £	31 March 2006 £
Trade debtors	5,029,512	494,365
Amounts owed by parent undertakings	-	95,690,373
Amounts owed by related undertakings	102,246,325	32,824,390
Deferred tax debtor (see note 7)	252,976	90,583
Other debtors	9,519	79,898
	<u>107,538,332</u>	<u>129,179,609</u>

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

	31 March 2007 £	31 March 2006 £
Trade creditors	323,470	506,621
Amounts owed to parent undertakings	221,395	-
Amounts owed to related undertakings	3,289,068	28,823,647
Corporation tax	26,356,509	21,295,392
Other creditors	105	188,895
Accruals and deferred income	16,860,185	19,418,312
	<u>47,050,732</u>	<u>70,232,867</u>

### 11 Called up share capital

	31 March 2007 £	31 March 2006 £
<i>Authorised, allotted, called up and fully paid</i>		
6,215,000 ordinary share of £1 each	6,215,000	6,215,000
150,000 3% non-cumulative preference shares of £1 each	150,000	150,000
	<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.

## Notes (continued)

### 12 Reserves

	Profit and loss account £
At beginning of year	52,678,633
Profit for the year	15,681,714
	<hr/>
At end of year	68,360,347
	<hr/>

### 13 Reconciliation of shareholders' funds

	Non-equity 31 March 2007 £	Equity 31 March 2007 £	Total 31 March 2007 £	Non-equity 31 March 2006 £	Equity 31 March 2006 £	Total 31 March 2006 £
Profit for the financial year	-	15,681,714	15,681,714	-	3,297,069	3,297,069
Opening shareholders' funds	150,000	58,893,633	59,043,633	150,000	55,596,564	55,746,564
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	150,000	74,575,347	74,725,347	150,000	58,893,633	59,043,633
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 14 Contingent liabilities

The Company is party to a group overdraft facility of £200 million, all of which is repayable on demand (2006 £130 million)

### 15 Related party disclosures

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.

As a 100% owned subsidiary of Virgin Wings Limited, the Company has taken advantage of the exemption under FRS8 Related Party Disclosures, which enables it to exclude disclosure of transactions with Virgin Wings Limited and its subsidiaries.

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 de-merger.

## Notes (continued)

### 15 Related party disclosures (continued)

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

	<b>Related undertakings</b>	
	<b>31 March 2007</b>	<i>Restated</i> <b>31 March 2006</b>
	<b>£</b>	<b>£</b>
Revenue from royalties	4,889,479	7,176,633
Interest receivable	2,142,934	81,293
Expenses payable	1,510,000	1,218,000
Debtors	98,100,072	98,888,904
Deferred income	15,862,483	18,583,515
Creditors	2,172,072	762,920

The related undertakings with whom the Company transacted during the year were Barfair Limited, Lagardere Active SAS, Virgin Active Group Limited, Virgin Active South Africa (Pty) Limited, Virgin Audio Holdings LLC, Virgin Books Limited, Virgin Bride Limited, Virgin Vie Limited, The Virgin Clothing Company Limited, Virgin Cola Holdings BV, Virgin Cola US, Virgin Comics Limited, Virgin Entertainment Group Inc, Virgin Lifecare Inc, Virgin Limobike Limited, Virgin Limousines LLC, Virgin Mobile Telecoms Limited, Virgin Mobile USA Inc, Virgin Money Group Limited, Virgin Radio International Limited, Virgin Retail Limited, The Virgin Drinks Group Limited, Virgin Management Limited, Virgin com Limited, Virgin America Limited, Virgin Galactic Limited, Virgin Money Australia Limited, Virgin Games Limited, Virgin Foundation, Virgin Hotels Group Limited, Virgin Mobile Asia, Virgin Business Solutions Limited, Virgin Money Investments Group Limited, Virgin Mobile Canada, Xing 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 Virgin Wings Limited and Virgin Holdings Limited respectively, registered in England and Wales. The consolidated accounts of these groups can be obtained from Companies House

### 17 Post balance sheet events

Subsequent to the balance sheet date Virgin Group disposed of its investment in the UK Virgin Retail Group of companies. As part of the transaction the Company agreed to make a brand protection payment of up to £53.0m to the purchaser of the shares in Virgin Retail Group Limited. A payment of additional consideration for the shares may become payable to the Company under certain circumstances.