

VIRGIN DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 JANUARY 1995

Registered Number: 1412157



VIRGIN DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1995

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VIRGIN DEVELOPMENTS LIMITED

Report of the directors

The directors present their annual report and audited financial statements for the year ended 31 January 1995.

CHANGE OF ACCOUNTING REFERENCE DATE

During the previous financial period the Company changed its accounting reference date to 31 January, to be in line with that of its ultimate holding company, Voyager Investments (BVI) Limited. The comparative figures are in respect of the fifteen months ended 31 January 1994.

PRINCIPAL ACTIVITIES

The Company continues to operate as a property developer.

BUSINESS REVIEW

The results for the period are set out on Page 5. The retained loss for the year of £1,366,224 (1994 : loss of £1,651,157) was transferred to reserves. The only significant development property currently held by this Company is 15-18 Rathbone Place, which the Company is continuing to market actively. The carrying value of this development property as at 31 January 1995 was nil. The Company took legal proceedings against its agents in respect of significant cost overruns incurred during the development of this building and an award was originally made in favour of the Company. However, on appeal, the award was overturned despite the Company obtaining strong legal advice that a favourable result was the most likely outcome. An accrual has therefore been made for the agents' legal costs. The legal costs of the Company are being written off as they arise.

DIVIDENDS

The directors do not recommend the payment of a dividend (1994 : nil).

DIRECTORS

The directors during the year were as follows:

T M Abbott

R C N Branson

A W G Viccary (resigned 14 February 1996)

S T M Murphy (appointed 27 April 1994)

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 other group companies.

VIRGIN DEVELOPMENTS LIMITED

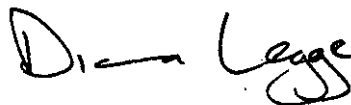
Report of the directors
(continued)

AUDITORS

On 5 February 1995 our auditors changed the name under which they practice to KPMG, and have accordingly signed their report in their new name.

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 dark ink, appearing to read 'D Legge', with a stylized flourish at the end.

D Legge
Secretary

120 Campden Hill Road
London
W8 7AR

VIRGIN DEVELOPMENTS 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 DEVELOPMENTS 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 mis-statement, 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 company's affairs as at 31 January 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



*Chartered Accountants
Registered Auditors*
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

21 October 1996

VIRGIN DEVELOPMENTS LIMITED

Profit and loss account

for the year ended 31 January 1995

| | <u>Note</u> | Year to 31 January 1995 £ | 15 months to 31 January 1994 £ |
|--|-------------|------------------------------------|---|
| Turnover | 1c) & 2 | 128,333 | - |
| Cost of sales | | <u>(635,884)</u> | <u>(1,901,082)</u> |
| Gross loss | | (507,551) | (1,901,082) |
| Administrative expenses | 3 | <u>(1,361,163)</u> | <u>(31,153)</u> |
| Operating loss | | (1,868,714) | (1,932,235) |
| Interest payable and similar charges | 5 | <u>(30,537)</u> | <u>(31,594)</u> |
| Loss on ordinary activities before taxation | 3 | (1,899,251) | (1,963,829) |
| Tax on loss on ordinary activities | 6 | <u>533,027</u> | <u>312,672</u> |
| Retained profit/(loss) for the year | 10 | <u>(1,366,224)</u> | <u>(1,651,157)</u> |

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

There are no recognised gains or losses other than the loss shown for the year, which arises from continuing operations.

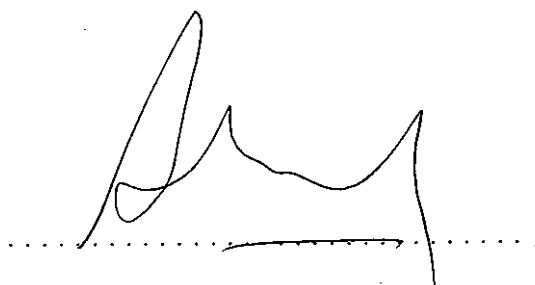
There are no movements in shareholders' funds other than those shown above.

VIRGIN DEVELOPMENTS LIMITED

Balance sheet at 31 January 1995

| | <u>Note</u> | 31 January 1995 £ | 31 January 1994 £ |
|---|-------------|-------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Debtors | 7 | 149,285 | 87,015 |
| Cash at bank | | <u>3,004</u> | <u>13,796</u> |
| | | 152,289 | 100,811 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 8 | <u>(4,028,934)</u> | <u>(2,611,232)</u> |
| NET LIABILITIES | | <u>(3,876,645)</u> | <u>(2,510,421)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 9 | 2,800,100 | 2,800,100 |
| Profit and loss account | 10 | <u>(6,676,745)</u> | <u>(5,310,521)</u> |
| SHAREHOLDERS' FUNDS | 11 | <u>(3,876,645)</u> | <u>(2,510,421)</u> |

These financial statements were approved by the Board of Directors on *2nd October* 1996 and signed on its behalf by:



S T M MURPHY

DIRECTOR

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements

for the year ended 31 January 1995

1. ACCOUNTING POLICIES

The following accounting policies have been consistently applied 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) Going Concern

Voyager Investments (BVI) Limited, the ultimate holding company of Virgin Developments Limited has confirmed that it will continue to provide support in order that the company can meet its commitments as they fall due.

c) Turnover

Turnover represents sales of developments and rental income in the United Kingdom, excluding value added tax, together with attributable turnover on ongoing projects to the stage of completion at the accounting date.

d) Development properties and long term contracts

Development properties and long term contracts are valued at the lower of cost and net realisable value. Full provision is made for estimated losses to completion.

Interest incurred on loans to finance the costs of properties in the course of development is added to the cost of the relevant project.

Progress payments received and receivable where in excess of recorded turnover are deducted and, to the extent that such payments exceed the value of work in progress on any contract, the excess is included in current liabilities. The amount by which recorded turnover on long term contracts is in excess of payments on account is classified as "amounts recoverable on contracts" and is disclosed within debtors.

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements

for the year ended 31 January 1995 **(continued)**

e) Deferred taxation

Deferred taxation, using the liability method, is provided at the rates of corporation tax which are expected to apply when the tax is estimated to be payable on all timing differences except those which it is considered will continue for the foreseeable future.

2. TURNOVER

In the opinion of the directors, there is only one activity being that of property development.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is arrived at after charging:

| | Year to 31 January 1995 £ | 15 months to 31 January 1994 £ |
|---|------------------------------------|---|
| Auditors' remuneration - For audit work | 2,800 | 3,000 |
| - For non-audit work | 2,550 | 42,360 |
| Exceptional item | <u>1,300,000</u> | <u>-</u> |

Included within administrative expenses is an exceptional charge of £1,300,000. This represents costs awarded against Virgin Developments Limited in a recent legal dispute.

4. DIRECTORS' EMOLUMENTS

No payment was made in respect of directors' emoluments for the year ended 31 January 1995 (1994 : £NIL). The directors were the only employees of the Company.

5. INTEREST PAYABLE

| | Year to 31 January 1995 £ | 15 months to 31 January 1994 £ |
|----------------|------------------------------------|---|
| Group Interest | 9,336 | 31,594 |
| Other Interest | <u>21,201</u> | <u>-</u> |
| | <u>30,537</u> | <u>31,594</u> |

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements

for the year ended 31 January 1995
(continued)

6. TAXATION

| | Year to 31 January 1995 £ | 15 months to 31 January 1994 £ |
|------------------------------|------------------------------------|---|
| Group relief receivable | 39,234 | 192,632 |
| Overprovision in prior years | <u>493,793</u> | <u>120,040</u> |
| | <u>533,027</u> | <u>312,672</u> |

7. DEBTORS

| | 31 January 1995 £ | 31 January 1994 £ |
|--------------------------------|-------------------------|-------------------------|
| Prepayments and accrued income | <u>149,285</u> | <u>87,015</u> |

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 January 1995 £ | 31 January 1994 £ |
|-------------------------------------|-------------------------|-------------------------|
| Bank loans and overdrafts | 368,234 | - |
| Corporation tax | - | 123,434 |
| Amounts owed to parent undertakings | 1,607,872 | 2,141,787 |
| Other creditors | 1,817,810 | 83,988 |
| Accruals | <u>235,018</u> | <u>262,023</u> |
| | <u>4,028,934</u> | <u>2,611,232</u> |

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements

for the year ended 31 January 1995 **(continued)**

9. SHARE CAPITAL

| | 31 January 1995 | 31 January 1994 |
|--|--------------------|--------------------|
| | £ | £ |
| Authorised, allotted, called up fully paid ordinary shares of £1 each | <u>2,800,100</u> | <u>2,800,100</u> |

10. PROFIT AND LOSS ACCOUNT

| | 31 January 1995 | 31 January 1994 |
|----------------------------|--------------------|--------------------|
| | £ | £ |
| Balance at 1 February 1994 | (5,310,521) | (3,659,364) |
| Retained loss for the year | <u>(1,366,224)</u> | <u>(1,651,157)</u> |
| Balance at 31 January 1995 | <u>(6,676,745)</u> | <u>(5,310,521)</u> |

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 31 January 1995 | 31 January 1994 |
|------------------------------|--------------------|--------------------|
| | £ | £ |
| Balance at beginning of year | (2,510,421) | (859,264) |
| Retained loss for the year | <u>(1,366,224)</u> | <u>(1,651,157)</u> |
| Balance at end of year | <u>(3,876,645)</u> | <u>(2,510,421)</u> |

12. CONTINGENT LIABILITIES

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

13. CAPITAL COMMITMENTS

No capital expenditure had been contracted for or approved by the directors at 31 January 1995 (1994 : £NIL).

14. ULTIMATE HOLDING COMPANY

The ultimate holding company at 31 January 1995 was Voyager Investments (BVI) Limited, a company incorporated in the British Virgin Islands. No other group accounts include the results of this company.