

VIRGIN DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 JANUARY 2001

Registered Number: 1412157



VIRGIN DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JANUARY 2001

CONTENTS

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

VIRGIN DEVELOPMENTS LIMITED

Report of the directors

The directors present their annual report and audited financial statements for the year to 31 January 2001. The company ceased trading during the year.

PRINCIPAL ACTIVITIES

The Company operated as a property developer.

BUSINESS REVIEW

The loss on ordinary activities after tax of the Company for the year transferred to reserves was £61,097 (2000: £189,358) as shown in the profit and loss account on page 5.

DIVIDENDS

The directors do not recommend the payment of a dividend (2000: £nil).

DIRECTORS

The directors during the period were as follows:

I.S Burroughs	(Resigned 26 October 2001)
D. Legg	(Resigned 10 March 2000)
P.G. Gram	(Appointed 10 March 2000, Resigned 30 April 2001)
M. Hill	(Appointed 30 April 2001)
S Parden	(Appointed 30 April 2001)

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.

VIRGIN DEVELOPMENTS LIMITED

Report of the directors
(continued)

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 as auditors of the Company until further notice.

By order of the Board

A handwritten signature in black ink, appearing to be 'P Gram', with a long diagonal stroke extending from the bottom right of the signature.

P Gram
Secretary

120 Campden Hill Road
London
W8 7AR

29 November 2001

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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.

Independent Auditors' report to the members of VIRGIN DEVELOPMENTS LIMITED

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

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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, if in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of Audit 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 Company's affairs as at 31 January 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG

*Chartered Accountants
Registered Auditors*

*8 Salisbury Square
London EC4Y 8BB*

30 November 2001

VIRGIN DEVELOPMENTS LIMITED

Profit and loss account
for the year to 31 January 2001

	Note	2001 £	2000 £
Turnover	2	13,549	165,000
Cost of sales		(83,086)	(347,946)
Gross loss		(69,537)	(182,946)
Administrative expenses		8,440	(2,810)
Operating loss		(61,097)	(185,756)
Interest payable and similar charges	6	-	(3,602)
Loss on ordinary activities before taxation	3	(61,097)	(189,358)
Tax on loss on ordinary activities	5	-	-
Retained loss for the year	10	(61,097)	(189,358)

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.

VIRGIN DEVELOPMENTS LIMITED

Balance sheet as at 31 January 2001

	Note	2001 £	2000 £
CURRENT ASSETS			
Debtors	7	-	73,678
Cash at bank		-	94,548
		-	168,226
CREDITORS:			
Amounts falling due within one year	8	(5,056,705)	(5,163,834)
NET LIABILITIES		(5,056,705)	(4,995,608)
CAPITAL AND RESERVES			
Called up share capital	9	2,800,100	2,800,100
Profit and loss account	10	(7,856,805)	(7,795,708)
SHAREHOLDERS' FUNDS	11	(5,056,705)	(4,995,608)

These financial statements were approved by the Board of Directors on 29th November 2001 and signed on its behalf by:



M HILL
DIRECTOR

VIRGIN DEVELOPMENTS LIMITED**Notes to the financial statements**
for the year ended 31 January 2001**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 convention and in accordance with applicable accounting standards.

The business ceased trading in March 2000 therefore the accounts have not been prepared on a going concern basis in order to give a true and fair view. Accordingly fixed assets have been written down to their estimated residual value. Adjustments have been made to write down other assets to their estimated net realisable value.

b) Turnover

Turnover represents rental income in the United Kingdom, excluding value added tax.

c) 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 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.

d) Cash Flow Statement

Under Financial Reporting Standard 1 (revised 1996) which the group has adopted in these financial statements, the intermediate undertaking, Barfair Limited, includes the company in its own published consolidated financial statements.

2. TURNOVER

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements
for the year ended to 31 January 2001
(continued)

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2001	2000
	£	£
Auditors' remuneration- audit work	-	2,350
	<hr/>	<hr/>

Audit fees are to be borne by parent entity.

4. DIRECTORS' EMOLUMENTS

No payment was made in respect of directors' emoluments for the year (2000: £Nil). The directors were the only employees of the Company.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

No tax is due in the period due to losses incurred (2000: £nil)

6. INTEREST PAYABLE

	2001	2000
	£	£
Other interest	-	3,602
	<hr/>	<hr/>

7. DEBTORS

	2001	2000
	£	£
Prepayments and accrued income	-	73,678
	<hr/>	<hr/>

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements
for the year ended 31 January 2001
(continued)

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Amounts owed to group undertakings	5,056,705	5,155,125
Other creditors	-	3,079
Accruals	-	5,630
	<u>5,056,705</u>	<u>5,163,834</u>

9. SHARE CAPITAL

	2001 £	2000 £
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

	2001 £	2000 £
Balance at 1 February 2000	(7,795,708)	(7,606,350)
Retained loss for the year	(61,097)	(189,358)
Balance at 31 January 2001	<u>(7,856,805)</u>	<u>(7,795,708)</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Balance at beginning of year	(4,995,608)	(4,806,250)
Retained loss for the year	(61,097)	(189,358)
Balance at end of year	<u>(5,056,705)</u>	<u>(4,995,608)</u>

VIRGIN DEVELOPMENTS LIMITED

Notes to the financial statements
for the year ended 31 January 2001
(continued)

12. RELATED PARTY TRANSACTIONS

At 31 January 2001 the Company's ultimate parent company was Virgin Group Investments Limited (formerly Virgin Travel Limited), whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Investments Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Investments Limited have interest directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard No. 8.

There were no disclosable related party transactions during the year.

13. ULTIMATE HOLDING COMPANY

The ultimate holding company at 31 January 2001 was Virgin Group Investments Limited (formerly Virgin Travel Limited), a company incorporated in the British Virgin Islands.

The only accounts into which the Company's results are consolidated are those of Barfair Limited, an intermediate holding company. The accounts of Barfair Limited can be obtained from Companies House.