

**Wordglass Limited**

**Directors' report and financial  
statements**

Registered number 01554600

31 March 2010

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## **Directors' report – registered number 01554600**

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 March 2010

### **Principal activity**

The Company's principal activity is the operation of a nightclub

### **Business review**

The results for the period are presented on page 5 of the financial statements. The loss for the year is £1,412,430 (2009 £1,142,040). Due to continued poor trading a decision was made to cease trading on 1 January 2010. A decision was also made to sub lease which recovers marginal costs, funding costs to Pure group have been provided for and the fixed assets held in the nightclub have been fully impaired, giving rise to an exceptional item of £164,519 (2009 £11,086) which is included within administration expenses.

On 3 April 2009, the Company's top UK parent undertaking changed from Virgin Hotels Group Limited to Virgin Wings Limited.

As set out in note 1, these financial statements have been prepared on a going concern basis. The directors are currently considering the options for the company following its cessation of operation of its nightclub.

The company has net liabilities. However, as detailed in note 1 to the financial statements a parent undertaking, Virgin Group 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.

Furthermore, no significant changes are expected in relation to the Company's income streams or cost base at this present time. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Directors**

The directors who served during the year were as follows:

J D R Brown  
JP Moorhead

### **Dividends**

The directors do not recommend the payment of a dividend (2009 £nil).

### **Disclosure of information to auditors**

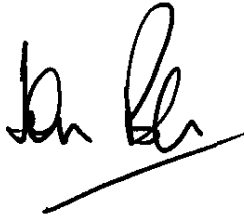
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

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

By order of the board

**JDR Brown**  
*Director*

A handwritten signature in black ink, appearing to be 'JDR Brown', written over a horizontal line.

19 OCTOBER 2010  
The School House  
50 Brook Green  
London, W6 7RR

## **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 they 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 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 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, and
- 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 2006. 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 Wordglass Limited**

We have audited the financial statements of Wordglass limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB'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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year 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.



Hugh Green  
Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

15 Canada Square  
London  
E14 5GL

20 October 2010

**Profit and loss account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>2010</b> £	2009 £
<b>Turnover</b>	<i>1</i>	<b>1,650,731</b>	2,789,056
Cost of sales		<b>(1,178,123)</b>	(1,721,433)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>472,608</b>	1,067,623
Administrative expenses (including exceptional costs of £164,519 (2009 £11,086))	<i>8</i>	<b>(1,885,038)</b>	(2,212,116)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(1,412,430)</b>	(1,144,493)
Interest receivable and similar income	<i>5</i>	-	2,453
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<i>6</i>	<b>(1,412,430)</b>	(1,142,040)
Tax on loss on ordinary activities		-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(1,412,430)</b>	(1,142,040)
		<hr/>	<hr/>

The notes on pages 7 to 12 form part of these financial statements

The operating result of the Company arose solely on the operations of Pure nightclub, which ceased in January 2010

There is no difference between the reported result and the result based on historical cost for either current or prior periods

There were no recognised gains or losses in the period other than those disclosed in the profit and loss account above, and accordingly a statement of recognised gains and losses has not been prepared

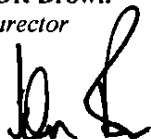
**Balance sheet**  
*at 31 March 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		£	£
<b>Fixed assets</b>			
Tangible assets	8	-	-
<b>Current assets</b>			
Stocks	9	-	24,830
Debtors	10	104,981	242,716
Cash at bank and in hand		29,609	100,599
		<u>134,590</u>	<u>368,145</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(6,797,814)</u>	<u>(5,758,939)</u>
<b>Total assets less current liabilities</b>		<b>(6,663,224)</b>	<b>(5,390,794)</b>
<b>Provisions for liabilities and charges</b>	12	<b>(140,000)</b>	<b>-</b>
<b>Net liabilities</b>		<b><u>(6,803,224)</u></b>	<b><u>(5,390,794)</u></b>
<b>Capital and reserves</b>			
Called up share capital	13	100	100
Profit and loss account	14	<b>(6,803,324)</b>	<b>(5,390,894)</b>
<b>Shareholders' deficit</b>	15	<b><u>(6,803,224)</u></b>	<b><u>(5,390,794)</u></b>

The notes on pages 7 to 12 form part of these financial statements

These financial statements were approved by the board of directors on 19<sup>th</sup> October 2010 and were signed on its behalf by

JDR Brown  
Director





## Notes

*(forming part of 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

The amendment to FRS 8 Related Parties Disclosures has been adopted in these financial statements for the first time. The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in parent company's own financial statements

#### ***Basis of preparation***

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

The financial statements have been prepared on a going concern basis in view of the fact that Virgin Group Holdings Limited, an intermediate parent undertaking, 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 Virgin Group Holdings Limited 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

Under FRS 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 Wings 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

#### ***Turnover***

Turnover, which excludes Value Added Tax, represents the sales value of goods and services in the operation of nightclubs and function venues supplied in the United Kingdom. Revenue is recognised at the time the sale took place. Deposits received for future events are held as deferred income on the balance sheet

#### ***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 profits from which the future reversal of the underlying timing differences can be deducted

#### ***Leased assets***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

#### ***Stock***

Stocks are stated at the lower of cost and net realisable value

## Notes (continued)

### 2 Staff numbers and costs

The Company is a member of a defined contribution pension scheme operated by Virgin Management Limited, a related company. The assets of the scheme are held separately in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

### 3 Staff numbers and costs

	Number of employees	
	2010	2009
Selling and distribution	52	57
Administration	13	13
	<u>65</u>	<u>70</u>
	2010	2009
	£	£
Wages and salaries	418,367	626,628
Social security costs	26,153	34,625
Other pension costs	1,787	-
	<u>446,307</u>	<u>661,253</u>

### 4 Directors' emoluments

None of the directors received any remuneration from the Company during the financial year (2008 nil). The directors' remuneration is borne by another company within the Virgin Hotels Group.

### 5 Interest receivable and similar income

	2010	2009
	£	£
Other interest receivable	-	2,453
	<u>-</u>	<u>2,453</u>

## Notes (continued)

### 6 Loss on ordinary activities before taxation

	2010 £	2009 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets	7,398	1,463
Impairment charge (note 8)	24,519	11,086
Provision for onerous contract	140,000	-
<i>Auditors' remuneration</i>		
Audit of these financial statements	8,667	8,932

### 7 Taxation

#### *Analysis of charge in period*

There is no tax charge in the profit and loss account in this or the previous year

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2009 higher) than the standard rate of corporation tax 28% (2009 28%). The differences are explained below

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,412,430)	(1,142,040)
Current tax at 28% (2009 28%)	(395,480)	(319,771)
<i>Effects of</i>		
Expenses not deductible for tax purposes	56,518	104
Income not taxable	(21,000)	-
Depreciation in excess of capital allowances	(515,643)	3,514
UK tax losses not utilised or not recognised	875,605	316,153
Total current tax charge	-	-

#### *Factors that may affect the future tax charge*

Potential deferred tax assets measured at 28% (2009 28%) totalling £1,763,822 (2009 £888,217) in respect of carried forward losses, and £nil (2009 £516,679) in respect of accelerated capital allowances, have not been recognised as it is not expected that these assets can be utilised to offset taxable profits in the foreseeable future

## Notes (continued)

### 8 Tangible fixed assets

	Short leasehold land and buildings £	Plant and equipment £	Total £
<b>Cost</b>			
At 1 April 2009	1,450,274	766,368	2,216,642
Additions	-	31,917	31,917
Disposals	-	(798,285)	(798,285)
	<hr/>	<hr/>	<hr/>
31 March 2010	1,450,274	-	1,450,274
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 2009	1,450,274	766,368	2,216,642
Charge for the year	-	7,398	7,398
Impairment	-	24,519	24,519
Disposals	-	(798,285)	(798,285)
	<hr/>	<hr/>	<hr/>
31 March 2010	1,450,274	-	1,450,274
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2010	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2009	-	-	-
	<hr/>	<hr/>	<hr/>

Due to trading results for the club, management in the prior period ended 31 March 2008 carried out an impairment review of the carrying value of fixed assets. This concluded that as a result of continuing losses of the business, the assets did not have a significant value in use or resale value. As a result, an impairment loss of £1,762,121 was recorded and recognised as an exceptional item included within administrative expenses.

Trading has continued to remain poor in the prior period and in view of the continued tough market conditions and projected outlook for the nightclub, management impaired any new assets acquired in the period resulting in a charge of £11,086 which was classified within administration expenses.

Trading conditions remained poor in the current period and as such a decision was made to close the nightclub on 1<sup>st</sup> January 2010. As such new assets acquired in the period were impaired resulting in a charge of £24,519 which is classified within administration expenses.

### 9 Stocks

	2010 £	2009 £
Food, wine and spirits	-	24,830
	<hr/>	<hr/>

## Notes (continued)

### 10 Debtors

	2010 £	2009 £
Trade debtors	-	2,825
Other debtors	104,981	10,481
Prepayments and accrued income	-	229,410
	<u>104,981</u>	<u>242,716</u>

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

	2010 £	2009 £
Trade creditors	1,592	149,060
Amounts owed to group undertakings	6,775,124	5,522,169
Other creditors including tax and social security	-	17,587
Accruals	21,098	70,123
	<u>6,797,814</u>	<u>5,758,939</u>

### 12 Provisions for liabilities and charges

	£
At beginning of the year	-
Provisions made during the year	140,000
<b>At end of year</b>	<u>140,000</u>

The provision relates to costs expected to be incurred in exiting the leased premises previously used by the company

### 13 Share Capital

	2010 £	2009 £
<i>Allotted called up and fully paid</i>		
100 (2009 100) Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

## Notes (continued)

### 14 Profit and loss account

	2010 £	2009 £
At 1 April 2009	(5,390,894)	(4,248,854)
Loss for the financial year	(1,412,430)	(1,142,040)
At 31 March 2010	<u>(6,803,324)</u>	<u>(5,390,894)</u>

### 15 Reconciliation of movements in equity shareholders' deficit

	2010 £	2009 £
Loss for the financial year	(1,412,430)	(1,142,040)
Shareholders deficit at the beginning of the year	(5,390,794)	(4,248,754)
Shareholders' deficit at the end of the year	<u>(6,803,224)</u>	<u>(5,390,794)</u>

### 16 Commitments

The lease of the property is held by Cribyn Limited, a fellow group company. The operating lease commitments are hence disclosed in the financial statements of Cribyn Limited. Cribyn Limited recharged the rent payable to Wordglass Limited at cost up until 1<sup>st</sup> January 2010, when operations ceased, however the Company no longer has any commitments in relation to this lease.

### 17 Related party disclosure

At 31 March 2010, the Company's ultimate parent company 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.

There were no transactions or balances between the Company and the related parties during the year.

### 18 Ultimate parent company and parent undertaking of larger group of which the Company is a member

As at 31 March 2010 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 Company and group results are consolidated are those for Virgin Wings Limited and Virgin Holdings Limited respectively, companies both registered in England and Wales. Copies of the group accounts of Virgin Holdings Limited and Virgin Wings Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.