

## **The Virgin Drinks Company Limited**

Directors' report and financial statements

for the year ended 31 March 2007

Registered number - 2952948

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## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of The Virgin Drinks Company Limited	3-4
Profit and loss account	5
Balance sheet	6
Notes	7-12

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2007

### Principal activities

The company's principal activity is the sale of beverages, the main focus of which is the sale of energy drinks to the export market

### Business review

The company had a turnover of £109,020 in the financial year, which was derived from exporting its Energy Shot products. The company had an operating profit in the financial year (2006 operating loss) partly due to gains on customer settlements being higher this year at £77,979 (2006 £56,292)

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2006 *£nil*). The profit for the year of £24,232 (2006 loss £47,012) has been transferred to reserves

### Directors

The directors during the year were as follows

J E Jackson  
A S Lee  
W Whitehorn

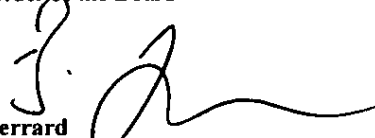
### Disclosure of information to auditors

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 286 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 Gerrard**  
Company Secretary

120 Campden Hill Road  
London  
W8 7AR

31 July 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 company 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 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 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.



KPMG LLP  
PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Independent auditors' report to the members of The Virgin Drinks Company Limited**

We have audited the financial statements of The Virgin Drinks Company Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet 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 2.

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.

**Independent auditors' report to the members of The Virgin Drinks Company Limited** *(continued)*

**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*

*10 September* 2007

## Profit and loss account

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Turnover	1	109,020	87,994
Cost of sales		(66,520)	(63,643)
<b>Gross profit</b>		<b>42,500</b>	<b>24,351</b>
Administrative expenses		(98,236)	(31)
Other operating income	2	77,979	56,292
<b>Operating profit</b>		<b>22,243</b>	<b>80,612</b>
Other interest receivable and similar income		1,989	939
Other interest payable and similar charges		-	(128,563)
<b>Profit/(loss) on ordinary activities before taxation</b>	2	<b>24,232</b>	<b>(47,012)</b>
Tax on ordinary activities	5	-	-
<b>Profit/(loss) for the financial year</b>	10	<b>24,232</b>	<b>(47,012)</b>

The company had no recognised gains or losses other than the loss for the year stated above, all of which relates to continuing activities

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

## Balance sheet

at 31 March 2007

	Note	31 March 2007 £	£	31 March 2006 £	£
<b>Fixed assets</b>					
Investments	6		1		1
<b>Current assets</b>					
Debtors	7	22,968		34,700	
Cash at bank and in hand		155,290		80,659	
		<u>178,258</u>		<u>115,359</u>	
<b>Creditors</b> amounts falling due within one year	8	(11,990,627)		(11,951,960)	
<b>Net current liabilities</b>			(11,812,369)		(11,836,601)
<b>Total assets less current liabilities</b>			(11,812,368)		(11,836,600)
<b>Net liabilities</b>			(11,812,368)		(11,836,600)
<b>Capital and reserves</b>					
Called up share capital	9	29,700,000		29,700,000	
Profit and loss account	10	(41,512,368)		(41,536,600)	
<b>Shareholders' deficit</b>	11		(11,812,368)		(11,836,600)

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

These financial statements were approved by the board of directors on  
signed on its behalf by

31 July 2007 and were

AS Lee  
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, except as noted below

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

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

The financial statements have been prepared on a going concern basis in view of the fact that the 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 the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis

Under Financial Reporting Standard 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 100% of the company's voting rights are controlled within the group headed by Barfair Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Barfair Limited, within which this company is included, can be obtained from Registrar of Companies (address given in note 15)

#### ***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

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

#### ***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the sale of goods during the year, all of which were rendered within South Africa

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling 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 or losses on translation are included in the profit and loss account

**Notes** *(continued)*

**2 Profit/(loss) on ordinary activities before taxation**

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/ (crediting)</i>		
Auditors' remuneration		
Audit	-	-
Write back of prior year customer settlements	(77,979)	(56,292)
	<u>          </u>	<u>          </u>

The audit fee for both years has been borne by The Virgin Drinks Group Limited, the parent undertaking

**3 Remuneration of directors**

None of the directors of the company received any remuneration in respect of their services during the year (2006 *£nil*)

**4 Staff numbers and costs**

The company did not employ any staff in the current and prior years

## Notes (continued)

### 5 Taxation

There is no tax charge to the Profit and Loss Account in this or the previous year

*Factors affecting the tax charge for the current year*

The tax charge for the year is lower (2006 higher) 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/(loss) on ordinary activities before tax	24,232	(47,012)
Current tax at 30% (2006 30%)	7,270	(14,104)
<i>Effects of</i>		
Expenses not deductible for tax purposes	563	-
Capital allowances in excess of depreciation	(67,670)	(90,227)
UK tax losses not utilised or not recognised	60,434	104,613
Utilisation of tax losses brought forward	(597)	(282)
Total current tax credit (see above)	-	-

#### Factors that may affect future tax charges

Details of the company's total unprovided deferred tax assets at the year end (and prior year end) are shown in the table below The company has no provided deferred tax assets or liabilities

	2007 Unprovided £	2006 Unprovided £
UK tax losses	(10,858,377)	(10,889,051)
Excess of capital allowances over depreciation & amortisation	(203,011)	(270,681)
	(11,061,388)	(11,159,732)

**Notes (continued)**

**6 Fixed asset investments**

The company has an investment of £1 in Virgin Asia Pty Ltd, a dormant company incorporated in Australia. The company holds 2 ordinary shares, which amounts to 50% of the share capital of Virgin Asia Pty Ltd.

**7 Debtors**

	31 March 2007 £	31 March 2006 £
Tax and other social security	-	2,555
Amounts due from group undertakings	22,968	22,968
Prepayments	-	9,177
	<u>22,968</u>	<u>34,700</u>

**8 Creditors amounts falling due within one year**

	31 March 2007 £	31 March 2006 £
Amounts owed to group undertakings	11,969,367	11,828,173
Accruals and deferred income	21,260	123,787
	<u>11,990,627</u>	<u>11,951,960</u>

**Notes (continued)**

**9 Called up share capital**

	31 March 2007 £	31 March 2006 £
<i>Authorised</i> 29,700,000 ordinary shares of £1 each	29,700,000	29,700,000
<i>Allotted, called up and fully paid</i> 29,700,000 ordinary shares of £1 each	29,700,000	29,700,000

**10 Profit and loss account**

	2007 £	2006 £
Balance at beginning of year	(41,536,600)	(41,489,588)
Profit/(loss) for the financial year	24,232	(47,012)
<b>Balance at end of year</b>	<b>(41,512,368)</b>	<b>(41,536,600)</b>

**11 Reconciliation of shareholders' deficit**

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Balance at beginning of year	(11,836,600)	(11,789,588)
Profit/(loss) for the financial year	24,232	(47,012)
<b>Balance at end of year</b>	<b>(11,812,368)</b>	<b>(11,836,600)</b>

**12 Contingent liabilities**

The company is party to a group sterling overdraft facility of up to £1 million, repayable on demand, subject to an unlimited group guarantee and set off arrangement

## Notes (continued)

### 13 Commitments

The company had no authorised and contracted expenditure

### 14 Related party disclosures and ultimate controlling party

At 31 March 2007 the ultimate parent undertaking of the company was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands, 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 RCN 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.

The following is a summary of those transactions and balances between the group and related parties which are required to be disclosed under Financial Reporting Standard No 8.

	31 March 2007 Related undertakings £	31 March 2006 Related undertakings £
Debtors	22,968	22,968

### 15 Parent undertaking of a larger group of which the company is a member

The largest and smallest group in which the results of the company are consolidated is that headed by Barfair Limited, a company incorporated in England and Wales. The consolidated accounts of this company are available from Companies House, Crown Way, Cardiff, CF14 3UZ.