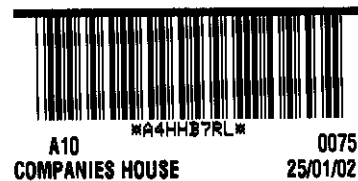


Virgin Bride Limited

**Directors' report and financial
statements**

Registered number 3046028

31 January 2001



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Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 January 2001.

Principal activity

The principal activity of the Company is that of a retailer of wedding dresses and associated bridal services.

Results and business review

The loss for the year retained in the Company is £1,569,439 (2000: loss of £1,220,064). The directors do not recommend the payment of a dividend (2000: £nil).

The company has exhibited sales growth in the year to 31 January 2001. The directors are confident this sales growth will continue and that the company will generate profit in the future.

Directors and directors' interests

The directors during the year under review were:

IS Burroughs (resigned 6 November 2001)
JP Illsley

The following directors were appointed following the year end:

J Jackson (appointed 10 May 2001)
S Parden (appointed 10 May 2001)

None of the directors who held office at the end of the year had any disclosable interests in the shares of the Company.

Auditors

The company has passed a resolution in accordance with Section 386 of the Companies Act 1985 dispensing with the obligation to appoint auditors annually.

By order of the Board

PG Gram
Secretary



120 Campden Hill Road
London
W8 7AR

10 January 2002

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 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 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 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.

kpmg

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Virgin Bride Limited

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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

11 January 2002

Profit and loss account

for the year ended 31 January 2001

	<i>Note</i>	2001 £	2000 £
Turnover	<i>1</i>	2,326,273	2,126,545
Cost of sales		(1,304,309)	(1,082,445)
		<hr/>	<hr/>
Gross profit		1,021,964	1,044,100
Administrative expenses		(2,134,279)	(1,950,451)
		<hr/>	<hr/>
Operating loss		(1,112,315)	(906,351)
Interest payable and similar charges	<i>4</i>	(457,124)	(313,713)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	<i>2</i>	(1,569,439)	(1,220,064)
Tax on loss on ordinary activities	<i>5</i>	-	-
		<hr/>	<hr/>
Retained loss for the year		(1,569,439)	(1,220,064)
Retained loss brought forward		(4,822,516)	(3,602,452)
		<hr/>	<hr/>
Retained loss carried forward		(6,391,955)	(4,822,516)
		<hr/>	<hr/>

The Company has no recognised gains or losses other than the loss for the current year.

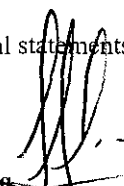
The loss for the year arises solely from continuing operations.

Balance sheet

at 31 January 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	6	903,511	1,079,201
Current assets			
Stocks	7	600,021	442,778
Debtors	8	179,712	276,465
Cash at bank and in hand		13,535	15,190
		<u>793,268</u>	<u>734,433</u>
Creditors: amounts falling due within one year	9	<u>(8,088,732)</u>	<u>(6,636,148)</u>
Net current liabilities		<u>(7,295,464)</u>	<u>(5,901,71)</u>
Net liabilities		<u>(6,391,953)</u>	<u>(4,822,51)</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account		<u>(6,391,955)</u>	<u>(4,822,516)</u>
Equity shareholders' funds	11	<u>(6,391,953)</u>	<u>(4,822,514)</u>

The financial statements were approved by the Board of Directors on 10 January 2002 and signed on its behalf by:


 Jackson Esq
 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.

Basis of preparation

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

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 the company is a wholly owned subsidiary of Barfair Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Going concern

The financial statements have been prepared on a going concern basis in view of the fact that the ultimate parent undertaking Virgin Group Investments Limited (formerly known as Virgin Travel Limited) has formally indicated that it will 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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Leases

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Leasehold improvements	-	life of lease (15 years)
Fixture and fittings	-	over 5 years
Office equipment	-	over 3-5 years

Notes (continued)

1 Accounting policies (continued)

Stocks

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

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.

Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to those schemes in respect of the accounting period.

2 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation – owned assets	191,852	178,372
Auditors' remuneration – audit	8,500	6,000
Hire of other assets – rentals payable under operating leases	140,655	141,397
Exchange losses	21,670	9,742
Loss on disposal of fixed assets	4,278	-
	<hr/>	<hr/>

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, were as follows:

	Number of employees	
	2001	2000
Selling and reservations	54	48
Administration	7	8
	<hr/>	<hr/>
	61	56
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	1,054,574	922,179
Social security costs	75,120	65,292
Other pension costs	8,531	5,525
	<hr/>	<hr/>
	1,138,225	992,996
	<hr/>	<hr/>

The directors were paid £69,866 (2000: £53,725) for services to the company during the year. Of this amount, £3,000 (2000: £2,558) was paid in pension contributions.

Retirement benefits are accruing to the following number of directors under:

	2001	2000
Money purchase schemes	1	1
	<hr/>	<hr/>

4 Interest payable and similar charges

	2001	2000
	£	£
On bank loans and overdrafts	75,564	191,020
Payable to group undertakings	381,560	122,693
	<hr/>	<hr/>
	457,124	313,713
	<hr/>	<hr/>

Notes (continued)

5 Taxation

No tax charge arises due to the losses incurred during the year (2000: £nil). The tax losses of £3.8 million (2000: £2.4 million) are available to relieve future profits.

6 Tangible fixed assets

	Leasehold improvements	Office equipment	Fixtures and fittings	Total
	£	£	£	£
Cost				
At beginning of year	854,277	149,262	482,195	1,485,734
Additions	-	12,189	8,402	20,591
Disposals	-	(178)	(12,973)	(13,151)
Transfers	2,900	-	(2,900)	-
At end of year	857,177	161,273	474,724	1,493,174
Depreciation				
At beginning of year	182,392	41,705	182,436	406,533
Charge for the year	65,697	30,666	95,489	191,852
Disposals	-	(150)	(8,572)	(8,722)
Transfers	1,130	-	(1,130)	-
At end of year	249,219	72,221	268,223	589,663
Net book value				
At 31 January 2001	607,958	89,052	206,501	903,511
At 31 January 2000	671,885	107,557	299,759	1,079,201

7 Stocks

	2001 £	2000 £
Finished goods and goods for resale	527,066	385,413
Consumables	72,955	57,365
	600,021	442,778

Notes *(continued)*

8 Debtors

	2001 £	2000 £
Trade debtors	2,850	18,775
Other debtors	107,193	205,272
Prepayments and accrued income	69,669	52,418
	<hr/> 179,712	<hr/> 276,465

9 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank overdraft (note 12)	1,004,368	3,711,632
Trade creditors	84,792	93,441
Amounts owed to group undertakings (note 15)	5,908,239	2,144,995
Other creditors	960,426	604,749
Accruals and deferred income	130,907	81,331
	<hr/> 8,088,732	<hr/> 6,636,148

10 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2

11 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
<i>Profit and loss account</i>		
Loss for the year	(1,569,439)	(1,220,064)
Opening shareholders' funds	(4,822,514)	(3,602,450)
	<hr/>	<hr/>
Closing shareholders' funds	(6,391,953)	(4,822,514)

Notes (continued)

12 Contingent liabilities

Guarantees have been given in respect of bank overdrafts and other borrowings of group companies. These guarantees are supported by mortgage debentures creating fixed and floating charges over all the group's assets.

13 Outstanding annual commitments under non-cancellable operating leases

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	15,622	-	2,278
In the second to fifth years inclusive	16,800	-	16,800	-
Over five years	120,000	-	120,000	-
	<u>136,800</u>	<u>15,622</u>	<u>136,800</u>	<u>2,278</u>

14 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £8,531 (2000:£5,525).

15 Related party disclosures

At 31 January 2001, the Company's ultimate parent Company was Virgin Group Investments 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 interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard 8.

There were no balances or transactions during the year requiring disclosures under Financial Reporting Standard 8.

Notes *(continued)*

16 Ultimate parent company

At 31 January 2001 the ultimate parent undertaking was Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The only accounts in which the results of the company are consolidated are those of a parent company, Barfair Limited, a company incorporated in the UK. The accounts of Barfair Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.