Virgin Bride Limited

Directors' report and financial statements

Registered number 3046028

31 January 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 January 2003.

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 was £2,744,091 *(2002: £1,292,089)*. The directors are unable to recommend the payment of a dividend *(2002: £nil)*.

Due to below than expected performance by the London store, a decision was made in January 2003 to cease operations from this location. A plan was formulated for the disposal of this store, and the store ceased operations on 1 May 2003. The total resulting exceptional costs charged in the year, including amounts provided against fixed assets, amounted to £1,142,791.

After reviewing the result for the year, the directors are confident that the remaining store, based in Manchester, will show an increase in sales in 2003/4, and are considering brand expansion at other locations.

Directors and directors' interests

The directors during the year under review were:

J Jackson
S Parden
AS Lee (appointed 27th November 2003)

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

The interests of the directors in the issued share capital of other group companies are disclosed in the respective companies' financial statements.

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 re-appointing auditors annually. This last resolution will lead to the continuing appointment of KPMG LLP as auditors of the Company until further notice.

By order of the Board

PG Gram
Secretary

120 Campden Hill Road
London
W8 7AR
25/10 2004

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 13.

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 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 October 2004

Profit and loss account

for the year ended 31 January 2003

	Note	2003	2002
		£	£
Turnover	*1*	**2,381,716**	2,126,157
Cost of sales		**(1,333,687)**	(926,923)
Gross profit		**1,048,029**	1,199,234
Administrative expenses (includes exceptional costs of £1,122,791 (*2002*: £nil))	*2*	**(3,682,316)**	(2,385,173)
Operating loss		**(2,634,287)**	(1,185,939)
Interest payable and similar charges	*4*	**(109,804)**	(106,150)
Loss on ordinary activities before taxation	*2*	**(2,744,091)**	(1,292,089)
Tax on loss on ordinary activities	*5*	**-**	-
Retained loss for the year		**(2,744,091)**	(1,292,089)
Retained loss brought forward		**(7,684,044)**	(6,391,955)
Retained loss carried forward		**(10,428,135)**	(7,684,044)

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.

No note of historical cost profits and losses has been presented since reported losses do not differ from historical cost losses.

Balance sheet

at 31 January 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	6		**203,406**		1,072,420
Current assets					
Stocks	7	**180,178**		738,160	
Debtors	8	**140,799**		161,717	
Cash at bank and in hand		**4,692**		35,250	
		325,669		935,127	
Creditors: amounts falling due within one year	9	**(10,957,208)**		(9,691,589)	
Net current liabilities			**(10,631,539)**		(8,756,462)
Net liabilities			**(10,428,133)**		(7,684,042)
Capital and reserves					
Called up share capital	11		**2**		2
Profit and loss account	12		**(10,428,135)**		(7,684,044)
Equity shareholders' deficit	13		**(10,428,133)**		(7,684,042)

The financial statements were approved by the Board of Directors on 25th October '04 and signed on its behalf by:

A S 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.

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 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. 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.

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/(crediting):

		2003	2002
		£	£
Depreciation – owned assets		**282,894**	211,505
Auditors' remuneration	- audit	**8,750**	8,500
Hire of other assets	- rentals payable under operating leases	**66,444**	96,952
Exchange (gains)/ losses		**(6,483)**	17,869
Impairment of fixed assets		**712,100**	-
Exceptional administrative expenses	- Stock write off	**257,527**	-
	- London Store Closure Costs	**20,000**	-
	- Onerous Lease (London)	**153,164**	-

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	
	2003	2002
Selling and reservations	**50**	63
Administration	**9**	7
	59	70

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**819,780**	920,744
Social security costs	**65,766**	67,773
Other pension costs	**7,970**	6,045
	893,516	994,562

The directors were paid £nil *(2002: £46,575)* for services to the company during the year. Of this amount, £nil *(2002*: £2,329*)* was paid in pension contributions.

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

	2003	2002
Money purchase schemes	-	1

4 Interest payable and similar charges

	2003	2002
	£	£
On bank loans and overdrafts	**109,804**	106,150

Notes *(continued)*

5 Taxation

No tax charge arises due to the losses incurred during the year *(2002: £nil)*. The tax losses of £6.1m *(2002: £4.7 million)* are available to relieve future profits.

Analysis of charge in period

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (30%, 2002: 30 %). The differences are explained below.

	2003 £	2002 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(2,744,091)**	(1,292,090)
Current tax at 30 % (2001: 30 %)	**(823,227)**	(387,627)
Effects of:		
Expenses not deductible for tax purposes	**38,761**	6,039
Depreciation in excess of capital allowances	**276,316**	-
Other short term timing differences	**3,441**	-
Unutilised tax losses carried forward for relief against future profits	**504,709**	381,588
Total current tax charge	**-**	-

Notes *(continued)*

6 Tangible fixed assets

	Leasehold improvements	Office equipment	Fixtures and fittings	Total
	£	£	£	£
Cost				
At beginning of year	872,545	210,226	790,582	1,873,353
Additions	-	36,945	89,035	125,980
At end of year	872,545	247,171	879,617	1,999,333
Depreciation				
At beginning of year	313,055	106,118	381,760	800,933
Charge for the year	60,074	56,340	166,480	282,894
Impairment during the year	499,416	57,511	155,173	712,100
At end of year	872,545	219,969	703,413	1,795,927
Net book value				
At 31 January 2003	**-**	**27,202**	**176,204**	**203,406**
At 31 January 2002	559,490	104,108	408,822	1,072,420

7 Stocks

	2003	2002
	£	£
Finished goods and goods for resale	**180,178**	727,420
Consumables	**-**	10,740
	180,178	738,160

Notes *(continued)*

8 Debtors

	2003 £	2002 £
Other debtors	**100,077**	74,766
Prepayments and accrued income	**40,722**	86,951
	140,799	161,717

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft (note 14)	**2,459,633**	2,391,644
Trade creditors	**197,779**	212,448
Amounts owed to group undertakings	**7,434,348**	6,565,186
Other creditors	**509,620**	507,163
Accruals and deferred income	**355,828**	15,148
	10,957,208	9,691,589

10. Deferred Tax

Taxable losses have been incurred in the year, which are available for offset against future taxable profits of the same trade. A deferred tax asset has not been recognised in respect of these losses on the grounds that there is insufficient evidence that the asset will be recoverable by foreseeable future taxable income.

The estimated value of the deferred tax asset on cumulative tax losses not recognised measured at a standard rate of 30% (2002: 30%), is £1,824,623 (2002: £897,289).

11 Called up share capital

	2003 £	2002 £
Authorised		
1,000 Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**2**	2

Notes *(continued)*

12 Reserves

	Profit and loss account £
At 1 February 2002	(7,684,044)
Retained loss for the year	(2,744,091)
At 31 January 2003	**(10,428,135)**

13 Reconciliation of movement in shareholders' deficit

	2003 £	2002 £
Loss for the year	(2,744,091)	(1,292,089)
Opening shareholders' deficit	(7,684,042)	(6,391,953)
Closing shareholders' deficit	**(10,428,133)**	(7,684,042)

14 Contingent liabilities

Guarantees have been given in respect of bank overdrafts and other borrowings of certain Virgin Group companies. These guarantees are supported by mortgage debentures creating fixed and floating charges over all the assets of these Companies.

15 Outstanding annual commitments under non-cancellable operating leases

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	6,444	16,800	6,444
In the second to fifth years inclusive	60,000	-	-	-
Over five years	-	-	180,000	-
	60,000	6,444	196,800	6,444

16 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 £7,970 *(2002: £6,045)*.

Notes *(continued)*

17 Related party disclosures

At 31 January 2003, 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.

18 Post balance sheet events

On 1 May 2003, the leasehold interest in respect of the London store location and certain assets were transferred to Bridal Fashions Limited resulting in the sales of this outlet. All the staff employed at this location were made redundant with effect from this date.

19 Ultimate parent company

At 31 January 2003 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.