Virgin Bride Limited

Directors' report and financial statements

Registered number 3046028

31 January 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 January 2002.

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 £1,292,089 *(2001: £1,569,439)*. The directors are unable to recommend the payment of a dividend *(2001: £nil)*.

A new store was opened in Manchester on 20 September 2001. Travel around the country was generally down last year due to factors such as rail problems and the Foot and Mouth epidemic. The directors believe that this had an adverse effect on sales, which were lower than the previous year. The directors are confident that sales will recover in 2002/3.

Directors and directors' interests

The directors during the year under review were:

IS Burroughs	(resigned 6 November 2001)
JP Illsley	(resigned 31 October 2001)
J Jackson	
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

26 November 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 13.

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 2002 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

29 November 2002

Profit and loss account

for the year ended 31 January 2002

	Note	**2002**	2001
		£	£
Turnover	*1*	**2,126,157**	2,326,273
Cost of sales		**(926,923)**	(1,304,309)
Gross profit		**1,199,234**	1,021,964
Administrative expenses		**(2,385,173)**	(2,134,279)
Operating loss		**(1,185,939)**	(1,112,315)
Interest payable and similar charges	*4*	**(106,150)**	(457,124)
Loss on ordinary activities before taxation	*2*	**(1,292,089)**	(1,569,439)
Tax on loss on ordinary activities	*5*	**-**	-
Retained loss for the year		**(1,292,089)**	(1,569,439)
Retained loss brought forward		**(6,391,955)**	(4,822,516)
Retained loss carried forward		**(7,684,044)**	(6,391,955)

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 2002

	Note		2002		2001
		£	£	£	£
Fixed assets					
Tangible assets	6		**1,072,420**		903,511
Current assets					
Stocks	7	**738,160**		600,021	
Debtors	8	**161,717**		179,712	
Cash at bank and in hand		**35,250**		13,535	
		935,127		793,268	
Creditors: amounts falling due within one year	9	**(9,691,589)**		(8,088,732)	
Net current liabilities			**(8,756,462)**		(7,295,464
Net liabilities			**(7,684,042)**		(6,391,953
Capital and reserves					
Called up share capital	11		**2**		2
Profit and loss account	12		**(7,684,044)**		(6,391,955
Equity shareholders' deficit	13		**(7,684,042)**		(6,391,953

The financial statements were approved by the Board of Directors on 26 November 2002 and signed on its behalf by:

J Jackson

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:

		2002	2001
		£	£
Depreciation – owned assets		**211,505**	191,852
Auditors' remuneration	- audit	**8,500**	8,500
Hire of other assets	- rentals payable under operating leases	**96,952**	140,655
Exchange losses		**17,869**	21,670
Loss on disposal of fixed assets		-	4,278

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	
	2002	2001
Selling and reservations	**63**	54
Administration	**7**	7
	70	61

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	**920,744**	1,054,574
Social security costs	**67,773**	75,120
Other pension costs	**6,045**	8,531
	994,562	1,138,225

The directors were paid £46,575 *(2001: £69,866)* for services to the company during the year. Of this amount, £2,329 *(2001: £3,000)* was paid in pension contributions.

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

	2002	2001
Money purchase schemes	**1**	1

4 Interest payable and similar charges

	2002	2001
	£	£
On bank loans and overdrafts	**106,150**	75,564
Payable to group undertakings	**-**	381,560
	106,150	457,124

Notes *(continued)*

5 Taxation

No tax charge arises due to the losses incurred during the year *(2001: £nil)*. The tax losses of £4.7 million *(2001: £3.8 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%, 2001: 30 %). The differences are explained below.

	2002	2001
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**-1,292,090**	-1,569,439
Current tax at 30 % (2001 : 30 %)	**-387,627**	-470,832
Effects of:		
Expenses not deductible for tax purposes	**6,039**	1,565
Unutilised tax losses carried forward for relief against future profits	**381,588**	469,267
Total current tax charge	**0**	0

6 Tangible fixed assets

	Leasehold improvements	**Office equipment**	**Fixtures and fittings**	**Total**
	£	£	£	£
Cost				
At beginning of year	857,177	161,273	474,724	1,493,174
Additions	15,368	48,944	316,102	380,414
At end of year	872,545	210,217	790,826	1,873,588
Depreciation				
At beginning of year	249,219	72,221	268,223	589,663
Charge for the year	63,836	33,888	113,781	211,505
At end of year	313,055	106,109	382,004	801,168
Net book value				
At 31 January 2002	**559,490**	**104,108**	**408,822**	**1,072,420**
At 31 January 2001	607,958	89,052	206,501	903,511

Notes *(continued)*

7 Stocks

	2002 £	2001 £
Finished goods and goods for resale	**727,420**	527,066
Consumables	**10,740**	72,955
	738,160	600,021

8 Debtors

	2002 £	2001 £
Trade debtors	-	2,850
Other debtors	**74,766**	107,193
Prepayments and accrued income	**86,951**	69,669
	161,717	179,712

9 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft (note 14)	**2,391,644**	1,004,368
Trade creditors	**212,448**	84,792
Amounts owed to group undertakings	**6,565,186**	5,908,239
Other creditors	**507,163**	960,426
Accruals and deferred income	**15,148**	130,907
	9,691,589	8,088,732

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, as based on detailed budgets; the company does not anticipate taxable profits to arise within the immediate future.

The estimated value of the deferred tax asset on cumulative tax losses not recognised measured at a standard rate of 30% is £897,289.

Notes *(continued)*

11 Called up share capital

	2002	2001
	£	£
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

12 Reserves

	Profit and loss account
	£
At 1 February 2001	**(6,391,955)**
Retained loss for the year	**(1,292,089)**
At 31 January 2002	**(7,684,044)**

13 Reconciliation of movement in shareholders' deficit

	2002	2001
Profit and loss account	**£**	£
Loss for the year	**(1,292,089)**	(1,569,439)
Opening shareholders' deficit	**(6,391,953)**	(4,822,514)
Closing shareholders' deficit	**(7,684,042)**	(6,391,953)

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.

Notes *(continued)*

15 Outstanding annual commitments under non-cancellable operating leases

	2002		2001	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**16,800**	**6,444**	-	15,622
In the second to fifth years inclusive	**-**	**-**	16,800	-
Over five years	**180,000**	**-**	120,000	-
	196,800	**6,444**	136,800	15,622

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 £6,045 *(2001: £8,531)*.

17 Related party disclosures

At 31 January 2002, 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)*

18 Ultimate parent company

At 31 January 2002 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.