Virgin Bride Limited

Directors' report and financial statements

Registered number 3046028

31 January 2000

Contents

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 January 2000.

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 £1,220,064 *(1999: loss of £1,578,896).*

The company has exhibited strong sales growth in the year to 31 January 2000. 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:

RCN Branson (resigned 14 December 1999)
IS Burroughs
JP Ilsley

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

Year 2000

Although we are no in the Year 2000, the generic Year 2000 issue remains. Whilst the directors cannot be totally certain about any future event, it is satisfied that appropriate steps have been taken to ensure that any remaining Year 2000 issues will not affect the Company's operations or financial position. Since the year end the Company has encountered no significant problems as a result of the Year 2000 issue and has not incurred any additional costs.

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

23 November 2000

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

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. 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 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KMG

KPMG
Chartered Accountants
Registered Auditors

29 March 2000

Profit and loss account

for the year ended 31 January 2000

	Note	2000	1999
		£	£
Turnover	1	**2,126,545**	1,434,907
Cost of sales		**(1,082,445)**	(766,440)
Gross profit		**1,044,100**	668,467
Administrative expenses		**(1,950,451)**	(1,928,517)
Operating loss		**(906,351)**	(1,260,050)
Interest payable and similar charges	5	**(313,713)**	(318,846)
Loss on ordinary activities before taxation	2	**(1,220,064)**	(1,578,896)
Tax on loss on ordinary activities	3	**-**	-
Retained loss for the year		**(1,220,064)**	(1,578,896)
Retained loss brought forward		**(3,602,452)**	(2,023,556)
Retained loss carried forward		**(4,822,516)**	(3,602,452)

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 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Tangible assets	*6*		**1,079,201**		1,113,141
Current assets					
Stocks	*7*	**442,778**		347,455	
Debtors	*8*	**276,465**		320,600	
Cash at bank and in hand		**15,190**		7,497	
		734,433		675,552	
Creditors: amounts falling due within one year	*9*	**(6,636,148)**		(5,391,143)	
Net current liabilities			**(5,901,715)**		(4,715,591)
Net liabilities			**(4,822,514)**		(3,602,450)
Capital and reserves					
Called up share capital	*10*		**2**		2
Profit and loss account			**(4,822,516)**		(3,602,452)
Equity shareholders' funds	*11*		**(4,822,514)**		(3,602,450)

The financial statements were approved by the Board of Directors on 23rd Nov 2000 and signed on its behalf by:

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 indirect 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. The consolidated financial statements of Barfair Limited, within which this company is included, can be obtained from Companies House.

Going concern

The accounts have been prepared on a going concern basis on the grounds that Barfair Limited, its immediate parent company, has confirmed that it will continue to provide support in order that the Company is able to meet its commitments as they fall due.

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:

		2000	1999
		£	£
Depreciation – owned assets		**178,372**	157,128
Auditors' remuneration	- audit	**6,000**	4,200
Hire of other assets	- rentals payable under operating leases	**141,397**	140,629
Exchange losses		**9,742**	3,233
Loss on disposal of fixed assets		**-**	19,778

3 Taxation

No tax charge arises due to the losses incurred during the year *(1999: £nil)*.

Notes *(continued)*

4 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	
	2000	1999
Selling and reservations	**48**	32
Administration	**8**	7
	56	39

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	**922,179**	610,754
Social security costs	**65,292**	55,116
Other pension costs	**5,525**	5,245
	992,996	671,115

The directors were paid £53,725 *(1999: £8,444)* for services to the company during the year. Of this amount, £2,558 *(1999: £692)* was paid in pension contributions.

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

	2000	1999
Money purchase schemes	**1**	1

5 Interest payable and similar charges

	2000	1999
	£	£
On bank loans and overdrafts	**191,020**	177,029
Payable to group undertakings	**122,693**	141,720
	313,713	318,749

Notes *(continued)*

6 Tangible fixed assets

	Leasehold improvements	Office equipment	Fixtures and fittings	Total
	£	£	£	£
Cost				
At beginning of year	854,277	65,828	421,197	1,341,302
Additions	-	80,049	64,383	144,432
Transfers	-	3,385	(3,385)	-
At end of year	854,277	149,262	482,195	1,485,734
Depreciation				
At beginning of year	114,255	19,300	94,606	228,161
Charge for the year	68,137	22,405	87,830	178,372
At end of year	182,392	41,705	182,436	406,533
Net book value				
At 31 January 2000	**671,885**	**107,557**	**299,759**	**1,079,201**
At 31 January 1999	740,022	46,528	326,591	1,113,141

7 Stocks

	2000	1999
	£	£
Finished goods and goods for resale	**385,413**	199,130
Consumables	**57,365**	148,325
	442,778	347,455

8 Debtors

	2000	1999
	£	£
Trade debtors	**18,775**	12,459
Other debtors	**205,272**	229,941
Prepayments and accrued income	**52,418**	78,200
	276,465	320,600

Notes *(continued)*

9 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft	**3,711,632**	2,853,145
Trade creditors	**93,441**	133,090
Amounts owed to parent and fellow subsidiaries	**2,144,995**	1,729,317
Other creditors	**604,749**	582,808
Accruals and deferred income	**81,331**	92,783
	6,636,148	5,391,143

10 Called up share capital

	2000 £	1999 £
Authorised		
Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

11 Reconciliation of movement in shareholders' funds

Profit and loss account	2000 £	1999 £
Loss for the year	**(1,220,064)**	(1,578,896)
Opening shareholders' funds	**(3,602,450)**	(2,023,554)
Closing shareholders' funds	**(4,822,514)**	(3,602,450)

Notes *(continued)*

12 Related party disclosures

At 31 January 2000, the Company's ultimate parent Company was Virgin Group Investments Limited (formerly Virgin Travel 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 RCN Branson and 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.

The following is a summary of those transactions and balances between the Company and the related parties which are required to be disclosed under Financial Reporting Standard 8:

	Parent and fellow subsidiary undertakings £
Interest payable	122,693
Creditors	2,144,995

The fellow subsidiary undertaking with whom the Company transacted during the year was Virgin Management Limited.

Inter-Company balances due to the fellow subsidiary undertakings attract interest at a rate of 1.5% above the base rate of Lloyds Bank Plc. Trading balances do not attract interest.

13 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.

14 Outstanding annual commitments under non-cancellable operating leases

	2000		1999	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
Within one year	**-**	**2,278**	-	-
In the second to fifth years inclusive	**16,800**	**-**	16,800	3,829
Over five years	**120,000**	**-**	120,000	-
	136,800	**2,278**	136,800	3,829

Notes *(continued)*

15 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 £5,525 *(1999:£5,245)*.

16 Ultimate parent company

At 31 January 2000 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 the immediate parent company, Barfair Limited, a company incorporated in the UK The accounts of Barfair Limited can be obtained from Companies House.