

**The Virgin Clothing Company Limited**

**Directors' report and financial  
statements**

**Registered number 3196828**

**Year ended 31 March 2005**



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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

### **Principal activities**

The principal activity of the company is the licensing of the Virgin Clothing name.

### **Business review**

During the year the company continued to trade under the international licensing arrangement with Unique Commerce and Fast Fashion. On the 6<sup>th</sup> April 2005 Unique Commerce was placed in administration.

### **Proposed dividend**

The directors are unable to recommend payment of a final dividend (2004: *£nil*). The profit for the year has been transferred to reserves.

### **Directors and directors' interests**

The directors who held office during the year were as follows:

John Jackson

Ros Simmons (appointed 7<sup>th</sup> March 2005)

David Rutherford (appointed 7<sup>th</sup> March 2005)

Clive Bruce (resigned 6<sup>th</sup> May 2005)

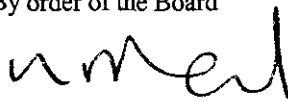
The beneficial interests of the directors who held office at the end of the year in the shares of Victory Corporation plc are disclosed in the accounts of that company.

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company or any other group company, other than disclosed above.

### **Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue as the company's auditors.

By order of the Board



**David Rutherford**  
**Director**

Salisbury House  
City Fields  
Tangmere  
Chichester  
West Sussex  
PO20 2FP

25/1/06

## 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;
- 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 Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB

## **Report of the independent auditors to the members of The Virgin Clothing Company Limited**

We have audited the financial statements on pages 4 to 10.

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 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Wally Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

30 JANUARY 2006

**Profit and loss account**  
*for the year ended 31 March 2005*

	<i>Note</i>	<b>2005 £000</b>	<b>2004 £000</b>
<b>Turnover</b>	<i>1</i>	<b>367</b>	<b>411</b>
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		<b>367</b>	<b>411</b>
Administrative expenses		<b>4</b>	<b>(29)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>371</b>	<b>382</b>
Tax on profit on ordinary activities	<i>4</i>	<b>(59)</b>	-
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation and retained profit for the year</b>	<i>10</i>	<b>312</b>	<b>382</b>
		<hr/>	<hr/>

There is no difference between result on ordinary activities and retained result for the financial year and their historical cost equivalents.

The retained profit for the year reported above all relates to continuing operations.

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the year other than those disclosed above in the profit and loss account.

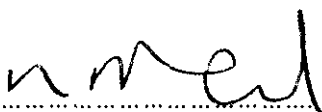
**Balance sheet**  
*at 31 March 2005*

	<i>Note</i>	<b>2005</b> <b>£000</b>	<b>£000</b>	<b>2004</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	5		-		3
<b>Current assets</b>					
Debtors	7	298		282	
Cash		2,410		1,757	
		<u>2,708</u>		<u>2,039</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(435)</u>		<u>(81)</u>	
<b>Net current assets</b>			<u>2,273</u>		<u>1,958</u>
<b>Net assets</b>			<u>2,273</u>		<u>1,961</u>
<b>Capital and reserves</b>					
Called up share capital	9	15		15	
Share premium account	10	1,564		1,564	
Profit and loss account	10	694		382	
<b>Equity shareholders' funds</b>	11	<u>2,273</u>		<u>1,961</u>	

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

28/1/06

and were signed on its



**David Rutherford**  
*Director*

## Notes

### 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 company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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.

#### *Turnover*

Turnover represents the amount (excluding value added tax) derived from the provision of goods and services to customers. License income is recognised only when receipt is virtually certain and royalty income is recognised on an accruals basis.

#### *Fixed assets and depreciation*

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

Computer equipment	- 4 years
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#### *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.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into accounts 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.

#### *Leases*

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



## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2005 £000	2004 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	3	4
Hire of other assets – operating leases	419	419
Exchange gains	-	(47)
	<hr/>	<hr/>

Audit fees are paid by the parent company, Victory Corporation plc. Details of the audit fee can be found in the financial statements of Victory Corporation plc.

During the year the company received £775,000 in compensation for allowing a tenant of the premises at Brook Green to cancel their lease

### 3 Remuneration of directors

No directors' remuneration was paid by this company in the current or previous financial year as all directors are paid by the parent company, Victory Corporation plc. Details of directors' remuneration can be found in the financial statements of Victory Corporation plc.

### 4 Taxation

	2005 £000	2004 £000
Analysis of charge in year		
<i>UK corporation tax</i>		
Current tax on income for the year	59	-
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below.

#### *Current tax reconciliation*

Profit on ordinary activities before taxation	371	382
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	111	114
<i>Effects of:</i>	41	-
Expenses not deductible for tax purposes	-	3
Capital allowances in excess of depreciation	(96)	1
Utilisation of tax losses	-	(118)
Other timing differences	3	-
	<hr/>	<hr/>
Total current tax charge (see above)	59	-
	<hr/>	<hr/>

#### *Factors that may affect future tax charges*

Deferred tax assets measured at 30% (2004: 30%) totalling approximately £3,836,000 (2004: £3,835,000) in respect of carried forward losses and £290,000 (2004: £386,000) in respect of accelerated capital allowances have not been recognised. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

## Notes (continued)

### 5 Tangible fixed assets

	Computer Equipment £000
<b>Cost</b>	
At 1 April 2004 and at 31 March 2005	19
<b>Depreciation</b>	
At 1 April 2004	16
Charge for year	3
31 March 2005	19
<b>Net book value</b>	
At 31 March 2005	-
At 31 March 2004	3

### 6 Fixed asset investments

Fixed asset investments relate to the company's investment in the company listed below. This was purchased at cost of £1 (2004: £1) and has a net book value of £1 (2004: £1)

	Country of incorporation	Principal activity	Class and percentage of shares held	
<b>Subsidiary undertakings</b>				
Classboss Limited	England and Wales	Dormant	Ordinary	100%

### 7 Debtors

	2005 £000	2004 £000
Trade debtors	178	249
Other debtors	25	6
Prepayments and accrued income	95	27
	<u>298</u>	<u>282</u>

### 8 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	98	33
Amounts owed to group undertakings	11	14
Corporation tax	59	-
Accruals and deferred income	267	34
	<u>435</u>	<u>81</u>

## Notes (continued)

### 9 Called up share capital

	2005 £000	2004 £000
<i>Authorised</i>		
1,587,936 Ordinary shares of 1p each	16	16
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,551,744 Ordinary shares of 1p each	15	15
	<hr/>	<hr/>

### 10 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At 1 April 2004	1,564	382
Retained profit for the year	-	312
	<hr/>	<hr/>
<b>At 31 March 2005</b>	<b>1,564</b>	<b>694</b>
	<hr/>	<hr/>

### 11 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
<b>Profit for the financial year and net addition to shareholders' funds</b>	<b>312</b>	<b>382</b>
Opening shareholders' funds	1,961	1,579
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>2,273</b>	<b>1,961</b>
	<hr/>	<hr/>

### 12 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings £000	Total £000	Land and buildings £000	Total £000
Operating leases which expire:				
In the second to fifth years inclusive	187	187	187	187
Over five years	232	232	232	232
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>419</b>	<b>419</b>	<b>419</b>	<b>419</b>
	<hr/>	<hr/>	<hr/>	<hr/>

In addition to the above at the end of the financial year, the company was party to a group overdraft facility with Victory Corporation plc and The Virgin Cosmetics Company Limited, The Virgin Cosmetics (Marketing) Company Limited, The Virgin Cosmetics (Purchasing) Company Limited, Virgin Clothing and Cosmetics Company Limited, Victory Retail Limited, and The Virgin Cosmetics US Purchasing Company Limited.

**Notes (continued)**

**13 Related party transactions**

Under Financial Reporting Standard 8 "Related Party Disclosures" the company is exempt from the requirement to disclose related party transactions with Victory Corporation plc and its subsidiary undertakings, on the grounds that it is a wholly owned subsidiary undertaking of Victory Corporation plc.

The directors consider that the ultimate controlling party is Virgin Group Investments Limited.

Name of related party	Type of transaction	Value	Balance at 31 March 2005 asset/(liabilities) £000
		£000	
Virgin Management Limited	Provision of tax, trademarks and company secretarial	(1)	-
Virgin Enterprises Limited	License provision	(35)	(6)

**14 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a wholly owned subsidiary undertaking of Victory Corporation plc registered in England and Wales.

The largest group in which the results of the company for the year are consolidated is that headed by Victory Corporation plc. The consolidated accounts of Victory Corporation plc are available to the public and may be obtained from Salisbury House, City Fields Business Park, Tangmere, Chichester, West Sussex, PO20 2FP. The results of the company for part of the year are included in the consolidated accounts of Virgin Hotels Group Limited. No other group accounts include the results of the company.

The company's ultimate parent undertaking is Virgin Group Investments Limited, a company incorporated in the British Virgin Islands. The principal shareholders of Virgin Group Investments Limited 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 members of his immediate family.