

Virgin Gym Holdings Limited

**Directors' report and financial
statements**

Registered number 3209355

31 March 2010

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2010

Principal activities

The principal activity of the Company is that of an investment holding company

Business review

The results for the year are set out on page 4 of the financial statements and the loss for the year of £396,037 (2009 £518,081) has been transferred to reserves

The Company has net liabilities. However, as detailed in note 1 to the financial statements a parent undertaking, Virgin Holdings Limited, has formally indicated that it is its present intention to 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 this support.

Furthermore, as an investment holding company, no significant changes are expected in relation to the Company's income streams or cost base at this present time. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2009: £nil)

Directors

The directors of the Company during the year were as follows:

G D McCallum

P C K McCall

J Bayliss (appointed 16 December 2009 – resigned 2 April 2010)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


B. R. Gerrard
Company Secretary

The School House
50 Brook Green
London
W6 7RR

29 September 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report to the members of Virgin Gym Holdings Limited

We have audited the financial statements of Virgin Gym Holdings Ltd for the year ended 31 March 2010 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UK/NP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



H Green (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

29 September 2010

Profit and loss account
for the year ended 31 March 2010

	<i>Vote</i>	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Administrative expenses		-	(2)
Operating loss		-	(2)
Interest payable	4	(396,037)	(518,079)
Loss on ordinary activities before taxation	2	(396,037)	(518,081)
Tax on loss on ordinary activities	5	-	-
Loss for the year		(396,037)	(518,081)

There were no recognised gains or losses in the current or preceding years other than those shown above, which were derived from continuing operations; consequently a statement of total recognised gains and losses has not been presented.

The notes on pages 6 to 11 form part of these financial statements.

Balance sheet

At 31 March 2010

	<i>Note</i>	2010 £	2009 £
Fixed assets			
Investments	6	14,299,146	9,313,937
Creditors' amounts falling due within one year	7	(15,756,473)	(10,375,227)
Net current liabilities		(15,756,473)	(10,375,227)
Net liabilities		(1,457,327)	(1,061,290)
Capital and reserves			
Called up share capital	8	2	2
Profit and loss account	9	(1,457,329)	(1,061,292)
Shareholders' deficit	10	(1,457,327)	(1,061,290)

The notes on pages 6 to 11 form part of these financial statements

These financial statements were approved by the board of directors on 29 September 2010 and were signed on its behalf by



G D McCallum
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

The amendment to FRS 8 Related Parties Disclosures has been adopted in these financial statements for the first time. The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in parent company's own financial statements

Basis of preparation

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

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking Virgin Holdings Limited has formally indicated that it is its present intention to 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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

Under FRS 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 Virgin Wings Ltd, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Investments

Investments in subsidiaries are shown at cost less amounts written off

Taxation

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 Financial Reporting Standard 19

A net 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 differences can be deducted

Notes *(continued)*

2 Loss on ordinary activities before taxation

Audit fees have been borne by a related group company for the current and prior year

3 Remuneration of directors

The directors did not receive any remuneration during the year for services to the Company (2009: £nil)

4 Interest payable and similar charges

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
On loans from group undertakings	396,037	518,079

Notes (continued)

5 Taxation

There is no tax charge in the profit and loss account in this or the previous year

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2009: higher) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(396,037)	(518,081)
Current tax at 28% (2009: 28%)	(110,890)	(145,063)
<i>Effects of</i>		
Expenses not deductible for tax	110,890	145,063
Total current tax charge	-	-

Factors that may affect future tax charges

Details of the Company's total recognised and unrecognised deferred tax assets at the year end (and prior year end) are shown in the table below:

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.

	2010 Recognised £	2010 Unrecognised £	2009 Recognised £	2009 Unrecognised £
UK tax losses	-	(74,466)	-	(74,466)

Notes (continued)

6 Fixed asset investments

	Investment in subsidiaries £
Cost	
At beginning of year	9 313 937
Additions	4 985 209
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At end of year	14 299 146
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Net book value	
At 31 March 2010	14,299,146
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At 31 March 2009	9 313,937
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From April 2009 to March 2010, the Company subscribed for 9,575 998 AUD 1 ordinary shares at par, for cash consideration.

The Company in which the Company's interest at the year end is more than 20% is as follows

	Country of Registration	Principal Activity	Holding %	No of Shares	Type of share
<i>Subsidiary undertakings</i>					
Virgin Active Australia Pty Ltd	Australia	Provider of sports and leisure facilities	100	31,500,000	AUD 1 Ordinary Shares

Notes (continued)

7 Creditors: amounts falling due within one year

	2010 £	2009 £
Amounts owed to related undertakings	15,756,473	10,375,227

8 Called up share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

9 Reserves

	Profit and loss account £
At beginning of year	(1,061,292)
Loss for the year	(396,037)
At end of year	(1,457,329)

10 Reconciliation of shareholders' deficit

	2010 £	2009 £
Opening shareholders' deficit	(1,061,290)	(543,209)
Loss for the financial year	(396,037)	(518,081)
Closing shareholders' deficit	(1,457,327)	(1,061,290)

Notes (continued)

11 Post balance sheet events

On 28 May 2010, a further 2,000,000 ordinary shares of AU \$1.00 each in Virgin Active Australia Pty Limited were allotted to Virgin Gym Holdings Limited (a total of £1.2 million at the prevailing exchange rate of £1 = AU \$1.7056).

On 30 July 2010, a further 1,500,000 ordinary shares of AU \$1.00 each in Virgin Active Australia Pty Limited were allotted to Virgin Gym Holdings Limited (a total of £0.9 million at the prevailing exchange rate of £1 = AU \$1.730).

12 Related party disclosures

At 31 March 2010 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard No. 8 (FRS 8).

As a 100% owned subsidiary of Virgin Wings Limited, the Company has taken advantage of the exemption under FRS8 Related Party Disclosures which enables it to exclude disclosure of transactions with Virgin Wings Limited and its wholly owned subsidiaries.

13 Ultimate parent company

At 31 March 2010, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the results of the Company are consolidated are those for Virgin Wings Limited and Virgin Holdings Limited respectively, companies registered in England and Wales. Copies of the group accounts of Virgin Wings Limited and Virgin Holdings Limited can be obtained from the Registrar of Companies, Companies House, Cardiff, CF14 3UZ.