

**Classboss Limited**

**Directors' report and financial statements**

Registered number 03433181

31 March 2011

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## Directors' report

The directors present their report and the financial statements for the year ended 31 March 2011

### Principal activities

The principal activity of the Company is that of an investment holding company. In the prior year, the Company was dormant.

### Business review

The Company has considerable financial resources, and as an investment holding company no significant changes are expected in relation to its income streams or cost base that could jeopardise this. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On 31 August 2011, the £1,000,000,000 zero coupon convertible loan note with Virgin Wings Limited was redeemed. In consideration, the Company issued 960,798,303 £1.00 Ordinary Shares to Virgin Wings Limited for £1,000,000,000. This resulted in an increase in the Company's net asset position.

Therefore 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.

### Results and dividends

The loss for the financial year, amounted to £14,695,000 (2010 - profit £nil).

The directors do not recommend the payment of a dividend (2010 - £nil).

### Directors

The directors who served during the year were

G McCallum (resigned 12 February 2010 & appointed 9 December 2010)

C Stent (appointed 9 December 2010)

I Woods (appointed 9 December 2010)

J Cohen (appointed 12 February 2010 & resigned 9 December 2010)

B Gerrard (appointed 12 February 2010 & resigned 9 December 2010)

### Provision of information to auditor

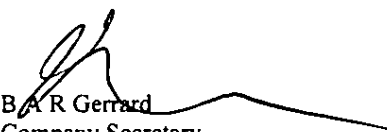
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

### Auditor

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.

This report was approved by the board on 17 November 2011 and signed on its behalf



B. A. R. Gerrard  
Company Secretary  
The School House  
50 Brook Green  
London  
W6 7RR

**Statement of directors' responsibilities**  
*for the year ended 31 March 2011*

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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,
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Classboss Limited**

We have audited the financial statements of Classboss Limited for the year ended 31 March 2011, set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 auditor**

As explained more fully in the Statement of directors' responsibilities 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 and express an opinion on 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 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 Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Other matter - Prior period financial statements**

In forming our opinion on the financial statements, which is not modified, we note that the prior period financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

### **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 returns adequate for our audit have not been received from branches not visited by us, 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.



Sarah Styant (Senior statutory auditor)

for and on behalf of

**KPMG LLP**

Chartered Accountants

Statutory Auditor

15 Canada Square

London

E14 5GL

21 November 2011

**Profit and loss account**  
*for the year ended 31 March 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>Unaudited 2010 £000</b>
Finance Costs	8	<u>(14,695)</u>	<u>-</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(14,695)</b>	<b>-</b>
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
<b>Loss for the financial year</b>	8	<b><u>(14,695)</u></b>	<b><u>-</u></b>

All amounts relate to continuing operations

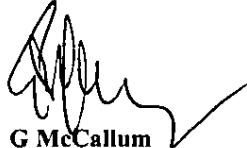
There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

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

**Balance sheet**  
*as at 31 March 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>Unaudited 2010 £000</b>
<b>Fixed assets</b>			
Investments	5	2,529,456	-
<b>Creditors: amounts falling due within one year</b>	6	(972,424)	-
<b>Net assets</b>		<b>1,557,032</b>	<b>-</b>
<b>Capital and reserves</b>			
Called up share capital	7	1,529,456	-
Equity option reserves	8	42,271	-
Profit and loss account	8	(14,695)	-
<b>Shareholders' funds</b>	9	<b>1,557,032</b>	<b>-</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 November 2011



**G McCallum**  
Director

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

## Notes to 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

#### 1.1 Basis of preparation of financial statements

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

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 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 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.

#### 1.2 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

#### 1.3 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.



## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

### 2. (Loss)/profit on ordinary activities before tax

The audit fee for the current year was borne by another group company (2010 - £nil)

### 3. Directors' remuneration

The directors did not receive any remuneration during the year for services to the Company (2010 - £nil)

## Notes to the financial statements

### 4. Taxation

There was no tax charge in the current or prior year

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - the same as) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011 £000	Unaudited 2010 £000
Loss on ordinary activities before tax	(14,695)	-
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	(4,115)	-
Effects of		
Expenses not deductible for tax purposes	4,115	-
<b>Current tax charge for the year (see note above)</b>	<b>-</b>	<b>-</b>

There was no recognised or unrecognised deferred tax at the end of the current or prior year end

### 5. Fixed asset investments

	<i>Investments in subsidiary companies £000</i>
<b>Cost or valuation</b>	
At 1 April 2010	-
Additions	2,529,456
At 31 March 2011	2,529,456
<b>Impairment</b>	
At 1 April 2010 and 31 March 2011	-
<b>Net book value</b>	
At 31 March 2011	2,529,456
At 31 March 2010	-

On 7 January 2011, Virgin Wings Limited, the parent undertaking, transferred the following to the Company for cash consideration 848,590,200 ordinary shares of £1 00 each in Virgin Holdings Limited, another group undertaking, for £2,191,737,248, 27,002,000 ordinary shares of £0 001 each in Virgin Money Investment Holdings Limited, another group undertaking, for £117,368,558, and 103 ordinary shares of £1 00 each in Virgin Mobile USA Holdings Limited, another group undertaking, for £220,350,000 On 10 January 2011, a Settlement Agreement was entered into under which it was agreed that the cash consideration outstanding would be settled through the issue by the Company of 1,529,455,806 £1 00 ordinary shares (see Note 7) and a £1,000,000,000 zero coupon convertible loan note (see Note 8)

## Notes to the financial statements

The companies in which the Company's interest at 31 March 2011 is more than 20% are as follows

	Country of registration	Principal activity	Holding	Class of shares
<i>Subsidiary undertakings</i>				
Virgin Holdings Limited	England & Wales	Investment holding company	100%	Ordinary £1 00 shares
Virgin Money Investment Holdings Limited	England & Wales	Investment holding company	100%	Ordinary £0 001 shares
Virgin Mobile USA Holdings Limited	England & Wales	Investment holding company	100%	Ordinary £1 00 shares

### 6. Creditors: Amounts falling due within one year

	2011 £000	Unaudited 2010 £000
Amounts owed to group undertakings	972,424	-

On 10 January 2011, the Company issued 1,529,455,806 £1 00 ordinary shares (see Note 7) and a £1,000,000,000 zero coupon convertible loan note (see Note 5 and Note 8) to Virgin Wings Limited, in settlement of cash consideration outstanding for an investment in Virgin Holdings Limited £2,191,737,248, Virgin Money Investment Holdings Limited £117,368,558 and Virgin Mobile USA Holdings Limited £220,350,000, all group undertakings. Refer to Note 8 for further information on the zero coupon convertible loan note. The equity portion of the zero coupon convertible loan note of £42,271,000 has been recorded in Reserves (see Note 8).

### 7. Share capital

	2011 £000	Unaudited 2010 £000
<b>Allotted, called up and fully paid</b>		
1,529,455,908 (2010 - 2) Ordinary shares of £1 each	1,529,456	-

On 9 September 2010, 2 £1 00 ordinary shares in the Company were transferred from Manzoni Holdings Limited to Virgin Holdings Limited. On 9 December 2010, 2 £1 00 ordinary shares in the Company were transferred from Virgin Holdings Limited to Virgin Wings Limited.

On 7 January 2010, the Company issued 100 £1 00 ordinary shares to Virgin Wings Limited, for a consideration of £100 cash.

On 10 January 2011, the Company issued 1,529,455,806 £1 00 ordinary shares and a £1,000,000,000 zero coupon convertible loan note (see Note 8) to Virgin Wings Limited, in settlement of cash consideration outstanding for an investment in Virgin Holdings Limited £2,191,737,248, Virgin Money Investment Holdings Limited £117,368,558 and Virgin Mobile USA Holdings Limited £220,350,000, all group undertakings.

## Notes to the financial statements

### 8. Reserves

	<i>Equity option reserves</i> £000	<i>Profit and loss account</i> £000
Loss for the year	-	(14,695)
Zero coupon convertible loan note (equity portion)	42,271	-
At 31 March 2011	<u>42,271</u>	<u>(14,695)</u>

On 10 January 2011, the Company issued 1,529,455,806 £1 00 ordinary shares (see Note 7) and a £1,000,000,000 zero coupon convertible loan note to Virgin Wings Limited, in settlement of cash consideration outstanding for an investment in Virgin Holdings Limited £2,191,737,248, Virgin Money Investment Holdings Limited £117,368,558 and Virgin Mobile USA Holdings Limited £220,350,000, all group undertakings. The zero coupon convertible loan note was to be redeemed on 31 August 2011 and does not bear interest (except in the case of late payment). On the redemption date the Company had the option to allot and issue to Virgin Wings Limited 960,798,303 £1 00 ordinary shares at the subscription price (being an amount equal to the principal amount of £1,000,000,000), which shall be satisfied by the discharge of the Company's obligations to pay the principal amount of £1,000,000,000 to Virgin Wings Limited. Alternatively, Virgin Wings Limited had the option (exercisable by written notice to the Company at least 5 business days before the 31 August 2011), to require the Company to pay in cash the amounts outstanding, in which case the zero coupon convertible loan note would be cancelled. In accordance with FRS 25 Financial Instruments Presentation, the loan principal has been split between liability and equity components. The equity component of the financial instrument at 31 March 2011 was £42,271,000 and is presented above in Equity Option Reserves. The liability component of the financial instrument at 31 March 2011 was £972,424,000 and is shown at Note 6. A finance charge of £14,695,000 was accrued during the year to 31 March 2011 in the profit and loss account, with a further £27,576,000 to be accrued by 31 August 2011.

### 9. Reconciliation of movement in shareholders' fund

	2011 £000	Unaudited 2010 £000
Opening shareholders' funds	-	-
Loss for the year	(14,695)	-
Shares issued during the year	1,529,456	-
Zero coupon convertible loan note (equity portion) - Note 8	42,271	-
Closing shareholders' funds	<u>1,557,032</u>	<u>-</u>

### 10. Related party transactions

At 31 March 2011 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.

The Company has taken advantage of the exemption under Financial Reporting Standard 8 Related Party Disclosures, which enables it to exclude disclosure of transactions with Virgin Wings Limited and its subsidiaries.

There are no related party transactions to disclose in the current year (2010 - £nil).

## Notes to the financial statements

### 11. Post balance sheet events

On 31 August 2011, the £1,000,000,000 zero coupon convertible loan note with Virgin Wings Limited was redeemed. In consideration, the Company issued 960,798,303 £1.00 Ordinary Shares to Virgin Wings Limited for £1,000,000,000.

### 12. Ultimate parent undertaking and controlling party

As at 31 March 2011 the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest group in which the results of the Company are consolidated is that of Virgin Wings Limited, a company which is registered in England and Wales. The consolidated accounts for Virgin Wings Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.