

**Barfair Limited**

**Directors' report and financial  
statements**

**Registered number 3552508**

**31 March 2010**

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## **Directors' report**

The directors present their annual 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 5 of the financial statements and the loss for the year of £37,429,000 (2009 loss of £86,773,000) 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 who held office during the year and since were as follows

G D McCallum  
P C K McCall  
J Bayliss (resigned 2 April 2010)

### **Charitable Donations**

The Company has made or committed to make UK charitable donations of £6.0 million (2009 £5.4 million)

### **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.

## **Directors' report** *(continued)*

### **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 A R Gerrard**  
*Company Secretary*

The School House  
50 Brook Green  
London  
W6 7RR  
21 October 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 Barfair Limited**

We have audited the financial statements of Barfair Limited for the year ended 31 March 2010 set out on pages 5 to 13. 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 3, 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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  
15 Canada Square  
London  
E14 5GL

26 October 2010

**Profit and loss account**  
*for the year ended 31 March 2010*

	<i>Note</i>	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Administrative expense		(34,518)	(51,345)
Other operating income		466	312
<b>Operating loss</b>		<b>(34,052)</b>	<b>(51,033)</b>
Gain on disposal of investments	7	900	1,128
Interest receivable and similar income	4	26,393	50,255
Interest payable and similar charges	5	(30,470)	(78,183)
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<b>(37,229)</b>	<b>(77,833)</b>
Tax on loss on ordinary activities	6	(200)	(8,940)
<b>Loss for the year</b>		<b>(37,429)</b>	<b>(86,773)</b>

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

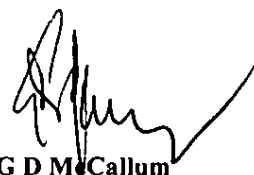
The notes on pages 7 to 13 form part of these financial statements

**Balance sheet**  
*at 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	7	<b>106,958</b>	87,458
<b>Current assets</b>			
Debtors	8	<b>279,254</b>	295,422
Cash at bank and in hand		-	3,289
		<b>279,254</b>	298,711
<b>Creditors, amounts falling due within one year</b>	9	<b>(1,053,875)</b>	(1,016,403)
<b>Net current liabilities</b>		<b>(774,621)</b>	(717,692)
<b>Net liabilities</b>		<b>(667,663)</b>	(630,234)
<b>Capital and reserves</b>			
Called up share capital	10	<b>2</b>	2
Share premium	11	<b>276,487</b>	276,487
Profit and loss account	11	<b>(944,152)</b>	(906,723)
<b>Shareholders' deficit</b>	12	<b>(667,663)</b>	(630,234)

The notes on pages 7 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 21 October 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 the 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 and on a going concern basis

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

As the Company is a wholly owned subsidiary of Virgin Wings Limited, 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

#### *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

#### *Investments*

Investments in subsidiaries are shown at cost less amounts written off

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling as 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 and losses on translation are included in the profit and loss account

## Notes (continued)

### 2 Loss on ordinary activities before taxation

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
<i>Loss on ordinary activities before taxation is stated after charging / (crediting):</i>		
Provision against amounts due from related undertakings	48,511	56,470
Write back of provision against amount due from related undertaking	7,454	(31,058)
Exchange differences	(89)	334
	<hr/>	<hr/>
Auditors' remuneration		
- audit of these financial statements	10	20
- audit of subsidiary financial statements	32	41
	<hr/>	<hr/>
Total auditors' remuneration	42	61
	<hr/>	<hr/>

### 3 Remuneration of directors

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

### 4 Interest receivable and similar income

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Receivable from group undertakings	19,222	38,831
Bank interest receivable	4	32
Net foreign exchange gains	7,167	11,392
	<hr/>	<hr/>
	26,393	50,255
	<hr/>	<hr/>

### 5 Interest payable and similar charges

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Payable to group undertakings	30,454	68,800
Bank interest payable	16	9,383
	<hr/>	<hr/>
	30,470	78,183
	<hr/>	<hr/>

## Notes (continued)

### 6 Taxation

#### Analysis of charge in year

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
<i>UK current tax</i>		
Current tax on income for the year	-	2,468
Adjustments in respect of prior years	185	(173)
<b>Total UK current tax</b>	<b>185</b>	<b>2,295</b>
<i>Non-UK current tax</i>		
Non-UK adjustments in respect of prior periods	16	-
<b>Total current tax</b>	<b>201</b>	<b>2,295</b>
<i>Deferred tax</i>		
Deferred tax – origination / reversal of timing differences	(1)	6,648
Deferred tax – adjustments in respect of prior periods	-	(3)
<b>Total deferred tax</b>	<b>(1)</b>	<b>6,645</b>
<b>Tax on loss on ordinary activities</b>	<b>200</b>	<b>8,940</b>

#### Factors affecting the tax charge for the current year

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

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(37,229)	(77,833)
<b>Current tax at 28% (2009 28%)</b>	<b>(10,424)</b>	<b>(21,793)</b>
<i>Effects of</i>		
Expenses not deductible for tax purposes	9,511	32,012
Income not taxable	(8,773)	(7,631)
UK tax losses not utilised or not recognised	9,685	-
Other timing differences	1	(120)
Adjustments in respect of prior periods	201	(173)
<b>Total current tax charge</b>	<b>201</b>	<b>2,295</b>

## Notes (continued)

### 6 Taxation (continued)

#### 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 in the balance sheet note 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 £000	2010 Unrecognised £000	2009 Recognised £000	2009 Unrecognised £000
Other timing differences	(1,683)	-	(1,682)	-
UK tax losses	-	(8,004)	-	-
	<u>(1,683)</u>	<u>(8,004)</u>	<u>(1,682)</u>	<u>-</u>

### 7 Fixed asset investments

	Shares in group undertakings £000
<b>Cost</b>	
At beginning of year	107,128
Disposals	(121)
<b>At end of year</b>	<u><b>107,007</b></u>
<b>Provision</b>	
At beginning of year	(19,670)
Release of provision	19,500
Disposals	121
<b>At end of year</b>	<u><b>(49)</b></u>
<b>Net book value</b>	
<b>At 31 March 2010</b>	<u><b>106,958</b></u>
At 31 March 2009	<u>87,458</u>

The Company's subsidiaries Virgin Cars Limited, Virgin D3 Limited, Wabash Datatech International Limited and WDI Limited were all dissolved during the year

The gain on sale of investment of £900,000 relates to deferred consideration on the sale of Virgin Wines Online Limited on 17 February 2005

## Notes (continued)

### 7 Fixed asset investments (continued)

The companies in which the Company's interest at 31 March 2010 is more than 20% are as follows

	Country of Registration	Principal Activity	Holding %	Type of share
<i>Subsidiary undertakings</i>				
Voyager Investments (BVI) Limited	British Virgin Islands	Investment holding company	100%	Ordinary £0.01 shares
The Virgin Trading Group Limited	England & Wales	Soft drink licences	100%	A Ordinary £0.0001 shares
Crawley Business Quarter Limited	England & Wales	Dormant	100%	Ordinary £1 shares
Euro-Magnetic Products Limited (in liquidation)	England & Wales	Dormant	100%	Ordinary £0.10 shares
V Secretarial Services Limited	England & Wales	Dormant	100%	A Ordinary £1 shares
Virgin Active Group Investments Limited	England & Wales	Health club operator	35%	A Preference £1 shares

### 8 Debtors

	2010 £000	2009 £000
Amounts owed by group undertakings	277,571	293,724
Other debtors	-	16
Deferred tax asset	1,683	1,682
	<u>279,254</u>	<u>295,422</u>

### 9 Creditors amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft	4	-
Amounts due to group undertakings	1,012,718	975,365
Corporation tax	41,111	40,926
Accruals and deferred income	42	112
	<u>1,053,875</u>	<u>1,016,403</u>

## Notes (continued)

### 10 Called up share capital

	2010 £000	2009 £000
<i>Allotted, called up and fully paid</i>		
2,000 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

### 11 Share premium and reserves

	Share premium £000	Profit and loss account £000
At beginning of the year	276,487	(906,723)
Loss for the year	-	(65,179)
	<u>276,487</u>	<u>(971,902)</u>
At end of the year	<u>276,487</u>	<u>(971,902)</u>

### 12 Reconciliation of shareholders' deficit

	2010 £000	2009 £000
Opening shareholders' deficit	(630,234)	(543,461)
Loss for the year	(37,429)	(86,773)
	<u>(667,663)</u>	<u>(630,234)</u>
Closing shareholders' deficit	<u>(667,663)</u>	<u>(630,234)</u>

### 13 Contingent liabilities

The Company is party to a group overdraft facility of £240 million (2009 £240 million), all of which is repayable on demand

## Notes (continued)

### 14 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.

As a 100% owned subsidiary of Virgin Wings Limited, 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 wholly owned subsidiaries.

	Related undertakings	
	2010	2009
	£000	£000
Other operating income	-	170
Interest receivable	10,956	22,366
Interest payable	(6,563)	(12,443)
Debtors	47,929	69,787
Creditors: amounts due in less than one year	(139,327)	(172,089)

The related undertakings with which the Company transacted during the year were Bluebottle USA Investments LP, Newstart Investments Limited, Package Holidays Direct Limited, SA Mauritius Investments Limited, Virgin Active Group Limited, Virgin Audio Limited, Virgin Cars Holdings Limited (a dissolved company), Virgin Entertainment Asia Limited, Virgin Entertainment Global Limited, Virgin Galactic Limited, Virgin Games Services Limited, Virgin Group Investments Limited, Virgin Health Clubs Holdings Limited, Virgin Hotels Group Limited, Virgin Hotels Limited, Virgin Leisure Limited, Virgin Limobike Limited, Virgin Mobile South Africa (Pty) Limited, Virgin Mobile USA Holdings Limited, Virgin Money Holdings SA (in liquidation), Virgin Money Investment Group Limited, Virgin Money Investment Holdings Limited, Virgin Performance Limited, Virgin Property Limited, Virgin Pulse (UK) Limited, Virgin Radio Asia Holdings UK Limited (in liquidation), Virgin Retail Investment Holdings Limited, Virgin Travelstore Limited, Virgin Ventures Limited and Virgin.com.

### 15 Ultimate parent company

As at 31 March 2010, the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

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