Virgin.com Limited

Directors' report and financial statements

Registered number 3735629

For the 11 month period to 31 January 2000

Contents

Directors' report

The directors present their annual report and the audited financial statements for the period from incorporation on 18 March 1999 to 31 January 2000.

Principal activities

The principal activity of the company is to operate a web site to cross sell the services of companies using the virgin name and offer a common e-commerce platform for Virgin internet companies.

Business review

The company was incorporated 18 March 1999 and the website was launched in April 1999.

The loss on ordinary activities after tax of the company for the period transferred to reserves is £1,189,144, as shown in the profit and loss account on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

RCN Branson	(appointed 18 March 1999)
APM Dormandy	(appointed 18 March 1999, resigned 31 December 2000)
WE Whitehorn	(appointed 18 March 1999)
DE Tatton-Brown	(appointed 22 June 2000, resigned 31 January 2001)
GD McCallum	(appointed 1 May 2000)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company or any other group companies.

Directors' report

Auditors

The members of the company have passed elective resolutions in accordance with Sections 366A, 252 and 286 of the Companies Act 1985 dispensing with the previous statutory requirement of holding annual general meetings, laying accounts before the company in general meetings and reappointing auditors annually. The last resolution will lead to the continuing appointment of KPMG as auditors of the company until further notice.

By order of the board

PG Gram
Company Secretary

120 Campden Hill Road
London
W8 7AR

22 May 2001

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 result of the company 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.com Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 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 January 2000 and of its loss for the 11 month period from 18 March 1999 (date of incorporation) to 31 January 2000 and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

5 June 2001

Profit and loss account

for the 11 month period to 31 January 2000

	Note	2000 £
Turnover		-
Cost of sales		-
Gross loss		-
Administrative expenses		(1,189,296)
Operating loss	*2*	(1,189,296)
Interest receivable	*5*	152
Loss on ordinary activities before taxation		(1,189,144)
Tax on loss on ordinary activities	*6*	-
Accumulated loss for the period	*11*	(1,189,144)

There are no recognised gains or losses other than the loss shown for the period which arises from continuing operations.

The notes on pages 7 to 12 form part of these financial statements.

Balance sheet

at 31 January 2000

	Note		2000
		£	£
Fixed assets			
Tangible assets	7		73,329
Current assets			
Debtors	8	251,539	
Cash at bank and in hand		54,157	
		305,696	
Creditors: amounts falling due within one year	9	(1,568,167)	
Net current liabilities			(1,262,471)
Net liabilities			(1,189,142)
Capital and reserves			
Called up share capital	10		2
Profit and loss account	11		(1,189,144)
Equity shareholders' funds	12		(1,189,142)

These financial statements were approved by the board of directors on 22 May 2001 and were signed on its behalf by:

WE Whitehorn
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 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The financial statements have been prepared on a going concern basis, in view of the fact that the ultimate parent undertaking Virgin Group Investments Limited (formerly known as Virgin Travel Limited), has formerly indicated that it will 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 a going concern basis.

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 lives as follows:

Computer software	-	50% per annum
Computer hardware	-	50% per annum
Furniture and fittings	-	50% per annum

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Notes *(continued)*

2 Loss on ordinary activities before taxation

	2000
	£
Loss on ordinary activities before taxation is stated after charging:	
Auditors' remuneration - audit work	4,500
Depreciation – owned assets	16,764
Hire of equipment - rentals payable under operating leases	40,427

3 Directors' emoluments

No payment was made in respect of directors' emoluments for the period.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	2000
	£
Operational	7

The aggregate payroll costs of these persons were as follows:

	2000
	£
Wages and salaries	314,839
Social security costs	34,982
	349,821

Notes *(continued)*

5 Other interest receivable

	2000
	£
Bank interest	152

6 Taxation

There is no charge for taxation in the period due to the losses incurred.

7 Tangible fixed assets

	Computer software	Computer hardware	Furniture And Fittings	Total
	£	£	£	£
Cost				
At beginning of period	-	-	-	-
Additions	948	88,805	340	90,093
At end of period	948	88,805	340	90,093
Depreciation				
At beginning of period	-	-	-	-
Charge for period	(119)	(16,626)	(19)	(16,764)
At end of period	(119)	(16,626)	(19)	(16,764)
Net book value				
At 31 January 2000	829	72,179	321	73,329

Notes *(continued)*

8 Debtors

	2000
	£
Amounts owed by related undertakings	133,756
Other debtors	117,783
	251,539

9 Creditors: amounts falling due within one year

	2000
	£
Trade creditors	451,055
Amounts owed to fellow subsidiary undertakings	984,488
Accruals	132,624
	1,568,167

10 Called up share capital

	2000
	£
Authorised:	
Equity 1,000 ordinary shares of £1 each	1,000
Allotted, called up and fully paid	
Equity: 2 ordinary shares of £1 each	2

11 Profit and loss account

	2000
	£
Accumulated loss for the period	(1,189,144)
Balance at 31 January 2000	**(1,189,144)**

Notes *(continued)*

12 Reconciliation of movement in shareholders' funds

	2000
	£
Balance at beginning of period	-
Issued share capital	2
Accumulated loss for the period	(1,189,144)
Balance at end of period	**(1,189,142)**

13 Commitments

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

	2000
	Other
	£
Operating leases which expire:	
In the second to fifth years inclusive	141,664
Over five years	10,512

Notes *(continued)*

14 Related party transactions

At 31 January 2000, the company's immediate parent company was Virgin Group Investments 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 Sir 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 disclosures under Financial Reporting Standard No.8.

At the year end, the company had the following amounts outstanding with related parties:

	Debtor	Creditor
Virgin Management Limited (fellow subsidiary)		672,925
Barfair Limited (fellow subsidiary) (a)		310,000
Virgin Mobile Telecoms Limited	133,254	

(a) Interest was charged at 2.5% over bank base rate on the balance owed to Barfair limited.

Balances with the other related parties were trading balances and are therefore interest free.

15 Ultimate holding company

At 31 January 2000 the ultimate holding company was Virgin Group Investments Limited, a company registered in the British Virgin Islands.

The company financial statements do not form part of any group accounts.