

Virgin.com Limited

Directors' report and financial  
statements

31 January 2002  
Registered number 3735629



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## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 January 2002.

## Principal activities

The principal activity of the Company is the development and management of the Virgin Group website 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 loss on ordinary activities after tax transferred to reserves is £9,627,594 (2001: £24,121,705 loss) as shown in the profit and loss account on page 4.

## Proposed dividend

The directors do not recommend the payment of a dividend (2001: £Nil).

## Directors and directors' interests

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

Sir R C N Branson  
W E Whitehorn  
G D McCallum

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

## Auditors

The members of the Company have passed elective resolutions in accordance with Section 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.

Our auditors KPMG have indicated their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 17 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the board

PG Gram   
Company Secretary

120 Campden Hill Road  
London  
W8 7AR  
29 November 2002

## 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.

## **Report of the independent auditor to the members of Virgin.com Limited**

We have audited the financial statements on pages 4 to 15.

### **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 January 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*8 Salisbury Square*  
*London EC4Y 8BB*  
*29 November 2002*

## Profit and loss account

For the year to 31 January 2002

	Note	Year ended 31 January 2002 £	Year ended 31 January 2001 £
<b>Turnover</b>		71,800	-
Cost of Sales		-	-
<b>Gross profit</b>		71,800	-
Administrative expenses		(7,267,374)	(23,227,573)
Other income		29,907	522,346
<b>Operating loss</b>	2	(7,165,667)	(22,705,227)
Loss on disposal of fixed assets		(46,309)	(456,388)
Interest receivable	5	5,123	67,046
Interest payable	6	(2,420,741)	(1,027,136)
<b>Loss on ordinary activities before taxation</b>		(9,627,594)	(24,121,705)
Tax on loss on ordinary activities	7	-	-
<b>Accumulated loss for the period</b>		(9,627,594)	(24,121,705)

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

The notes on pages 7 to 15 form part of these financial statements.

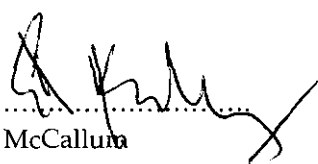
## Balance Sheet

At 31 January 2002

		31 January 2002		31 January 2001	
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		1,149,154		1,579,943
<b>Current assets</b>					
Debtors	10	369,816		1,244,060	
Cash at bank and in hand		34,215		-	
		<u>404,031</u>		<u>1,244,060</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(36,491,626)</u>		<u>(28,134,850)</u>	
<b>Net current liabilities</b>			(36,087,595)		(26,890,790)
<b>Net liabilities</b>			<u>(34,938,441)</u>		<u>(25,310,847)</u>
<b>Capital and reserves</b>					
Called up share capital	12		2		2
Profit and loss account			(34,938,443)		(25,310,849)
<b>Equity shareholders' deficit</b>	13		<u>(34,938,441)</u>		<u>(25,310,847)</u>

The notes on pages 7 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 29 November 2002 and were signed on its behalf by:

  
.....  
G McCallum  
Director

## Cash flow Statement

For the year to 31 January 2002

	Note	Year ended 31 January 2002 £	Year ended 31 January 2001 £
Net cash flow from operating activities	14	326,416	2,000,220
Returns on investments and servicing of finance	15	2,237	26,792
Taxation		-	-
Capital expenditure and financial investment	15	<u>(13,828)</u>	<u>(2,361,779)</u>
Cash inflow/(outflow) before financing		314,825	(334,767)
Increase/(decrease) in cash during the year		<u>314,825</u>	<u>(334,767)</u>

### Reconciliation to net debt

Increase/(decrease) cash during the year	314,825	(334,767)
Net funds at start of year	<u>(280,610)</u>	<u>54,157</u>
Net funds at end of year	<u>34,215</u>	<u>(280,610)</u>

The notes on pages 7 to 15 form part of these financial statements.



## 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.

The Company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts, on the grounds of size. These financial statements present information about the Company as an individual undertaking and not about its group.

#### 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 has formally 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 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 and office equipment	-	33% per annum
Leasehold improvements	-	over lease term

#### Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### 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 FRS 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)**

**1 Accounting policies (continued)**

**Turnover**

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

**Cash and liquid resources**

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

**Pension scheme**

The Company and its UK subsidiary undertakings are members of a defined contribution pension scheme, operated by Virgin Management Ltd, a related undertaking. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

**2 Operating Loss on ordinary activities**

	2002 £	2001 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit work	5,000	5,000
Depreciation and amount written off – owned assets	382,844	413,456
Hire of equipment		
- rental	-	3,300
- rentals payable under operating leases	6,750	9,428
Provision against group balances receivable	5,723,515	11,271,903
Amounts written off investments	-	550,001

**3 Directors' emoluments**

No payment was made in respect of directors' emoluments for the year (2001: £Nil).

**4 Staff numbers and costs**

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

	2002 Number	2001 Number
Administration	3	7
Operational	6	18
	9	25

**Notes (continued)**

**4 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	220,365	2,565,467
Social security costs	22,230	269,489
Pension costs	9,088	49,269
	<u>251,683</u>	<u>2,884,225</u>

**5 Interest receivable**

	2002 £	2001 £
Bank interest	5,123	29,466
Group interest	-	37,580
	<u>5,123</u>	<u>67,046</u>

**6 Interest Payable**

	2002 £	2001 £
Bank interest	2,885	2,674
Group interest	2,417,856	1,024,462
	<u>2,420,741</u>	<u>1,027,136</u>

## Notes (continued)

### 7 Taxation

The company has no charge for corporation tax due to losses incurred in the period. (2001: £Nil)

	2002 £	2001 £
<b>Analysis of charge in period</b>		
<i>UK Corporation Tax</i>		
Current tax on income for the period	-	-

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

The current tax charge for the period is higher (2001:higher) than the standard rate of corporation tax in the UK 30%, (2001:30%). The differences are explained below;

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	(9,627,594)	(24,121,705)
Current tax at 30% (2001:30%)	(2,888,277)	(7,236,512)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,708,666	3,253,927
Depreciation for period in excess of capital allowances	109,726	250,810
Unrelieved corporation tax losses	1,069,885	3,731,775
	-	-

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

A deferred tax asset of £4,701,778 (2001: £3,522,167) relating to carried forward losses and other timing differences has not been recognised as based on detailed budgets the company does not anticipate taxable profits will arise within the immediate future.

Notes (continued)

8 Tangible fixed assets

	Computer equipment £	Furniture & Fittings £	Office equipment £	Leasehold improvements £	Total £
<b>Cost</b>					
At 1 February 2001	65,599	747,686	100,405	908,193	1,821,883
Additions	2,175	12,013	-	20,683	34,871
Disposals	-	(157,295)	-	-	(157,295)
At 31 January 2002	67,774	602,404	100,405	928,876	1,699,459
<b>Depreciation</b>					
At 1 February 2001	5,889	147,923	25,827	62,301	241,940
Charge for year	30,789	203,376	24,857	123,822	382,844
Disposals	-	(74,479)	-	-	(74,479)
At 31 January 2002	36,678	276,820	50,684	186,123	550,305
<b>Net Book Value</b>					
At 31 January 2002	31,096	325,584	49,721	742,753	1,149,154
At 31 January 2001	59,710	599,763	74,578	845,892	1,579,943

9 Investments

	Group undertakings £
Cost at beginning and end of year	550,001
Provision at beginning and end of year	(550,001)
Net book value at 31 January 2001 and 31 January 2002	-

Company	Country of incorporation	Type of holding	% holding	Principal activity
Package Holidays Direct Limited	England and Wales	300,000 ordinary £1 shares 250,000 5% non cumulative preference £1 shares	100	Travel agency
Virgin Travelstore Limited	England and Wales	1 ordinary £1 share	100	Travel agency

Notes (continued)

10 Debtors

	2002 £	2001 £
Amounts owed by group undertakings	291,548	1,208,116
Other debtors	64,278	-
Prepayments	13,990	35,944
	<u>369,816</u>	<u>1,244,060</u>

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	155,304	161,857
Amounts owed to group undertakings	36,259,207	27,617,854
Accruals	77,115	49,345
Other creditors	-	25,184
Bank overdraft	-	280,610
	<u>36,491,626</u>	<u>28,134,850</u>

12 Called up share capital

	2002 £	2001 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes (continued)

**13 Reconciliation of movement in shareholders' deficit**

	2002 £	2001 £
Balance at 1 February 2001	(25,310,847)	(1,189,142)
Accumulated loss for the year	<u>(9,627,594)</u>	<u>(24,121,705)</u>
Balance at 31 January 2002	<u>(34,938,441)</u>	<u>(25,310,847)</u>

**14 Reconciliation of operating loss to operating cash flows**

	2002 £	2001 £
Operating loss	(7,165,667)	(22,705,227)
Depreciation charges	382,844	413,456
Decrease/(increase) in debtors	913,568	(969,620)
Increase in creditors	<u>6,195,671</u>	<u>25,261,611</u>
	<u>326,416</u>	<u>2,000,220</u>

**15 Analysis of cash flows**

**Returns on investment and servicing of finance**

	2002 £	2001 £
Interest received	5,123	29,466
Interest paid	<u>(2,886)</u>	<u>(2,674)</u>
	<u>2,237</u>	<u>26,792</u>

**Capital expenditure and financial investment**

	2002 £	2001 £
Purchase of fixed assets	(13,828)	(2,638,573)
Proceeds from the sale of fixed assets	-	276,794
	<u>(13,828)</u>	<u>(2,361,779)</u>

Notes (continued)

16 Analysis of net funds

	At 1 February 2001 £	Cashflows £	At 31 January 2002 £
(Overdraft)/Cash at bank	(280,610)	314,825	34,215

17 Commitments

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

	2002 £	2001 £
Operating leases which expire:		
Within one year	3,375	-
In the second to fifth years inclusive	-	10,124
	<u>3,375</u>	<u>10,124</u>

18 Pension Scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the fund and amount to £9,088 (2001: £49,269). There were no outstanding contributions at the end of the financial year.



Notes (continued)

19 Related party transactions

At 31 January 2002, 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/or 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:

	Fellow subsidiary undertaking		Subsidiary undertakings		Related undertakings	
	2002	2001	2002	2001	2002	2001
	£	£	£	£	£	£
Creditors	-	-	20,853	20,853	36,238,354	27,597,001
Debtors	107,946	-	5,525	150,742	178,077	1,057,374
Interest payable	-	-	-	-	2,417,856	1,024,462
Interest receivable	-	-	-	-	-	37,580
Provision	-	-	5,723,515	10,037,708	-	1,234,195

Interest charged on the creditor balance from related undertaking, Barfair Limited, is 2.5% over 3 month LIBOR, and from related undertaking, Ivanco 1 Limited is 2.5% over base rate and 2.5% over 3 month LIBOR.

All other balances do not attract interest

The subsidiary undertakings with which the Company transacted during the year were Package Holidays Direct Limited and Virgin Travelstore Limited.

The related undertakings with which the Company transacted during the year were Virgin Student Limited, Virgin Management Limited, Virgin Mobile Telecoms Limited, Virgin Net Limited, Virgin Wines Online Limited, Virgin Enterprises Limited, Virgin Limobikes Limited, Virgin Home Limited, Virgin Cars (UK) Limited, Virgin Drinks Company Limited, Virgin Energy Limited, Virgin Active Limited, Virgin Airship and Balloon Company Limited, Virgin Atlantic Airways Limited, Virgin Books Limited, Virgin Cosmetics Limited, Virgin Holidays Limited, Virgin Retail Limited, Virgin Money Management Services Limited, Virgin Direct Personal Finance Limited, Our Price Limited, Necker Island Limited, Trainline.com Limited, West Coast Trains Limited, Voyager Group Limited, Barfair Limited and Ivanco 1 Limited.

20 Ultimate holding Company

At 31 January 2002, the ultimate holding Company was Virgin Group Investments Limited, a Company registered in the British Virgin Islands.