

**EXITIUM LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 JANUARY 2002**

**Registered Number: 3939354**



# **EXITIUM LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 JANUARY 2002**

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**EXITIUM LIMITED**  
**REPORT OF THE DIRECTORS**

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

**PRINCIPAL ACTIVITY**

The principal activity of the Company is that of an investment holding company.  
The results for the year are set out on page 4.

**RESULTS**

The Company made a loss of £173,607 during the year to 31 January 2002 (2001 : £2,677,894), which has been taken to reserves.

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

**DIRECTORS AND THEIR INTERESTS**

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

G D McCallum (appointed 14 May 2001)  
I S Burroughs (resigned 29 October 2001)  
S T M Murphy (appointed 30 November 2001)  
S R Bowker (appointed 14 May 2001, resigned 30 November 2001)

None of the directors who held office at the end of the financial year have any disclosable interests in the shares of the Company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors, or their immediate families, or exercised by them, during the financial year.

**AUDITORS**

The members of the Company have passed elective resolutions in accordance with Sections 366A, 252 and 386 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.

By order of the Board

P G Gram  
Secretary



120 Campden Hill Road  
London  
W8 7AR  
29 November 2002

**EXITIUM LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 which enable them to ensure that the accounts comply with the Companies Act 1985. 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.

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF EXITIUM LIMITED**

We have audited the financial statements on pages 4 to 13.

**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 its 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*

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB

*29 November 2002*

**EXITIUM LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 JANUARY 2002**

	<u>Notes</u>	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
Administrative expenses		(158,799)	(1,983,552)
Other income		-	325,001
<b>OPERATING LOSS</b>	<b>2</b>	<b>(158,799)</b>	<b>(1,658,551)</b>
Amounts written off investment	8	-	(844,106)
Interest payable	5	(127,585)	(188,086)
Interest receivable	6	136,253	76,391
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(150,131)</b>	<b>(2,614,352)</b>
Taxation on profit on ordinary activities	7	(23,476)	(63,542)
<b>ACCUMULATED LOSS FOR THE YEAR</b>		<b>(173,607)</b>	<b>(2,677,894)</b>

There were no recognised gains or losses during the period other than those shown above, which were derived from continuing operations.

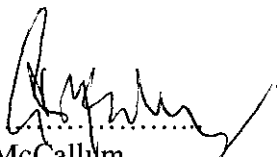
The notes on pages 7 to 14 form part of these financial statements.

**EXITIUM LIMITED**  
**BALANCE SHEET**  
**AS AT 31 JANUARY 2002**

	<u>Notes</u>	31 January 2002 £	31 January 2001 £
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		136,221	131,780
<b>CREDITORS: Amounts falling due within one year</b>	9	(1,904,578)	(74,954)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(1,768,357)	56,826
<b>CREDITORS: Amounts falling due after more than one year</b>	10	-	(1,661,488)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	7	-	9,912
<b>NET LIABILITIES</b>		(1,768,357)	(1,594,750)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,083,144	1,083,144
Profit and loss account	12	(2,851,501)	(2,677,894)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	13	(1,768,357)	(1,594,750)

The notes on pages 7 to 14 form part of these financial statements.

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

.....  
  
 G McCallum

Director

**EXITIUM LIMITED**

**CASH FLOW STATEMENT**

**FOR YEAR ENDED 31 JANUARY 2002**

		Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
	<u>Notes</u>		
Cash (outflow)/inflow from operating activities	14	(42)	69,637
Returns on investment and servicing of finance	15	4,483	(176,895)
Taxation		-	-
Acquisitions and disposals	15	-	(1,169,107)
Cash inflow/(outflow) before financing		4,441	(1,276,365)
Financing	15	-	1,408,145
Increase in cash in the year		4,441	131,780
<b>Reconciliation to net debt</b>			
Increase in cash during the year		4,441	131,780
Net funds at start of year		131,780	-
		136,221	131,780

The notes on pages 7 to 14 form part of these financial statements.



**EXITIUM LIMITED****NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 JANUARY 2002****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 accounts have been prepared under the historical cost accounting rules in accordance with applicable accounting standards, and on a going concern basis in view of the fact that the shareholders in the Company have formally indicated that they 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.

**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.

**Foreign Currencies**

Monetary assets and liabilities dominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**EXITIUM LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 JANUARY 2002**

**2. OPERATING LOSS**

This is stated after charging:

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
Auditors' remuneration – audit	1,000	1,500
Provision for bad debts	131,770	1,835,546
	<hr/>	<hr/>

**3. DIRECTORS' EMOLUMENTS**

The directors did not receive any remuneration during the year for services to the Company.

**4. STAFF COSTS**

The Company does not have any employees other than the directors of the Company.

**5. INTEREST PAYABLE**

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
Loan interest payable to group undertakings	127,585	105,179
On bank loans	-	82,907
	<hr/>	<hr/>
	127,585	188,086

**6. INTEREST RECEIVABLE**

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
Other interest receivable	131,770	65,200
Bank interest	4,483	11,191
	<hr/>	<hr/>
	136,253	76,391

**EXITIUM LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 JANUARY 2002**

**7. TAXATION**

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
Current tax on income for the period	13,564	73,454
Deferred tax: origination/reversal of timing differences	9,912	(9,912)
Tax on loss on ordinary activities	<u>23,476</u>	<u>63,542</u>

*Factors affecting the tax charge for the current period*

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

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(150,131)</u>	<u>(2,614,352)</u>
Current tax at 30% (2001: 30%)	(45,039)	(784,305)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	46,580	847,847
Tax effect of timing differences	12,023	9,912
Current tax charge	<u>13,564</u>	<u>73,454</u>

**EXITIUM LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 JANUARY 2002**

**7. TAXATION** *(continued)*

*Deferred tax – analysis of balances*

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
Short term timing differences	-	9,912

*Deferred tax*

The deferred tax asset of £9,912 that was recognised in the financial statements for the period to 31 January 2001 has been written back in the current period, as the timing differences are no longer expected to reverse in the foreseeable future.

**8. FIXED ASSET INVESTMENTS**

	£
Cost at beginning and end of year	844,106
Provision at beginning and end of year	(844,106)
Net book value at 31 January 2001 and 31 January 2002	<u>-</u>

Trade investment held directly:

	Country of Registration	Principal Activity	Holding %	No. of Shares	Type of Share
Convergent Networks Inc.	United States	Broadband networking	2	222,709	Ordinary shares

## EXITIUM LIMITED

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 JANUARY 2002**

**9. CREDITORS: amounts falling due within one year**

	2002	2001
	£	£
Loan Note C	1,789,073	-
Amounts owed to group undertakings	17,200	-
Corporation tax	87,018	73,454
Accruals	11,287	1,500
	<u>1,904,578</u>	<u>74,954</u>

**10. CREDITORS: amounts falling due after more than one year**

	2002	2001
	£	£
Loan Note C	-	1,661,488
	<u>-</u>	<u>1,661,488</u>

**11. CALLED UP SHARE CAPITAL**

	2002	2001
	£	£
Authorised		
112,500,000 Ordinary shares of £0.01 each	1,125,000	1,125,000
	<u>1,125,000</u>	<u>1,125,000</u>
Allotted, called up and fully paid		
108,314,397 Ordinary shares of £0.01 each	1,083,144	1,083,144
	<u>1,083,144</u>	<u>1,083,144</u>

**12. PROFIT AND LOSS RESERVE**

	£
Balance at 1 February 2001	(2,677,894)
Loss for the year	(173,607)
Balance at 31 January 2002	<u>(2,851,501)</u>

**EXITIUM LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 JANUARY 2002**

**13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2002	2001
	£	£
Opening shareholders deficit	(1,594,750)	-
Loss for the financial year	(173,607)	(2,677,894)
Issue of ordinary shares	-	1,083,144
Closing shareholders' deficit	<u>(1,768,357)</u>	<u>(1,594,750)</u>

**14. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS**

	Year ended 31 January 2002	11 month period ended 31 January 2001
	£	£
Operating loss	(158,799)	(1,658,551)
Increase in debtors	131,771	65,200
Increase in creditors	26,986	1,662,988
Cash (outflow)/inflow from operating activities	<u>(42)</u>	<u>69,637</u>

**15. ANALYSIS CASH FLOWS**

	Year ended 31 January 2002	11 month period ended 31 January 2001
	£	£
<b>Returns on investment and servicing of finance</b>		
Interest received	4,483	11,191
Interest paid	-	(188,086)
	<u>4,483</u>	<u>(176,895)</u>

## EXITIUM LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 JANUARY 200215. ANALYSIS CASH FLOWS (*continued*)

	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
<b>Acquisitions and disposals</b>		
Purchase of investment	-	(6,708,844)
Disposal of investment	-	5,539,737
	-	(1,169,107)
	Year ended 31 January 2002 £	11 month period ended 31 January 2001 £
<b>Financing</b>		
Loan financing	-	6,708,844
Loans repaid	-	(6,383,843)
Issue of ordinary share capital	-	1,083,144
	-	1,408,145

## 16. RELATED PARTY TRANSACTIONS

At 31 January 2002 the Company's ultimate parent undertaking 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 Richard 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 party disclosures under Financial Reporting Standard No. 8.

At the year end the Company owed amounts of £1,789,073 (2001 : £1,661,488) in respect of loan notes to its shareholders. Interest accrues on these loan notes at 3.25% above base rate and interest payable during the year was £127,585 (2001 : £105,179).

The Company also owed a fellow subsidiary company, Virgin Management Limited, the amount of £17,200 relating to costs recharged during the year. The balance does not attract interest.

**EXITIUM LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 JANUARY 2002**

**17. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking at 31 January 2002 was Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The only group in which the results of the company are consolidated is that headed by Barfair Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.