

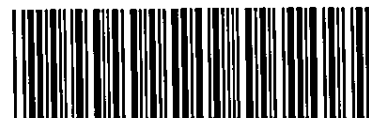
**Victory Corporation Limited
(formerly Victory Corporation Plc)**

**Directors' report and financial
statements**

Registered number 3189714

Year ended 31 March 2008

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2008

Principal activities

The principal activity of the company is to hold investments in its trading subsidiaries which distribute and license Virgin branded products including cosmetics, toiletries, jewellery and clothing

Business Review

The loss for the year amounted to £45,252,000 (2007 *loss of £1,834,000*) which includes exceptional items of an impairment of the investment in a subsidiary of £42,826,000 and the write off of an intercompany debt of £1,141,000 (2007 *£715,000 Delisting and restructuring costs*)

Following the delisting of the company, the company changed its status from a public limited company to a private limited company on 20 November 2007

The company has met the requirements in the Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review

Going concern

The financial statements have been prepared on a going concern basis. The company is reliant on the continued support of its ultimate parent company, Virgin Group Holdings Limited, which has confirmed that it is its present intention to provide sufficient funds to enable the company to continue its normal trading activities and pay its debts as and when they fall due for the foreseeable future, being at least one year from the date of approval of these financial statements

Proposed dividend and transfer to reserves

The directors are unable recommend payment of a dividend this year (2007 *£nil*). The loss for the year has been transferred to reserves

Directors

The directors who held office during the year and subsequent to the year were as follows

John Jackson (Chairman) (resigned 6 April 2008)

Rosalind Simmons

David Rutherford (resigned 31 January 2008)

Patrick McCall

Andrew Lee (appointed 28 March 2008)

Employees

It is the policy of the Company to employ disabled persons where possible and to ensure continued employment is offered to employees who became temporarily disabled. Disabled persons are given full and fair consideration at all times in recruitment and career development

Directors' report *(continued)*

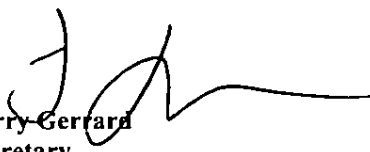
Disclosure of information to auditors

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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue as the company's auditors

On behalf of the board



Barry Gerrard
Secretary

2 October 2008
Registered Address:

Salisbury House
City Fields
Tangmere
Chichester
West Sussex
PO20 2FP

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)

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 LLP

Dukes Keep
Marsh Lane
Southampton
SO14 3EX
United Kingdom

Independent auditors' report to the members of Victory Corporation Limited (formerly Victory Corporation Plc)

We have audited the financial statements of Victory Corporation Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Victory Corporation Limited (formerly Victory Corporation Plc) *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

3rd October 2008

Profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Administrative expenses	2-4	(351)	(517)
Operating loss before exceptional items		(351)	(517)
Exceptional items	2	(43,967)	(715)
Operating loss after exceptional items		(44,318)	(1,232)
Interest receivable	5	23	90
Interest payable	6	(957)	(692)
Loss on ordinary activities before taxation	2-4	(45,252)	(1,834)
Tax on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation and retained loss for the year		(45,252)	(1,834)

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the year other than those disclosed above in the profit and loss account

All of the results above derive from continuing activities, with the exception of the intercompany debt written off (see note 2) which relates to a discontinued operation

No note of historical cost profits and losses has been presented since reported losses do not materially differ from historical cost losses

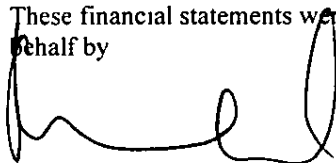
The notes on pages 8 to 15 form part of these financial statements

Balance sheet
as at 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Investments	8	1,220	44,046
Current assets			
Debtors	9	119	1,229
		<u>119</u>	<u>1,229</u>
Creditors amounts falling due within one year	10	<u>(5,321)</u>	<u>(4,005)</u>
Net current liabilities		(5,202)	(2,776)
Net (liabilities)/assets		<u>(3,982)</u>	<u>41,270</u>
Capital and reserves			
Called up share capital	11	567	567
Share premium account	12	28,647	28,647
Capital reserve	12	13,724	13,724
Special reserve	12	4,295	4,295
Profit and loss account	12	<u>(51,215)</u>	<u>(5,963)</u>
Equity shareholders' (deficit)/funds	13	<u>(3,982)</u>	<u>41,270</u>

The notes on pages 8 to 15 form part of these financial statements

These financial statements were approved by the board of directors on 20 November 2008 and were signed on its behalf by



Rosalind Simmons
 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 adoption of FRS 20 'Share based payments' has been assessed by the directors as having no material impact on the company Accordingly no amounts have been recorded in these 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 s228A of the Companies Act 1985 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of the Virgin Hotels Group Limited which prepares group accounts incorporating the results of Victory Corporation Limited and its subsidiary undertakings 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 the Virgin Hotels Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the group The consolidated financial statements of Virgin Hotels Group Limited, within which this Company is included, can be obtained from the address given in note 17

The financial statements have been prepared on a going concern basis The company is reliant on the continued support of its ultimate parent company, Virgin Group Holdings Limited, which has confirmed that it is its present intention to provide sufficient funds to enable the company to continue its normal trading activities and pay its debts as and when they fall due for the foreseeable future, being at least one year from the date of approval of these financial statements

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Taxation

The charge for taxation is based on the loss/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

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

Post-retirement benefits

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Notes (continued)

2 Notes to the profit and loss account

	2008 £000	2007 £000
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Loss on ordinary activities before taxation is stated after charging

Exceptional items

Impairment of investment in subsidiaries	42,826	-
Write off of intercompany debt	1,141	-
Delisting costs	-	326
Additional costs relating to the sale of Capo in a prior year	-	389
	<u>43,967</u>	<u>715</u>

Auditors' remuneration

	2008 £000	2007 £000
Attributable to Victory Corporation Limited	5	5
Attributable to subsidiaries	45	47
Other services – fees receivable by the auditors	-	15
	<u>50</u>	<u>67</u>

Impairment of investment in subsidiaries

The company has impaired the value of the investment in Virgin Vie at Home Limited, a subsidiary company. The subsidiary's value was based on current projections and impaired accordingly.

Write off of intercompany debt

The company wrote off the intercompany debt with a subsidiary as the company is no longer trading and there is no further possibility of recovery.

3 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	161	166
Company contributions to money purchase pension schemes	10	38
Compensation for loss of office	-	60
Directors' insurance	22	18
	<u>193</u>	<u>282</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £146,000 (2007: £109,000) and company pension contributions of £10,000 (2007: £38,000) were made to a money purchase scheme on their behalf. Directors' emoluments include fees payable to directors who are not employed by the company but are paid on a consultancy basis. Details of other directors' emoluments can be found in the financial statements of Virgin Vie at Home Limited.

Notes (continued)

3 Remuneration of directors (continued)

	Number of directors	
	2008	2007
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	1	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-

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

	Number of employees	
	2008	2007
Office and administration	1	2

The aggregate payroll costs of these persons were as follows

	2008 £000	2007 £000
Wages and salaries	184	148
Social security costs	9	13
Pension costs (see note 15)	10	38
Other benefits	2	7
	205	206

5 Interest receivable

	2008 £000	2007 £000
Bank interest receivable	19	90
Other interest receivable	4	-
	23	90

6 Interest payable

	2008 £000	2007 £000
On bank overdrafts	894	692
On group loans	59	-
Other interest payable	4	-
	957	692

Notes (continued)

7 Taxation

There is no tax charge in the profit and loss account in this or the previous year

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2007 higher) than the standard rate of corporation tax in the UK of 30% (2007 30%). The differences are explained below

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(45,252)	(1,834)
Current tax at 30% (2007 30%)	(13,576)	(550)
<i>Effects of</i>		
Expenses not deductible for tax purposes	13,209	81
UK tax losses not utilised or recognised	362	469
Other timing differences	5	-
Total current tax charge (see above)	-	-

Factors that may affect future current and total tax charges

Details of the company's total provided and unprovided deferred tax assets of the year end (and prior period end) are shown in the table below. Deferred tax assets are only recognised to the extent that there is a reasonable expectation the asset will reverse in the foreseeable future.

	2008 Provided £000	2008 Unprovided £000	2007 Provided £000	2007 Unprovided £000
Excess of capital allowances over depreciation	-	(1)	-	(1)
Other timing differences	-	(4)	-	-
Tax losses	-	(3,096)	-	(2,954)
	-	(3,101)	-	(2,955)

During the year, as a result of the change in UK Corporation Tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to timing differences expected to reverse after 1 April 2008 is measured at the tax rate of 28% as this is the tax rate that will apply on reversal.

Notes (continued)

8 Investments in subsidiary undertakings

	Total £000
<i>Cost</i>	
At 1 April 2007 and 31 March 2008	66,891
<i>Provisions</i>	
At 1 April 2007	22,845
Impairment	42,826
At 31 March 2008	65,671
At 31 March 2008	1,220
At 31 March 2007	44,046

The companies in which the Company's interest at the year end is more than 20% are as follows

<i>Subsidiary undertaking – Directly owned</i>	Country of incorporation	Principal activity	Class and percentage of shares held	
The Virgin Clothing Company Limited	England & Wales	Licensing of casual clothing	Ordinary	100%
Virgin Vie at Home Limited	England & Wales	Retailing of cosmetics, toiletries, beauty products and jewellery	Ordinary	100%
Victory Retail Limited	England & Wales	Property management	Ordinary	100%
Virgin Clothing and Cosmetics Company Limited	England & Wales	Dormant	Ordinary	100%
Virgin Vie at Home US Purchasing Company Limited	England & Wales	Non-trading	Ordinary	100%
<i>Subsidiary undertaking – Indirectly owned</i>	Country of incorporation	Principal activity	Class and percentage of share held	
The Virgin Cosmetics Company (Ireland) Limited	Eire	Dormant	Ordinary	100%
Virgin Vie at Home (Purchasing) Limited	England & Wales	Purchasing of stock	Ordinary	100%
Virgin Vie at Home (Marketing) Limited	England & Wales	Marketing	Ordinary	100%
Virgin Vie at Home Spain, S L	Spain	Direct sales	Ordinary	100%
Virgin Vie Limited	England & Wales	Dormant	Ordinary	100%

Notes (continued)

9 Debtors

	2008 £000	2007 £000
Amounts due from group undertakings	101	1,221
Other debtors	5	7
Prepayments and accrued income	13	1
	<u>119</u>	<u>1,229</u>

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank overdraft	2,641	3,445
Trade creditors	119	69
Accruals and deferred income	559	491
Tax and social security	2	-
Amounts due to group undertakings	2,000	-
	<u>5,321</u>	<u>4,005</u>

Bank loans and overdrafts within the company and certain of its subsidiaries (as listed in note 14) are secured by an omnibus guarantee and unlimited debenture of the Victory Corporation Limited group. At 31 March 2008 the group's overdraft balances amounted to £12,899,000 (2007 £9,985,000).

11 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
16,000,000 Ordinary shares of 5p each	800	800
<i>Allotted, called up and fully paid</i>		
11,331,287 Ordinary shares of 5p each	567	567

Notes (continued)

12 Share premium and reserves

	Share premium	Capital reserves	Special reserve	Profit and loss account
At beginning of year	28,647	13,724	4,295	(5,963)
Retained loss for the year	-	-	-	(45,252)
At end of year	<u>28,647</u>	<u>13,724</u>	<u>4,295</u>	<u>(51,215)</u>

The Special reserve arose in respect of a reduction of share premium on 30 September 2003

13 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Loss for the financial year and net reduction to shareholders funds	(45,252)	(1,834)
Opening shareholders' funds	<u>41,270</u>	<u>43,104</u>
Closing shareholders' (deficit)/funds	<u>(3,982)</u>	<u>41,270</u>

14 Commitments

As described in note 10, at the end of the financial year, the company was party to a group overdraft facility with Virgin Vie at Home Limited, Victory Retail Limited, Virgin Clothing & Cosmetics Company Limited, Virgin Vie at Home (Purchasing) Limited, Virgin Vie at Home (Marketing) Limited, Virgin Vie at Home US Purchasing Limited and The Virgin Clothing Company Limited

Annual commitments under non-cancellable operating leases are as follows

	2008 Land and Buildings £000	2007 Land and Buildings £000
Operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	50	50
Over five years	-	-
	<u>50</u>	<u>50</u>

15 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 scheme and amounted to £10,000 (2007 £38,000). The outstanding creditor to the pension scheme at 31 March 2008 was nil (2007 £nil).

Notes (continued)

16 Related party disclosures

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with Virgin Hotels Group Limited and its subsidiary undertakings on the grounds that it is a wholly owned subsidiary undertaking of Virgin Hotels Group Limited

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

As at 31 March 2008, the Company was a subsidiary undertaking of Virgin Group Holdings Limited which is the ultimate parent company incorporated in the British Virgin Islands. As at that date, the principal shareholders of Virgin Group Holdings Limited were certain trusts, none of which individually had a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts were Sir Richard Branson and/or members of his immediate family.

The largest and smallest group in which the results of the Company are consolidated is that headed by the Virgin Hotels Group Limited which is registered in England and Wales. The consolidated financial statements of the Virgin Hotels Group Limited are available to the public and may be obtained from The School House, 50 Brook Green, London W6 7RR.