

**Virgin Fitness Limited**

**Directors' report and financial  
statements**

**Registered number 4365450**

**31 January 2008**

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## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Virgin Fitness Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2008.

### Principal activities

The principal activity of the Company is that of an investment holding company.

### Review

The results for the year are set out on page 4 of the financial statements and the loss for the year of £15,761 (2007: £19,117) has been transferred to reserves.

### Proposed dividend

The directors do not recommend the payment of a dividend (2007: £nil).

### Directors

The directors of the Company during the year were as follows:

G D McCallum

P C K McCall

W E Whitehorn (resigned 1 October 2007)

### Disclosure of information to auditors

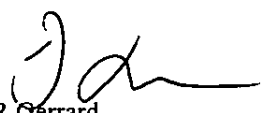
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### 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.

The last resolution will lead to the continuing appointment of KPMG LLP as auditors of the company until further notice.

By order of the board

  
B A R Gerrard  
Company Secretary

The School House  
50 Brook Green  
London  
W6 7RR  
18 December 2008

## **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 the directors 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 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 a 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 Virgin Fitness Limited**

We have audited the financial statements of Virgin Fitness Limited for the year ended 31 January 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 2.

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.

### **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 company's affairs as at 31 January 2008 and the 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**  
*Chartered Accountants*  
*Registered Auditor*

8 Salisbury Square  
London  
EC4Y 8BB

18 December 2008

**Profit and loss account**  
*for the year ended 31 January 2008*

	<i>Note</i>	<b>Year ended 31 January 2008 £</b>	<b>Year ended 31 January 2007 £</b>
Administrative expenses		(15,761)	(19,292)
<b>Operating loss</b>		<b>(15,761)</b>	<b>(19,292)</b>
Interest receivable	4	-	175
<b>Loss on ordinary activities before taxation</b>	2	<b>(15,761)</b>	<b>(19,117)</b>
Tax on loss on ordinary activities	5	-	-
<b>Loss for the year</b>		<b>(15,761)</b>	<b>(19,117)</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.

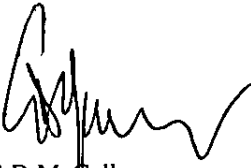
The notes on pages 6 to 10 form part of these financial statements.

**Balance sheet**  
*At 31 January 2008*

	<i>Note</i>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
<b>Current assets</b>			
Debtors	6	620	4,803
		<u>620</u>	<u>4,803</u>
<b>Creditors: amounts falling due within one year</b>	7	(58,600)	(47,022)
<b>Net current liabilities</b>		<u>(57,980)</u>	<u>(42,219)</u>
<b>Net liabilities</b>		<u>(57,980)</u>	<u>(42,219)</u>
<b>Capital and reserves</b>			
Called up share capital	8	52,519	52,519
Profit and loss account	9	(110,499)	(94,738)
<b>Shareholders' deficit</b>	10	<u>(57,980)</u>	<u>(42,219)</u>

The notes on pages 6 to 10 form part of these financial statements.

These financial statements were approved by the board of directors on 18 December 2008 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.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking Virgin Group 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 s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### *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.

**Notes** *(continued)*

**2 Loss on ordinary activities before taxation**

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
- Audit of these financial statements	2,825	2,743

**3 Remuneration of directors**

The directors did not receive any remuneration during the year for services to the Company (2007: £nil).

**4 Other interest receivable**

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Bank interest	-	175

## Notes (continued)

### 5 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 period is higher (2007: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(15,761)	(19,117)
Current tax at 30%	(4,728)	(5,735)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	30	-
UK tax losses not utilised or recognised	4,698	5,735
Total current tax charge	-	-

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

Details of the Company's total provided and unprovided deferred tax assets at the year end (and prior year end) are shown in the table below.

A deferred tax asset has only been recognised to the extent that there is a reasonable expectation that these losses can be utilised in the foreseeable future.

	Year ended 31 January 2008 Provided £	Year ended 31 January 2008 Unprovided £	Year ended 31 January 2007 Provided £	Year ended 31 January 2007 Unprovided £
<i>The deferred tax figures comprise:</i>				
UK tax losses	-	(29,103)	-	(26,483)
	-	(29,103)	-	(26,483)

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 which are expected to reverse prior to 1 April 2008 is measured at 30% and deferred tax relating to timing differences expected to reverse after 1 April 2008 is measured at the tax rate of 28% as these are the tax rates that will apply on reversal.

## Notes (continued)

### 6 Debtors

	31 January 2008 £	31 January 2007 £
Prepayments and accrued income	619	594
Amounts owed by related undertakings	1	4,209
	<u>620</u>	<u>4,803</u>

### 7 Creditors: amounts falling due within one year

	31 January 2008 £	31 January 2007 £
Amounts owed to related undertaking	49,857	40,833
Accruals	8,743	6,189
	<u>58,600</u>	<u>47,022</u>

### 8 Called up share capital

	31 January 2008 £	31 January 2007 £
<i>Authorised</i>		
5,600,000,000 ordinary shares of £0.00005 each	<u>280,000</u>	<u>280,000</u>
<i>Allotted, called up and fully paid</i>		
1,050,392,224 ordinary shares of £0.00005 each	<u>52,519</u>	<u>52,519</u>

### 9 Reserves

	Profit and loss account £
At beginning of year	(94,738)
Loss for the year	<u>(15,761)</u>
At end of year	<u>(110,499)</u>

## Notes (continued)

### 10 Reconciliation of shareholders' deficit

	31 January 2008 £	31 January 2007 £
Opening shareholders' deficit	(42,219)	(23,102)
Loss for the financial year	(15,761)	(19,117)
	<hr/>	<hr/>
Closing shareholders' deficit	(57,980)	(42,219)
	<hr/>	<hr/>

### 11 Related party transactions

At 31 January 2008 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders were 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.

During the year, the Company took part in the following transactions with related parties:

	31 January 2008 £	Related undertakings 31 January 2007 <i>Restated</i> £
Debtors	1	4,209
Creditors	49,857	40,833
Purchases	8,513	7,954

The related undertakings are Barfair Limited, The Aquarius Trust, The Aries Trust, The Capricorn Trust, The Gemini Trust, The Jupiter Trust, The Leo Trust, The Libra Trust, The Mars Trust, The Pisces Trust, The Saturn Trust, The Venus Trust, The Virgo Trust, Virgin Active Group Limited, Virgin Group Investments Limited, Virgin Management Limited and Richard Branson. The balances do not attract interest.

### 12 Ultimate parent company

The ultimate parent undertaking at 31 January 2008 was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.