

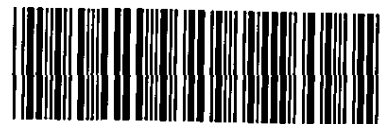
Virgin Galactic Limited

**Directors' Report and Financial
Statements**

Registered Number 5802809

31 March 2007

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Directors' Report

The directors' presents the report and the audited financial statements for the eleven month period ended 31 March 2007

Principal activities

The principal activity of the company is the provision of worldwide sales, marketing and other services to it's US affiliate company Virgin Galactic LLC, which has been set up to operate the world's first commercial spaceline. The activities of Virgin Galactic Limited are charged to Virgin Galactic LLC on a cost plus basis.

Review

The company was incorporated as Virgal Limited on the 2 May 2006 and changed its name to Virgin Galactic Limited on 27 June 2006.

The results for the eleven month period are set out on page 5 of the financial statements and the profit for the period of £136,457 has been transferred to reserves.

Construction of the space launch system to be operated by Virgin Galactic LLC and for which Virgin Galactic Limited provides worldwide sales, marketing and other services is well under way in Mojave, California at Scaled Composites LLC. Initial test flights are expected to begin in the summer of 2008. These financial statements do not encompass the development and construction costs of the space launch system.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

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

S R Attenborough	(appointed 26 June 2006)
P C K McCall	(appointed 26 June 2006)
A M Tai	(appointed 26 June 2006, resigned 04 January 2008)
W E Whitehorn	(appointed 26 June 2006)
B R Ally	(appointed 2 May 2006, resigned 26 June 2006)

Disclosure of information to auditors

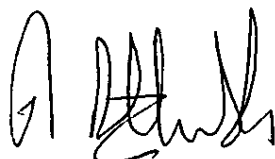
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make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

Directors' Report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming annual general meeting

By order of the board

A handwritten signature in black ink, appearing to read 'S R Attenborough', written over a horizontal line.

S R Attenborough
Director

120 Campden Hill Road
London
W8 7AR

29th February 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 Galactic Limited

We have audited the financial statements of Virgin Galactic Limited for the period ended 31 March 2007 which comprise the Profit and Loss Account, 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 the company's affairs as at 31 March 2007 and of the company's profit for the period 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
29 February 2008
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Profit and Loss Account

For the eleven month period ended 31 March 2007

	<i>Note</i>	11 month Period ended 31 March 2007 £
Administrative expenses	2,4	(1,986,599)
Other operating income		2,181,778
Operating profit		195,179
Interest receivable and similar income	5	32
Profit on ordinary activities before taxation		195,211
Tax on profit on ordinary activities	6	(58,754)
Profit for the period		136,457

There were no recognised gains or losses in 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

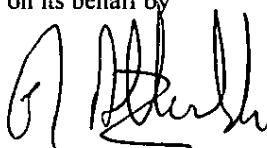
Balance Sheet

At 31 March 2007

	<i>Note</i>	31 March 2007 £
Fixed assets		
Tangible assets	7	5,403
Current assets		
Debtors	8	2,375,747
Cash at bank		1,862
Total current assets		2,377,609
Creditors: amounts falling due within one year	9	(2,246,554)
Net current assets		131,055
Net assets		136,458
Capital and Reserves		
Called up share capital	10	1
Profit and loss account	11,12	136,457
Equity shareholders' funds		136,458

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

These financial statements were approved by the board of directors on 29th February 2008 and were signed on its behalf by



S R Attenborough
 Director

Notes

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Basis of preparation

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

Under Financial Reporting Standard 1 (revised 1996) 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.

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 residual economic lives as follows:

Computer equipment - 3 years

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

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

Comparative figures

The company was incorporated on the 2 May 2006 and as such there are no comparative figures available.

Notes (continued)

2 Profit on ordinary activities before taxation

	11 month Period ended 31 March 2007 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>	
Auditors' remuneration	
Audit of these financial statements	7,500
Depreciation of tangible fixed assets	635
Operating lease cost	-

3 Remuneration of directors

	11 month Period ended 31 March 2007 £
Director's emoluments	224,910
Company contributions to money purchase pension schemes	30,296
Other benefits	5,391
	<hr/>
	260,597
	<hr/>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £125,443 and Company pension contributions of £16,856 were made to a money purchase scheme on his behalf

Retirement benefits for money purchase schemes are accruing for two directors

Notes (continued)

4 Staff costs

The average number of persons employed by the company, analysed by category, was as follows

	Number of employees
	11 month Period ended 31 March 2007
Administration and management	9

The aggregate payroll costs were as follows

	11 month Period ended 31 March 2007 £
Wages and salaries	463,721
Social security costs	42,755
Other pension costs	3,113
	<u>509,589</u>

5 Interest receivable and similar income

	11 month Period ended 31 March 2007 £
Bank interest	<u>32</u>

Notes (continued)

6 Taxation

Analysis of charge in period

	11 month Period ended 31 March 2007 £
UK corporation tax	
Current tax on income for the period	58,754
Total current tax	58,754

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%). The differences are explained below

	11 month Period ended 31 March 2007 £
<i>Current tax reconciliation</i>	
Profit on ordinary activities before tax	195,211
Current tax at 30%	58,563
<i>Effects of</i>	
Depreciation in excess of capital allowances	191
Total current tax charge (see above)	58,754

Details of the Company's total provided and unprovided deferred tax at the period end are shown in the table below

A 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 difference can be deducted

	11 month Period ended 31 March 2007 Provided £	11 month Period ended 31 March 2007 Unprovided £
<i>The deferred tax figures comprise</i>		
Excess of capital allowances over depreciation	-	191

Notes (continued)

7 Tangible fixed assets

	Computer equipment £
Cost	
At beginning of period	-
Additions	6,038
	<hr/>
At end of period	6,038
	<hr/>
Accumulated depreciation	
At beginning of period	-
Depreciation expense	635
	<hr/>
At end of period	635
	<hr/>
Net book value	
At 31 March 2007	5,403
	<hr/>

8 Debtors

	31 March 2007 £
Trade debtors	55,684
Amounts owed by related undertakings	2,295,225
Prepayments and accrued income	18,925
Other taxes and social security	5,913
	<hr/>
	2,375,747
	<hr/>

Notes (continued)

9 Creditors: amounts falling due within one year

	31 March 2007 £
Trade creditors	226,389
Amounts owed to related undertakings	1,499,146
Accruals and deferred income	521,019
	<u>2,246,554</u>

10 Called up share capital

	31 March 2007 £
<i>Authorised</i>	
100 Ordinary shares of £1 each	100
	<u> </u>
<i>Allotted, called up and fully paid</i>	
1 Ordinary share of £1	1
	<u> </u>

11 Reserves

	Profit and loss account £
At beginning of period	-
Profit for the period	136,457
	<u> </u>
At end of period	<u>136,457</u>

Notes *(continued)*

12 Reconciliation of equity shareholders' funds

	31 March 2007 £
Ordinary share capital	1
Profit for the financial period	136,457
	<hr/>
Closing equity shareholders' funds	136,458
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13 Pension scheme

The company pays contributions to a defined contribution scheme administered by Virgin Management Limited. The pension cost charged for the period represents contributions payable by the company to the scheme and amounted to £3,113.

14 Contingent liabilities

The Company is party to a group overdraft facility of £200 million, all of which is repayable on demand.

Notes (continued)

15 Related party disclosures

At 31 March 2007 the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are 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.

	Related undertakings
	2007
	£
Debtors	2,295,225
Creditors	1,499,146
Other income	2,181,778
Purchases	86,105

The related undertakings with which the Company transacted during the Period were Barfair Limited, Virgin Atlantic Limited, Virgin Enterprises Limited, Virgin Management Limited, Virgin Clubs Limited, Necker Island BVI Limited, Virgin Galactic LLC, TSC LLC, Virgin Business Solutions Limited and Voyager Group Limited.

16 Ultimate parent company

As at 31 March 2007 the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.