

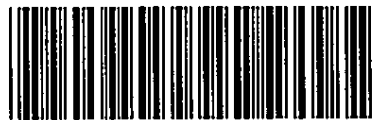
Virgin Models Limited

Directors' report and financial statements

Registered number 2376807

31 March 2011

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Directors' report

The directors present their report and the financial statements for the year ended 31 March 2011

Principal activities

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

Business review

The Company has net liabilities. However, as detailed in note 1 to the financial statements a parent undertaking, Virgin 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 this support.

Furthermore, as an investment holding company, no significant changes are expected in relation to the Company's income streams or cost base at this present time. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £8,786,000 (2010 - loss £4,887,000)

The directors do not recommend the payment of a dividend (2010: £nil)

Directors

The directors who served during the year were

G D McCallum

I P Woods (appointed 4 November 2010)

P C K McCall (resigned 4 November 2010)

Provision of information to auditor

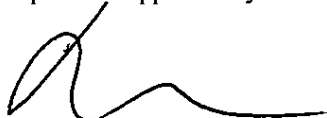
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 26 October 2011 and signed on its behalf



B A R Gerrard

Secretary

The School House

50 Brook Green

Hammersmith

London

W6 7RR

Directors' responsibilities statement
for the year ended 31 March 2011

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditor's report to the members of Virgin Models Limited

We have audited the financial statements of Virgin Models Limited for the year ended 31 March 2011, set out on pages 4 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Sarah Styant (Senior statutory auditor)

for and on behalf of

KPMG LLP

Chartered Accountants

Statutory Auditor

15 Canada Square

London

E14 5GL

31 October 2011

Profit and loss account
for the year ended 31 March 2011

	<i>Note</i>	2011 £000	2010 £000
Interest receivable and similar income	4	184	479
Interest payable and similar charges	5	(11,154)	(5,366)
Loss on ordinary activities before taxation		(10,970)	(4,887)
Tax on loss on ordinary activities	6	2,184	-
Loss for the financial year	11	(8,786)	(4,887)

All amounts relate to continuing operations


There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

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

Balance sheet
as at 31 March 2011

	<i>Note</i>	£000	2011 £000	2010 £000
Fixed assets				
Investments	7		56,268	56,268
Current assets				
Debtors	8	2,353		16,255
Creditors, amounts falling due within one year	9	(99,079)		(104,195)
Net current liabilities			(96,726)	(87,940)
Net liabilities			(40,458)	(31,672)
Capital and reserves				
Called up share capital	10		122,510	122,510
Share premium account	11		157,040	157,040
Profit and loss account	11		(320,008)	(311,222)
Shareholders' deficit	12		(40,458)	(31,672)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 October 2011



G D McCallum
Director

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

Notes to 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

1.1 Basis of preparation of financial statements

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

The financial statements have been prepared on a going concern basis in view of the fact that Virgin Holdings Limited, an intermediate parent undertaking, 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 Virgin Holdings Limited 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 s400 of the Companies Act 2006 from the requirement to prepare group financial statements. 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 Virgin Wings, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

1.2 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.3 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

2. Auditors' remuneration

Audit fees for the current and prior year have been borne by another group company

Notes to the financial statements

3 Directors' remuneration

The directors did not receive any remuneration during the year for services to the Company (2010 £nil)

4. Interest receivable and similar income

	2011 £000	2010 £000
Interest receivable from group companies	184	479

5 Interest payable and similar charges

	2011 £000	2010 £000
On loans from group undertakings	3,096	3,351
Net foreign exchange losses	8,058	2,015
	<u>11,154</u>	<u>5,366</u>

6. Taxation

	2011 £000	2010 £000
Adjustments in respect of prior periods	(2,184)	-
Tax on loss on ordinary activities	<u>(2,184)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011 £000	2010 £000
Loss on ordinary activities before tax	<u>(10,970)</u>	<u>(4,887)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	(3,072)	(1,368)
Effects of:		
Adjustments to tax charge in respect of prior periods	(2,184)	-
Other timing differences leading to an increase (decrease) in taxation	(153)	-
Non-taxable income	(51)	(134)
UK tax losses not utilised or not recognised	3,276	1,502
Current tax (credit)/charge for the year	<u>(2,184)</u>	<u>-</u>

Notes to the financial statements

6. Taxation (continued)

Factors that may affect future tax charges

Details of the Company's total recognised and unrecognised deferred tax assets at the year end (and prior year end) are shown in the table in the balance sheet note 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

On 23 March 2011, a resolution passed by Parliament reduced the main rate of corporation tax to 26 per cent from 1 April 2011, which is reflected within the deferred tax calculations within these financial statements

On 5 July 2011, legislation to further reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 was substantially enacted, which has not been reflected in the above calculation

Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

	2011 Recognised £000	2011 Unrecognised £000	2010 Recognised £000	2010 Unrecognised £000
Other timing differences	-	-	-	(153)
UK tax losses	-	(16,746)	-	(16,796)
Total	-	(16,746)	-	(16,949)

7. Fixed asset investments

	<i>Investments in subsidiary companies £000</i>
Cost or valuation	
At 1 April 2010 and 31 March 2011	56,268
Net book value	
At 31 March 2011	56,268
At 31 March 2010	56,268

Notes to the financial statements

The companies in which the Company's interest at 31 March 2011 is more than 20% are as follows

	Country of registration	Principal activity	Holding	Class of shares
Subsidiary undertakings				
Voyager Group Limited	England & Wales	Investment holding company	100%	£0 10 ordinary shares
			100%	£1 redeemable preference shares
SL Insurance Limited	Guernsey	Insurance company	100%	US \$1 ordinary shares
Virgin Management USA, Inc	USA	Management Services	100%	No par value common stock

8 Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	2,353	16,255

9. Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Amounts owed to group undertakings	99,079	104,195

10 Share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
1,225,103,000 ordinary shares of £0 10 each	122,510	122,510

11 Reserves

	Share premium account £000	Profit and loss account £000
At 1 April 2010	157,040	(311,222)
Loss for the year	-	(8,786)
At 31 March 2011	157,040	(320,008)

Notes to the financial statements

12. Reconciliation of movement in shareholders' deficit

	2011 £000	2010 £000
Opening shareholders' deficit	(31,672)	(26,785)
Loss for the year	(8,786)	(4,887)
	<hr/>	<hr/>
Closing shareholders' deficit	<u>(40,458)</u>	<u>(31,672)</u>

13. Related party transactions

At 31 March 2011 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 8.

As a 100% owned subsidiary of Virgin Wings Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 Related Party Disclosures, which enables it to exclude disclosure of transactions with Virgin Wings Limited and its subsidiaries.

14. Ultimate parent undertaking and controlling party

At 31 March 2011, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest groups in which the results of the Company are consolidated are those for Virgin Wings Limited and Virgin Holdings Limited, companies which are registered in England and Wales. Copies of the group accounts for Virgin Wings Limited and Virgin Holdings Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.