Virgin Projects Limited

Directors' report and financial statements

Registered number 3111083

31 March 2009

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2009.

Principal activities

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

Business review

The retained loss for the year of £282,040 (2008: £403,856) has been transferred to reserves.
The directors do not recommend the payment of a dividend (2008: £nil).

Directors

The directors who held office during the year under review were as follows:

P C K McCall
J E M Phillips
G D McCallum (alternate to J E M Phillips)

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.

Auditors

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.

By order of the board

B A R Gerrard
Company Secretary

The School House
50 Brook Green
London
W6 7RR
11 November 2009

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; 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 Projects Limited

We have audited the financial statements of Virgin Projects Limited for the year ended 31 March 2009 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 the company's affairs as at 31 March 2009 and of the company's 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

8 Salisbury Square
London
EC4Y 8BB
13 November 2009

Profit and loss account

for the year ended 31 March 2009

	Note	**Year ended 31 March 2009 £**	Year ended 31 March 2008 £
Administrative expenses		**(124,393)**	(128,842)
Other operating income		**174,329**	129,128
Operating profit		**49,936**	286
Interest payable and similar charges	*4*	**(331,791)**	(404,142)
Loss on ordinary activities before taxation	*2*	**(281,855)**	(403,856)
Tax on loss on ordinary activities	*5*	**(185)**	-
Loss for the financial year		**(282,040)**	(403,856)

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 11 form part of these financial statements.

Balance sheet

at 31 March 2009

	Note	2009 £	2008 £
Fixed assets			
Investments	6	-	-
Current assets			
Debtors	7	343,946	167,727
Creditors: amounts falling due within one year	8	(7,498,369)	(7,007,898)
Net current liabilities		(7,154,423)	(6,840,171)
Total assets less current liabilities		(7,154,423)	(6,840,171)
Provisions for liabilities	9	(116,933)	(149,145)
Net liabilities		(7,271,356)	(6,989,316)
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	(7,271,358)	(6,989,318)
Shareholders' deficit	12	(7,271,356)	(6,989,316)

The notes on pages 6 to 11 form part of these financial statements.

These financial statements were approved by the board of directors on 11 November 2009 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.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost less amounts written off.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts as it is a majority owned subsidiary of Virgin Wings Limited. 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 that a parent undertaking includes the company in its own published consolidated financial statements.

Going concern

The financial statements have been prepared on a going concern basis in view of the fact that the 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 the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

Taxation

Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain capital 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 points from which the future reversal of the underlying timing differences can be deducted.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Service charge income

To conform with Virgin Group accounting policy, the service charge has been moved from other operating income into administrative expenses in the current year. The comparative figures have been amended accordingly.

Notes *(continued)*

2 Loss on ordinary activities before taxation

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Loss on ordinary activities before taxation is stated after charging/ (crediting):		
Auditors' remuneration:		
Audit of these financial statements	-	9,840
Provision/(release) against onerous leases	**37,253**	(25,046)
Release of provision against amounts owed by group undertakings	**(92,968)**	-
Rent receivable	**(174,211)**	(129,223)
Hire of other assets – operating leases	**185,885**	185,885

The audit fee for 2009 has been borne by another group company.

3 Remuneration of directors

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

4 Interest payable and similar charges

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Payable to group undertakings	**146,970**	180,002
Bank interest payable	**184,821**	224,140
	331,791	404,142

Notes *(continued)*

5 Taxation

Analysis of charge in year

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Adjustment in respect of prior periods	**185**	-
Total current tax	**185**	-

Factors affecting the tax charge for the current year

The tax charge for the year differs from the standard rate of Corporation Tax in the UK of 28% (*2008: 30%*). The differences are explained below:

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Current tax reconciliation		
Loss on ordinary activities before taxation	**(281,855)**	(403,856)
Current tax at 28% (2008: 30%)	**(78,919)**	(121,157)
Effects of:		
Expenses not deductible for tax purposes	**41,151**	54,384
Income not taxable	**(26,031)**	-
UK tax losses not utilised or not recognised	**63,799**	66,773
Adjustments in respect of prior periods	**185**	-
Total current tax charge	**185**	-

Factors that may affect future tax charges

Details of the Company's total recognised and unrecognised deferred tax at the year end (and prior year 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 the 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.

	2009 Recognised £	**2009 Unrecognised £**	2008 Recognised £	2008 Unrecognised £
UK tax losses	-	**(502,277)**		(438,121)

Notes *(continued)*

6 Investments

	Related Undertakings £
Cost	
At beginning of year	4
Disposals	(2)
At end of year	2
Provisions	
At beginning of year	4
Disposals	(2)
At end of year	2
Net book value	
At beginning and end of year	-

The Company's subsidiary Redgene Limited was dissolved on 10 February 2009.

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

Subsidiary undertaking	Country of incorporation	Principal activity	Class of Shares held	Percentage of shareholding held
Communic8 International Limited	England and Wales	Dormant Company	Ordinary £1 shares	100%

7 Debtors

	2009 £	2008 £
Trade debtors	**182,083**	77,702
Other debtors including taxation	**-**	4,820
Prepayments and accrued income	**161,863**	85,205
	343,946	167,727

Notes *(continued)*

8 Creditors

	2009	2008
	£	£
Bank overdraft	**4,186,924**	3,646,949
Trade creditors	**290**	2,578
Amounts owed to related undertakings	**3,246,367**	3,303,724
Other creditors including taxation and social security	**11,911**	-
Corporation tax	**28,694**	28,509
Accruals and deferred income	**24,183**	26,138
	7,498,369	7,007,898

9 Provision for liabilities

	Property provisions
	£
At beginning of the year	149,145
Utilised in the year	(69,465)
Additional amounts provided	37,253
At end of year	**116,933**

The onerous lease provision is for unrecoverable rental costs on a property which the company sub-lets to various sub-lessees.

10 Called up share capital

	2009	2008
	£	£
Authorised:		
100,000 Ordinary shares of £0.01 each	**1,000**	1,000
Allotted, called up and fully paid:		
210 Ordinary shares of £0.01 each	**2**	2

11 Reserves

	Profit and loss account
	£
At the beginning of the year	**(6,989,318)**
Loss for the year	**(282,040)**
At the end of the year	**(7,271,358)**

Notes *(continued)*

12 Reconciliation of shareholders' deficit

	2009 £	2008 £
Opening shareholders' deficit	**(6,989,316)**	(6,585,460)
Loss for the year	**(282,040)**	(403,856)
Closing shareholders' deficit	**(7,271,356)**	(6,989,316)

13 Contingent liabilities

The Company is party to a group overdraft facility of £240 million (2008: £210 million), all of which is repayable on demand.

14 Commitments

The company had the following annual commitments under non-cancellable operating leases:

	2009 Land and buildings £	2008 Land and buildings £
Operating leases which expire:		
In the second to fifth years inclusive	**185,885**	185,885

15 Related party disclosures

At 31 March 2009 the company's ultimate parent company 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.

During the year, the Company was a 95% owned subsidiary of Barfair Limited. On 31 March 2009, Barfair Limited was sold to another group undertaking and as a result, the Company became a 95% owned subsidiary of Virgin Wings Limited. In the current year, 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. In the prior year, the Company took advantage of the exemption under Financial Reporting Standard 8: Related Party Disclosures, which enabled it to exclude disclosure of transactions with Barfair Limited and its subsidiaries.

There were no disclosable transactions or amounts outstanding with related parties in the current or prior year.

16 Ultimate holding company

The largest and smallest group in which the Company's results are consolidated are those for Virgin Wings Limited and Virgin Holdings Limited respectively, 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.