Vanson Developments Limited

Directors' report and financial statements

Registered number 1735693

31 March 2006

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Director's report

The director presents the report and the audited financial statements for the year ended 31 March 2006.

Principal activities

The principal activity 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 £352,170 (2005: profit £3,855,357) which has been transferred to reserves.

Proposed dividend

The directors do not recommend the payment of a dividend on the ordinary or preference shares (2005: £nil).

Directors and their interests

The directors of the Company during the period and their interests in the shares of the Company as recorded in the register of directors' interests were as follows:

S M L Hall

J E M Phillips Alternate: G D McCallum (appointed 22 September 2006)

None of the directors who held office at the end of the financial period have any disclosable interest in the shares of the Company.

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

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

J Bayliss
Company Secretary

120 Campden Hill Road
London
W8 7AR
29 November 2006

Statement of director's 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.

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.

Report of the independent auditors, KPMG LLP, to the members of Vanson Developments Limited

We have audited the financial statements of Vanson Developments Limited for the year ended 31st March 2006 which comprise Profit and Loss Account, the Company 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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. We also 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 31st March 2006 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
5 December 2006

Profit and loss account
for the year ended 31 March 2006

	Note	**Year ended 31 March 2006 £**	Year ended 31 March 2005 £
Administrative expenses *(exceptional item of £1,573,632 (2005: £431,205 credit))*		**(1,835,217)**	230,202
Other operating income		**12,414**	13,036
Operating (loss)/profit	*2*	**(1,822,803)**	243,238
Income from shares in group undertakings		**-**	2,150,192
Other interest receivable and similar income	*5*	**1,470,633**	1,461,927
(Loss)/profit on ordinary activities before taxation		**(352,170)**	3,855,357
Tax on (loss)/profit on ordinary activities	*6*	**-**	-
Retained (loss)/profit for the year		**(352,170)**	3,855,357

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 6 to 12 form part of these financial statements.

Balance sheet
At 31 March 2006

	Note	31 March 2006 £	31 March 2005 £
Fixed assets			
Investments	*7*	**68,372,068**	68,372,068
Current assets			
Debtors	*8*	**36,647**	43,393
Cash at bank and in hand		**2,639,531**	2,920,827
		2,676,178	2,964,220
Creditors: amounts falling due within one year	*9*	**(44,417,860)**	(44,456,732)
Net current liabilities		**(41,741,682)**	(41,492,512)
Total assets less current liabilities		**26,630,386**	26,879,556
Provisions for liabilities and charges	*10*	**(350,000)**	(247,000)
Net assets		**26,280,386**	26,632,556
Capital and reserves			
Called up share capital	*11*	**54,314,501**	54,314,501
Share premium account	*12*	**26,718,085**	26,718,085
Profit and loss account	*12*	**(54,752,200)**	(54,400,030)
		26,280,386	26,632,556
Shareholders' funds			
Equity		**26,276,885**	26,629,055
Non-equity		**3,501**	3,501
	13	**26,280,386**	26,632,556

The notes on pages 6 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 29 November 2006 and were signed on its behalf by:

S Hall
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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below. Their adoption has had had no material effect. FRS 28 'Corresponding amounts' imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of accounting

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking Virgin Group Investments 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.

Basis of preparation

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

The Company is exempt by virtue of s228 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 that the immediate parent undertaking includes the Company in its own published consolidated financial statements.

Investments

Investments in subsidiaries are shown at cost less amounts written off.

Leases

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

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.

Notes *(continued)*

2 (Loss)/profit on ordinary activities before taxation

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration	**9,694**	9,873
Net provision against onerous contracts	**233,000**	-
Provision against amounts owed by group undertakings	**1,470,632**	(431,205)
Operating lease rentals	**130,000**	129,670

The exceptional items charged consist of both net provision against onerous contracts of £233,000 (2005: £nil) and provision against amounts owed by group undertakings of £1,470,632 (2005: credit £431,205)

3 Remuneration of directors'

The directors did not receive any remuneration during the year for services to the Company (2005: £nil)

4 Staff costs

The Company did not have any employees other than the directors of the Company for the current or previous year.

5 Other interest receivable and similar income

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
On group loans	**1,470,632**	1,461,927

Notes *(continued)*

6 Taxation

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
UK corporation tax		
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period
The current tax charge for the period is higher (2005:higher) than the standard rate of corporation tax in the UK (30%, 2005:30%). The differences are explained below.

Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(352,170)**	3,855,357
Current tax as 30% (2005:30%)	**(105,651)**	1,156,607
Effects of:		
Expenses not deductible for tax purposes	**441,190**	30
Income not taxable	**(441,190)**	(1,212,997)
UK tax losses not utilised or recognised	**105,651**	56,360
Total current tax charge (see above)	-	-

Factors that may affect future tax charges

Details of the Company's total provided and unprovided deferred tax 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 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.

	Year ended 31 March 2006 Provided £	**Year ended 31 March 2006 Unprovided £**	Year ended 31 March 2005 Provided £	Year ended 31 March 2005 Unprovided £
The deferred tax figures above compromise:				
UK tax losses	-	**(162,011)**	-	(56,360)
	-	**(162,011)**	-	(56,360)

Notes *(continued)*

7 Fixed asset investments

	Shares in group undertakings £	Participating interests £	Total £
Cost			
At beginning and end of year	68,669,571	1	68,669,572
Provisions			
At beginning and end of year	297,504	-	297,504
Net book Value			
At 31 March 2006	**68,372,067**	**1**	**68,372,068**
At 31 March 2005	68,372,067	1	68,372,068

The principal investments in which the company has an interest of more then 20% in the ordinary share capital, are as follows:

	Country of Registration	Principal Activity	Holding %	No. of Shares	Type of share
Subsidiary undertakings:					
Vanson (Crawley) Limited	England and Wales	Investment holding company	100	30,801,002	£1 Ordinary shares
Participating interest:					
Silkplan Limited	England and Wales	Property Developer	33	1	£1 Ordinary shares

8 Debtors

	31 March 2006 £	31 March 2005 £
Prepayments and accrued income	**36,647**	43,393
	36,647	43,393

Notes *(continued)*

9 Creditors: amounts falling due within one year

	31 March 2006 £	31 March 2005 £
Trade creditors	**750**	45,643
Amounts owed to group undertakings	**43,121,540**	43,116,694
Group relief	**697,711**	697,711
Corporation tax	**569,659**	569,659
Accruals and deferred income	**28,200**	27,025
	44,417,860	44,456,732

10 Provisions for liabilities and charges

	Onerous lease Provision £
At beginning and end of year	**247,000**
Utilised in the year	**(130,000)**
Additional amounts provided	**233,000**
At end of year	**350,000**

11 Called up share capital

	31 March 2006 £	31 March 2005 £
Authorised		
54,311,000 Ordinary shares of £1 each	**54,311,000**	54,311,000
54,310,000 Preference shares of US cent 0.01 each	**3,501**	3,501
	54,314,501	54,314,501
Allotted, called up and fully paid		
54,311,000 Ordinary shares of £1 each	**54,311,000**	54,311,000
54,310,000 Preference shares of US cent 0.01 each	**3,501**	3,501
	54,314,501	54,314,501

The US Currency Preference Shares confers on the holders thereof the right to receive (in priority to any payment of dividend to the holders of any other class of shares of the Company), out of the profits of the Company which the Company *may* determine to distribute in respect of any financial year, a dividend equivalent to 99 per cent of the Distributable Profits divided by the number of US Dollar Shares in issue.

Notes *(continued)*

12 Share premium and Reserves

	Share Premium Account £	Profit and loss account £
At beginning of year	26,718,085	(54,400,030)
Retained loss for the year	-	(352,170)
At end of year	**26,718,085**	**(54,752,200)**

13 Reconciliation of shareholders' funds

	Non-equity 31 March 2006 £	**Equity 31 March 2006 £**	**Total 31 March 2006 £**	Non-equity 31 March 2005 £	Equity 31 March 2005 £	Total 31 March 2005 £
(Loss)/profit for the financial year	-	**(352,170)**	**(352,170)**	-	3,855,357	3,855,357
Issue of ordinary shares	-	-	-	-	1,000	1,000
Premium on share issues	-	-	-	-	26,718,085	26,718,085
Opening shareholders' funds	**3,501**	**26,629,055**	**26,632,556**	3,501	(3,945,387)	(3,941,886)
Closing shareholders' funds	**3,501**	**26,276,885**	**26,280,386**	3,501	26,629,055	26,632,556

14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings 31 March 2006 £	Land and Buildings 31 March 2005 £
Operating leases which expire:		
Over five years	**130,000**	130,000

Notes *(continued)*

15 Related party disclosures

As a 100% owned subsidiary of Barfair Limited, the Company has taken advantage of the exemption under FRS8: Related Party Disclosures, which enables it to exclude disclosure of transactions with Barfair Limited and its subsidiaries.

At 31 March 2006 the Company's ultimate parent undertaking was Virgin Group Investments Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Investments Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders o f Virgin Group Investments 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.

16 Contingent liabilities

The company is party to a group overdraft facility of £130 million, all of which is repayable on demand.

17 Ultimate parent company

As at 31 March 2006 the Company is a subsidiary undertaking of Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the results of the Company are consolidated is those of Barfair Limited, registered in England and Wales. The consolidated accounts of this group can be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3QZ.