Vanson Developments Limited

Directors' report and financial statements

Registered number 1735693

31 March 2008

Contents

Directors' report

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

Principal activities

The principal activity is that of an investment holding company.

Business review

The result for the year is set out on page 4 of the financial statements and the loss for the year of £68,471,302 (2007: £105,497) has been transferred to reserves.

Proposed dividend

The directors do not recommend the payment of a dividend on the ordinary or preference shares (2007: £nil).

Directors

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

G D McCallum	(appointed 16 October 2007)
P C McCall	(appointed 16 October 2007)
S M L Hall	(resigned 29 June 2007)
J E M Phillips	(resigned 16 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 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

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
29th January 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 year.

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 Vanson Developments Limited

We have audited the financial statements of Vanson Developments Limited for the year ended 31 March 2008 which comprise 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 2008 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
30 January 2009

Profit and loss account
for the year ended 31 March 2008

	Note	**Year ended 31 March 2008 £**	Year ended 31 March 2007 £
Administrative expenses *(exceptional item of £70,339,931 (2007: £1,658,304)*	*2*	**(70,416,168)**	(1,728,801)
Other operating income		**5,370**	-
Operating loss	*2*	**(70,410,798)**	(1,728,801)
Interest receivable and similar income	*4*	**1,939,496**	1,623,304
Loss on ordinary activities before taxation		**(68,471,302)**	(105,497)
Tax on loss on ordinary activities	*5*	**-**	-
Loss for the year		**(68,471,302)**	(105,497)

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 14 form part of these financial statements.

Balance sheet
At 31 March 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	6	**119,830**	-
Investments	7	**1**	68,372,068
		119,831	68,372,068
Current assets			
Debtors	8	**55,558**	42,458
Cash at bank and in hand		**2,051,050**	2,444,984
		2,106,608	2,487,442
Creditors: amounts falling due within one year	9	**(44,460,627)**	(44,429,621)
Net current liabilities		**(42,354,019)**	(41,942,179)
Total assets less current liabilities		**(42,234,188)**	26,429,889
Provisions for liabilities and charges	10	**(62,225)**	(255,000)
Net (liabilities) / assets		**(42,296,413)**	26,174,889
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	**(123,328,999)**	(54,857,697)
Shareholders' (deficit) / funds	13	**(42,296,413)**	26,174,889

The notes on pages 6 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 29th January 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 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 a parent undertaking includes the Company in its own published consolidated financial statements.

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.

Investments

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

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the year 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 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)*

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a. they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes *(continued)*

2 Loss on ordinary activities before taxation

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Auditors' remuneration:		
- audit of these financial statements	**9,840**	8,500
Net provision against onerous contracts	**28,368**	35,000
Provision against amounts owed by group undertakings	**1,939,496**	1,623,304
Provision against investments in group undertakings	**68,372,067**	-
Hire of other assets - operating leases	**138,152**	130,000
Rental income	**(4,320)**	-

The exceptional items charged consist of both provision against onerous contracts of £28,368 (2007: addition to provision £35,000), the provision against amounts owed by group undertakings of £1,939,496 (2007: £1,623,304) and the provision against investments in group undertakings of £68,372,067 (2007: £Nil).

3 Remuneration of directors

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

4 Interest receivable and similar income

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
On group loans	**1,939,496**	1,623,304

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 year
The current tax charge for the year is higher (*2007: higher*) than the standard rate of corporation tax in the UK of 30% (*2007: 30%*). The differences are explained below.

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(68,471,302)**	(105,497)
Current tax at 30% (*2007: 30%*)	**(20,541,390)**	(31,650)
Effects of:		
Expenses not deductible for tax purposes	**21,094,548**	486,991
Income not taxable	**(581,849)**	(486,991)
UK tax losses not utilised or recognised	**28,691**	31,650
Total current tax charge	**-**	-

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 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.

	2008 Provided £	**2008 Unprovided £**	2007 Provided £	2007 Unprovided £
UK tax losses	**-**	**(190,728)**	-	(193,661)
	-	**(190,728)**	-	(193,661)

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 expected to reverse after 1 April 2008 is measured at the tax rate of 28% as this is the tax rate that will apply on reversal.

Notes *(continued)*

6 Tangible fixed assets

	Fixtures, fittings, tools and equipment £
Cost	
At beginning of year	-
Additions	119,830
At end of year	119,830
Depreciation	
At beginning and end of year	-
Net book value	
At 31 March 2008	**119,830**
At 31 March 2007	-

7 Fixed asset investments

	Shares in group undertakings £	Participating interests £	Total £
Cost			
At beginning of year	68,669,571	1	68,669,572
Disposals	(297,504)	-	(297,504)
At end of year	68,372,067	1	68,372,068
Provisions			
At beginning of year	(297,504)	-	(297,504)
Provided in year	(68,372,067)	-	(68,372,067)
Disposals	297,504	-	297,504
At end of year	(68,372,067)	-	(68,372,067)
Net book Value			
At 31 March 2008	**-**	**1**	**1**
At 31 March 2007	68,372,067	1	68,372,068

On 17 January 2008, the company disposed of its interest in 2nd Virgin Western Limited comprising 150,100 Ordinary shares of £1 each, to Virgin Management Limited for a consideration of £1.

On 9 November 2007, the Company disposed of its interest in 124 Wigmore Street Limited, comprising 1,000 Ordinary shares of £1 each to Virgin Management Limited for a consideration of £1.

7 Fixed asset investments (continued)

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

	2008	2007
	£	£
Amounts owed by group undertakings	**5,315**	-
Other debtors	**13,183**	-
Prepayments and accrued income	**37,060**	42,458
	55,558	42,458

9 Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	**39,211**	9,102
Amounts owed to group undertakings	**43,116,694**	43,126,456
Group relief	**697,711**	697,711
Corporation tax	**569,659**	569,659
Accruals and deferred income	**37,352**	26,693
	44,460,627	44,429,621

Notes *(continued)*

10 Provisions for liabilities and charges

	Onerous lease Provision
	£
At beginning of year	**255,000**
Utilised in the year	**(221,143)**
Additional amounts provided	**62,255**
Amounts released unused	**(33,887)**
At end of year	**62,225**

11 Called up share capital

	2008	2007
	£	£
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:

12 Share premium and Reserves

	Share Premium Account	**Profit and loss account**
	£	**£**
At beginning of year	**26,718,085**	(54,857,697)
Loss for the year	**-**	(68,471,302)
At end of year	**26,718,085**	(123,328,999)

Notes *(continued)*

13 Reconciliation of movement in shareholders' (deficit) / funds

	2008 £	2007 £
Loss for the year	**(68,471,302)**	(105,497)
Opening shareholders' funds	**26,174,889**	26,280,386
Closing shareholders' (deficit) / funds	**(42,296,413)**	26,174,889

14 Related party disclosures

As a 100% owned subsidiary of Barfair 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 Barfair Limited and its subsidiaries.

At 31 March 2008 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 Investments 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.

There are no transactions or balances which are required to be disclosed.

15 Contingent liabilities

The company is party to a group overdraft facility of £210 million (2007: £200 million), all of which is repayable on demand.

16 Commitments

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

	2008 Land and Buildings £	2007 Land and Buildings £
Operating leases which expire:		
In the second to fifth years inclusive	**138,000**	138,000
	138,000	138,000

Notes *(continued)*

17 Ultimate parent company

At 31 March 2008 the company's ultimate parent undertaking is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the results are consolidated is those of Barfair Limited, registered in England and Wales. The consolidated accounts of this group can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.