Virgin Retail Group Limited

Directors' report and financial statements

Registered number 2376810

Year ended 31 March 2006

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2006.

Principal activities
The principal activity of the company is to act as a holding company for its subsidiary undertakings.

Business review and results for the period
The results of the company for the period are set out on page 5. The loss for the period of £120,357,000 *(2005 loss: £148,755,000)* has been taken to reserves. During the period an amount of £92,868,000 *(2005: £120,193,000)* was provided against intercompany debtors and £nil *(2005: £9,193,000)* was written off investments.

Proposed dividends
The directors do not recommend the payment of a dividend *(2005: £nil)*.

Directors and directors' interests
The directors who held office during the period were as follows:

DS Wright	(resigned 22 June 2005)
S Peckham	
JE Jackson	
M Poole	
S Douglas	(appointed 26 January 2006)

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

S Peckham and JE Jackson are also directors of the company's immediate parent undertaking, Virgin Entertainment Asia Limited. Their interests in the shares of group companies are disclosed in the directors' report of Virgin Entertainment Asia Limited.
According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors who held office at the end of the year, or their immediate families.

Political and charitable contributions
The Company made no political or charitable contributions during the year.

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 ought to have taken as a director to make himself 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

15 December 2006

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 they 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 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; 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

KPMG LLP

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Virgin Retail Group Limited

We have audited the financial statements of Virgin Retail Group Limited for the year ended 31 March 2006 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

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

Independent auditors' report to the members of Virgin Retail Group Limited *(continued)*

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 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

15 December 2006

Profit and loss account

for the year ended 31 March 2006

	Note	**Year ended 31 March 2006 £'000**	Year ended 31 March 2005 £'000
Administrative expenses before exceptional items		**(193)**	(851)
Exceptional items	2	**(93,854)**	(119,861)
Total administrative expenses and operating loss		**(94,047)**	(120,712)
Amounts written off investments	9	**-**	(9,193)
Interest receivable and similar income	6	**40,853**	27,125
Interest payable and similar charges	7	**(67,163)**	(47,593)
Loss on ordinary activities before taxation	2	**(120,357)**	(150,373)
Taxation on loss on ordinary activities	8	**-**	1,618
Loss on ordinary activities after taxation		**(120,357)**	(148,755)
Retained loss for the year	14	**(120,357)**	(148,755)

The above losses are derived from continuing operations.

The results are prepared on an historical cost basis.

The company has no recognised gains and losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 7 to 17 form part of these financial statements.

Balance sheet

at 31 March 2006

	Note	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
Fixed assets					
Investments	*9*		**3,417**		3,417
Current assets					
Debtors falling due within one year	*10*		**310,799**		171,621
Cash at bank			**149**		1,044
Total assets			**314,365**		176,082
Capital and reserves					
Called up share capital	*13*		**49**		49
Share premium	*14*		**40,461**		40,461
Profit and loss account	*14*		**(551,972)**		(431,615)
Shareholders' deficit	*15*		**(511,462)**		(391,105)
Creditors: amounts falling due within one year	*11*	**805,052**		547,162	
Creditors: amounts falling due after more than one year	*12*	**20,775**		20,025	
			825,827		567,187
Total liabilities			**314,365**		176,082

These financial statements were approved by the board of directors on 13 December 2006 and were signed on its behalf by:

S Peckham
Director

The notes on pages 7 to 17 form part of these financial statements.

Notes

(forming part of 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 financial statements, except as noted below.

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 together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. The corresponding amounts in these financial statements are restated in accordance with the new policies. The financial instruments policy set out below provides further details of the 2006 and 2005 losses and of the change booked on 1 April 2004.

Basis of preparation

The financial statements have been prepared under applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis in view of the fact that an intermediate parent undertaking, Virgin Entertainment Global 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 intermediate 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.

Under FRS 1 revised, 'Cash flow statements', 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.

Basis of consolidation

The company is exempt from the obligation to prepare and deliver group accounts under s228 of the Companies Act 1985, as it is a wholly owned subsidiary of Virgin Entertainment Asia Limited and is included in the consolidated accounts of that company. These financial statements present information about the company as an individual undertaking and not about its group.

Investments

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost less provisions for impairment. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

Pension costs

The group operates six defined contribution pension schemes. The assets of the schemes are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. 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.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, 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.

The Company has restated corresponding amounts in accordance with the above policy. The adjustments necessary to implement this policy have been made as at 1 April 2004 with the net adjustment to net assets, after tax, taken through the 2005 reconciliation of movements in shareholders' funds.

Effects on the profit and loss account and balance sheet

	2006 £'000	2005 £'000
Interest payable and similar charges	750	750
Loss on ordinary activities before taxation	-750	-750
Creditors: amounts falling due after more than one year	750	20,025
Called up share capital	0	-8,000
Profit and loss account	-750	-12,025

Notes *(continued)*

2 Loss on ordinary activities before taxation

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Loss on ordinary activities before taxation is stated after charging:		
Exceptional items:		
Guarantee Fees	**986**	499
Provision against intercompany debtors	**92,868**	120,193
Reversal of invoices from prior years	**-**	(831)
	93,854	119,861
Auditors' remuneration	**14**	83
Other legal and professional fees	**331**	658
And after crediting:		
Management charges to subsidiary undertakings	**(1,179)**	(1,100)

The exceptional guarantee fee relates to amounts paid to Virgin Holdings Limited who act as guarantor on behalf of the UK group companies.

The exceptional provisions are in respect of debts from various group companies

The reversal of prior year invoices relates to aged trade creditors which have either been paid are or are no longer payable.

The audit fee relates to the non-operating Virgin head office companies and has not been recharged to them in the period.

Other professional fees relate principally to legal and consultancy costs due to various liquidations and head-office projects carried out in the prior period.

Management charges were made by Virgin Retail Group Limited to subsidiary undertakings.

3 Remuneration of directors

Mr S Douglas and Mr S Peckham are employees of Virgin Retail Limited. Management charges are made by Virgin Retail Limited to the company's fellow subsidiary undertaking, Virgin Retail Group Limited, to cover certain emoluments and other costs. John Jackson is an employee of Virgin Management Ltd and management recharges of £159,000 were made to Virgin Retail Group Ltd to cover certain emoluments and costs. Mark Poole is an employee of Virgin Management Ltd, no recharges were made to Virgin Retail Group Ltd in the year for him.

Notes *(continued)*

4 Staff numbers and costs

	Year ended 31 March 2006	Year ended 31 March 2005
The average number of persons employed by the group during the period (excluding directors):	**Annual monthly averag**	Annual monthly average
Administration	**3**	3
	3	3

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Salaries	**518,341**	125,117
Social security costs	**43,415**	13,989
Pension costs	**27,185**	4,668
	588,941	143,774

Notes *(continued)*

5 Related party transactions

As the company is a wholly owned subsidiary of Virgin Entertainment Asia Limited, the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group headed by Virgin Entertainment Asia Limited.

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 of Virgin Group Investments Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under FRS 8.

The following is a summary of transactions by and balances with the company, with related entities which are required to be disclosed by FRS 8:

	Year ended 31 March 2006 £'000	Restated Year ended 31 March 2005 £'000
Parent undertakings:		
Interest payable	**782**	783
Interest receivable	**616**	646
Creditors	**2,632**	2,427
Debtors	**4,100**	4,051
Fellow subsidiary undertakings:		
Interest payable	**278**	278
Recharges to fellow subsidiary undertakings	**143**	668
Creditors	**3,171**	2,974
Debtors	**1,418**	1,399
Related party undertakings:		
Interest payable	**63,170**	43,598
Interest receivable	**6,064**	2,677
Net loans advanced to/(repaid by) related party undertakings	**136,065**	1,352
Creditors	**713,888**	459,061
Debtors	**220,520**	84,562

The parent undertakings that the company transacted with during the year were Virgin Group Investments Limited, Virgin Entertainment Global Limited and Virgin Entertainment Asia Limited. The fellow subsidiary undertakings that the company transacted with during the year were, Virgin Entertainment Europe Limited, Virgin Digital Luxembourg Sarl, Virgin Retail Europe Limited, Salform Limited, Virgin Entertainment Japan and Virgin Retail Limited . The related party undertakings that the company transacted with during the year were Newstart Investments Limited, Virgin Management Limited, Virgin Audio Holdings Inc, Virgin Vouchers Limited, Virgin Holdings SA, Bluebottle UK Limited, Virgin Enterprises Limited, Virgin Cinemas Group Limited and Barfair Limited.

Interest was receivable and payable on loans to and from subsidiary and fellow subsidiary undertakings at 15%. Interest was receivable from parent undertakings at LIBOR + 1%, Lloyds Base Rate + 2.25%, Lloyds Base Rate + 2%, and 15%. Interest was payable to parent undertakings at 14%.

Interest was payable on amounts due to or from Barfair Limited, Newstart Investments Limited, Bluebottle UK Limited, Virgin Digital Luxembourg Sarl, Virgin Management Ltd and Virgin Cinemas Group Ltd , no interest is charged to or from any other related party. Details of the rates and other related terms applicable to related party balances are given in note 11. Dividends in respect of the preference shares are included under interest payable and are due to Virgin entertainment Asia Limited.

Notes *(continued)*

6 Interest receivable and similar income

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
On bank deposits	**22**	24
On loans to parent undertakings	**616**	646
On loans to subsidiary undertakings	**34,151**	23,778
On loans to related party undertakings	**6,064**	2,677
	40,853	27,125

7 Interest payable and similar charges

	Year ended 31 March 2006 £'000	Restated Year ended 31 March 2005 £'000
Preference share dividends payable to parent undertaking	**750**	750
On loans from parent undertaking	**32**	33
On loans from subsidiaries	**2,930**	2,930
On loans from fellow subsidiaries	**278**	278
On loans from related parties	**63,170**	43,598
Other	**3**	4
	67,163	47,593

Notes *(continued)*

8 Taxation

The current tax charge for the year is £nil *(2005: £1,618,000)*.

The current tax charge for the year is higher *(2005: higher)* than the standard rate of corporation tax (30%, *2005: 30%*) for the reasons set out in the following reconciliation:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	**(119,607)**	(149,623)
Current tax at 30% *(2005: 30%)*	**(35,882)**	(44,887)
Effect of:		
Expenses not deductible for tax purposes	**37,428**	49,440
Income not taxable	**-**	(3,998)
UK tax losses not utilised or recognised	**9**	-
Other timing differences	**(1,555)**	-
Utilisation of UK tax losses brought forward	**-**	(555)
Losses surrendered to group companies for consideration	**-**	1,618
	-	1,618

9 Fixed asset investments

	Shares in group undertakings £'000	**Interest in related party undertakings £'000**
Cost		
At 31 March 2005	147,414	3,417
Additions in year	-	-
At 31 March 2006	147,414	3,417
Provision for impairment		
At 31 March 2005	(147,414)	-
Provided in year	-	-
At 31 March 2006	(147,414)	-
Net book value		
At 31 March 2006	**-**	**3,417**
At 31 March 2005	-	3,417

A provision for impairment has been made in the prior year to reflect the current market value of the investment in subsidiary undertakings.

On 27 September 2004, Virgin Retail Group Limited acquired £3,417,000 in nominal value of unsecured loan notes in Virgin Rail Group Limited

Notes *(continued)*

9 Fixed asset investments *(continued)*

The following were the principal subsidiary undertakings of Virgin Retail Group Limited as at 31 March 2006.

Name of Company	Country of incorporation	Proportion held	Nature of business
Subsidiary undertakings			
Directly held:			
Virgin Retail Limited	UK	100%	Music Retailer
Ablegrand Limited	UK	100%	Dormant
Piccadilly Entertainment Store Limited	UK	100%	Dormant
Vspace Limited	UK	100%	Internet Cafes
Indirectly held through Virgin Retail Limited:			
Virgin Holdings (Ireland) Limited	Eire	100%	Holding Company
Virgin Retail (Ireland) Limited	Eire	100%	Music Retailer
Harlandic Limited	Eire	100%	Property Holding Company
VRetail Services Limited	UK	100%	Merchant card services
VR Services Limited	UK	100%	Distribution and sale of vouchers
Indirectly held through Ablegrand Limited:			
Ablegrand (2) Limited	UK	100%	Dormant
Vshop Retail Services Limited	UK	100%	Dormant

10 Debtors: amounts falling due within one year

	2006	2005
	£'000	£'000
Amounts owed by parent undertakings	**4,100**	4,051
Amounts owed by related party undertakings	**220,520**	84,562
Amounts owed by subsidiary undertakings	**84,657**	81,569
Amounts owed by fellow subsidiary undertakings	**1,418**	1,399
Other tax and social security	**104**	40
	310,799	171,621

During the period provisions have been made against amounts owed by parent undertakings, subsidiary undertakings and related party undertakings. Note 2 provides further detail.

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Trade creditors	**72**	58
Other creditors and accruals	**632**	691
Amounts owed to parent undertakings	**2,632**	2,427
Amounts owed to subsidiary undertakings	**84,657**	81,951
Amounts owed to fellow subsidiary undertakings	**3,171**	2,974
Amounts owed to related party undertakings	**713,888**	459,061
	805,052	547,162

Amounts owed to related party undertakings include loans from Newstart Investments Limited, Barfair Limited and Virgin Cinemas Group Limited. As at 31 March 2006, £7,779,000 principal and £11,680,000 interest was outstanding to Newstart Investments Limited, £615,598,000 principal and £13,121,000 interest was outstanding to Barfair Limited, and £13,167,000 principal and £8,847,000 interest was outstanding to Virgin Cinemas Group Limited. The repayment schedule of the loans is summarised below:

	2006	2005
	£'000	£'000
Loans payable by instalments falling due:		
Within one year	**710,302**	454,939
	710,302	454,939

The interest rates of the loans are summarised below:

	2006	2005
	£'000	£'000
At LIBOR +2%	**233,653**	95,786
At 10%	**3,501**	3,501
At 14%	**451,134**	335,613
At 15%	**22,014**	20,039
	710,302	454,939

The loans are secured by way of guarantees from the company and its subsidiary undertakings.

No interest is payable on any other amounts owed to related party undertakings.

12 Creditors: amounts falling due after more than one year

	2006	Restated 2005
	£'000	£'000
Cumulative reducing preference dividends	**20,775**	20,025
	20,775	20,025

Notes *(continued)*

13 Called up share capital

	2006 £'000	Restated 2005 £'000
Authorised		
1,000,000 "A" ordinary shares of 10p each	**100**	100
461,607 ordinary shares of US$0.01 each	**3**	3
	103	103
Allotted, called up and fully paid		
461,607 "A" ordinary shares of 10p each	**46**	46
461,607 ordinary shares of US$0.01 each	**3**	3
	49	49

The preference shares are redeemable at a 5% premium at the company's option. A special resolution has to be passed by the holders of the preference shares to request the company to redeem the outstanding shares. In each financial year, the dividend distributable in respect of the preference shares is limited to the lower of 9.375% and one-third of the profits by law available for distribution. Any dividends consequently not paid, or not paid in full, are entitled to be received on a subsequent date. The preference shares of £8,000,000 (2005: £8,000,000) accumulated unpaid and undeclared dividends of £12,375,000 *(2005: £11,625,000)*, together with the share redemption premium of £400,000 *(2005: £400,000)* have been disclosed as creditors falling due after more than one year within liabilties.

The "A" ordinary shares carry no rights to dividends and no voting rights.

14 Share premium account and reserves

	Share premium £'000	Profit and loss account £'000
At 31 March 2004	40,461	(271,585)
Retained loss for the year	-	(148,755)
Adjustment of preference share dividends and redemption premium at beginning of year	-	(11,275)
At beginning of year	40,461	(431,615)
Retained loss for the year	-	(120,357)
At end of year	**40,461**	**(551,972)**

Notes *(continued)*

15 Reconciliation of movements on shareholders' deficit

	2006 £'000	Restated 2005 £'000
Retained loss for the period	**(120,357)**	(148,755)
Net increase in shareholders' deficit	**(120,357)**	(148,755)
Opening shareholders' deficit	**(391,105)**	(223,075)
Adjustment of preference share dividends and redemption premium	-	(11,275)
Reclassification of preference shares	-	(8,000)
Closing shareholders' deficit	**(511,462)**	(391,105)

16 Provision for liabilities and charges

The amounts provided and unprovided for deferred taxation are set out below:

	2006		2005	
	Provided £'000	**Unprovided £'000**	Provided £'000	Unprovided £'000
Deferred tax asset arising from tax losses	-	**(25,448)**	-	(27,096)
Other timing differences	-	**(20)**	-	-
	-	**(25,468)**	-	(27,096)

As at 31 March 2006, the company had tax losses available to carry forward of approximately £84,892,000 *(2005: £90,320,000)* against which no deferred tax asset has been recognised. 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 differences can be deducted.

17 Contingent liabilities

The directors have not been notified of any litigation which they consider will result in a material liability to the company, either individually or in aggregate.

18 Ultimate parent undertaking

As at 31 March 2006 the company's ultimate parent undertaking is Virgin Group Investments Limited, a company incorporated in the British Virgin Islands.

The largest group and smallest group in which the results of the company are consolidated is that headed by Virgin Entertainment Asia Limited, a company registered in England and Wales. The consolidated accounts of Virgin Entertainment Asia Limited are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.