Ivanco (No.3) Limited

Directors' report and financial statements

Registered number 3685046

31 March 2005

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activities

The principal activity of the Company during the year was that of an investment holding company.

Business review and results

The results for the year are set out on page 4 of the financial statements and the loss for the year of £12,493 (14 month period ended 31 March 2004: £50,915) has been transferred to reserves.

Proposed dividend

The directors do not recommend the payment of a dividend (2004: £Nil).

Directors and directors' interests

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

A J Renouf

N M Ritchie

F Dearie (alternate to N M Ritchie)

G Morrissey (alternate to A J Renouf, appointed 28th September 04, resigned 24th February 2005)

S O'Callaghan (alternate to A J Renouf, resigned 16th August 2004)

G Basham (alternate to A J Renouf; resigned 20 July 2005)

A Relph (alternate to A J Renouf, appointed 28th September 2004)

A Tautscher (alternate to A J Renouf, appointed 20 July 2005)

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

Auditor

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

Authorised signatory
Abacus ~~Secretaries (Jersey)~~ Limited
Joint ~~Secretary~~

La Motte Chambers
St Helier
Jersey
JE1 1BJ
5th January 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

Report of the independent auditors, KPMG LLP, to the members of Ivanco (No.3) Limited

We have audited the financial statements on pages 4 to 11.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 March 2005 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

8 Salisbury Square
London
EC4Y 8BB

~~2005~~
10 January 2006.

Profit and loss account

for the year ended 31 March 2005

	Note	Year ended 31 March 2005 £	14 month period ended 31 March 2004 £
Administrative expenses		**(14,486)**	(50,915)
Operating loss and loss on ordinary activities before taxation	*2*	**(14,486)**	(50,915)
Tax on loss on ordinary activities	*5*	**1,993**	-
Retained loss for the year	*10*	**(12,493)**	(50,915)

There were no recognised gains or losses during the year other than those shown above, which were derived from continuing operations.

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

Balance sheet
At 31 March 2005

	Note	**31 March 2005 £**	31 March 2004 £
Current assets			
Debtors	6	**1,994**	1
Cash at bank and in hand		-	8
		1,994	9
Creditors: amounts falling due within one year	*7*	**(89,931)**	(75,453)
Net current liabilities		**(87,937)**	(75,444)
Net liabilities		**(87,937)**	(75,444)
Capital and reserves			
Called up share capital	*8*	**100,000**	100,000
Profit and loss account	*9*	**(187,937)**	(175,444)
Equity shareholders' deficit	*10*	**(87,937)**	(75,444)

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

These financial statements were approved by the board of directors on 5th January 2006 and were signed on its behalf by:

Niall M Ritchie
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 accounting

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

The financial statements have been prepared on a going concern basis in view of the fact that the ultimate parent undertaking Virgin Group Investments Limited has formally indicated that it will 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.

The financial statements have been prepared under the historical cost accounting rules in accordance with applicable accounting standards, and on a going concern basis.

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)

2 Loss on ordinary activities before taxation

	Year ended 31 March 2005 £	14 month period ended 31 March 2004 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	**2,585**	2,585

3 Remuneration of directors

The directors did not receive any remuneration for the year for services to the Company (2004: £Nil).

4 Staff costs

The Company did not have any employees other than the directors of the Company (2004: £Nil).

Notes (continued)

5 Taxation

The Company has no charge for corporation tax due to the losses incurred in the year (2004: £Nil).

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax of 30% (2004: 30%). The differences are explained below.

	Year ended 31 March 2005 £	14 month period ended 31 March 2004 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(14,486)**	(50,915)
Current tax at 30% (2003: 30%)	**(4,346)**	(15,275)
Effects of:		
Expenses not deductible for tax purposes	**-**	(420)
Loss surrender to group company for consideration	**(1,993)**	-
Losses not utilised or recognised	**4,346**	15,695
Total current tax credit (see above)	**(1,993)**	-

Factors that may affect future tax charges

Details of the Company's total provided and unprovided deferred tax at the period end (and prior period 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.

	31 March 2005 Provided £	**31 March 2005 Unprovided £**	31 March 2004 Provided £	31 March 2004 Unprovided £
UK tax losses	**-**	**(27,066)**	-	(24,713)
	-	**(27,066)**	-	(24,713)

Notes *(continued)*

6 Debtors

	31 March 2005 £	31 March 2004 £
Amounts owed by group undertakings	**1,994**	1

7 Creditors: amounts falling due within one year

	31 March 2005 £	31 March 2004 £
Amounts owed to group undertakings	**85,766**	72,368
Accruals	**4,165**	3,085
	89,931	75,453

8 Called up share capital

	31 March 2005 £	31 March 2004 £
Authorised		
Equity: 100,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
Equity: 100,000 ordinary shares of £1 each	**100,000**	100,000

Notes *(continued)*

9 Reserves

	Profit and loss account
	£
At beginning of year	**(175,444)**
Retained loss for the year	**(12,493)**
At end of year	**(187,937)**

10 Reconciliation of movements in equity shareholders' deficit

	31 March 2005	31 March 2004
	£	£
Opening equity shareholders' deficit	**(75,444)**	(24,529)
Loss for the financial year	**(12,493)**	(50,915)
Closing equity shareholders' deficit	**(87,937)**	(75,444)

11 Cash flow statement

There were no cash transactions during the year.

Notes (continued)

12 Related party disclosures

At 31 March 2005 the Company's ultimate parent company 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 Financial Reporting Standard No. 8.

At the year end, the Company had the following amounts outstanding and transactions in the year with related parties:

	Related undertaking		**Parent undertaking**	
	31 March 2005	31 March 2004	**31 March 2005**	31 March 2004
	£	£	**£**	£
Creditors	**85,765**	-	**1**	72,368
Debtors	**1**	1	**1,993**	-
Purchases	**8,168**	40,549	**-**	-

None of the above balances attract interest.

The parent undertakings with which the Company transacted during the year were Virgin Group Investments Limited and Newstart Investments Limited.

The related undertakings with which the Company transacted during the year were Virgin Entertainment Asia Limited, Virgin Retail Holdings Limited and Virgin Management Limited.

13 Ultimate parent company

The company is a subsidiary undertaking of Virgin Group Investments Limited incorporated in the British Virgin Islands.