

120 CAMPDEN HILL ROAD LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2002

Registered Number: 3892404



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120 CAMPDEN HILL ROAD LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 January 2002. The Company was incorporated on 10 December 1999 and commenced trading on 2 July 2001.

PRINCIPAL ACTIVITY

The principal activity of the Company was that of a property holding company. On 2 July 2001 the Company acquired freehold property at 120 Campden Hill Road, London, W8 7AR. The results for the year are set out on page 4.

RESULTS

The Company made a loss of £79,351 during the year to 31 January 2002, which has been taken to reserves (2001: £Nil). Comparatives are for the 14 month period ended 31 January 2001.

DIVIDENDS

The directors do not recommend the payment of a dividend (2001: £Nil).

DIRECTORS AND THEIR INTERESTS

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

S Peckham	(resigned 8 June 2001)
S Parden	(appointed 8 June 2001)
D Embley	(appointed 8 June 2001, resigned 10 December 2001)
M Hill	(appointed 10 December 2001)

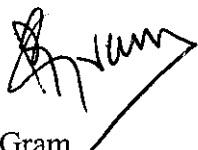
The directors have no disclosable interest in the shares of the Company.

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 statutory requirements of holding annual general meetings, laying accounts before the company in general meetings and reappointing auditors annually.

Our auditors KPMG have indicated that their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 17 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the Board



P G Gram
Secretary

120 Campden Hill Road
London
W8 7AR

19 September 2002

120 CAMPDEN HILL ROAD LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing those accounts, 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 accounts;
- prepare the accounts 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 which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF 120 CAMPDEN HILL ROAD LIMITED**

We have audited the financial statements on pages 4 to 10.

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 affairs of the company as at 31 January 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG ul

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB

26 September 2002

120 CAMPDEN HILL ROAD LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2002

	<u>Notes</u>	31 January 2002 £	14 months to 31 January 2001 £
TURNOVER	2	217,421	-
Administrative Expenses		<u>(135,462)</u>	<u>-</u>
OPERATING PROFIT		81,959	-
Interest payable and similar charges	3	<u>(155,806)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	4	(73,847)	-
Tax on ordinary activities	7	<u>(5,504)</u>	<u>-</u>
RETAINED LOSS FOR THE YEAR		<u>(79,351)</u>	<u>-</u>

There were no recognised gains and losses during the year other than those shown above, all of which were derived from continuing activities.

The notes on pages 6 to 10 form part of these financial statements.

120 CAMPDEN HILL ROAD LIMITED

BALANCE SHEET
AS AT 31 JANUARY 2002

	<u>Notes</u>	31 January 2002 £	14 months to 31 January 2001 £
FIXED ASSETS	8	4,941,370	-
CREDITORS:			
amounts falling due within one year	9	(1,409,785)	1
NET CURRENT LIABILITIES		<u>(1,409,785)</u>	<u>1</u>
CREDITORS:			
amounts falling due after one year	10	(3,610,935)	-
NET LIABILITIES		<u>(79,350)</u>	<u>1</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Profit and loss account	12	<u>(79,351)</u>	<u>-</u>
EQUITY SHAREHOLDERS' DEFICIT	13	<u>(79,350)</u>	<u>1</u>

The notes on pages 6 to 10 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 September 2002 and signed on its behalf by:



S Parden
Director

120 CAMPDEN HILL ROAD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2002

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.

(a) Basis of preparation

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

(b) Cash Flow Statement

Under Financial Reporting Standard 1 (revised 1996) which the company has adopted in these financial 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.

(c) Going Concern

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 a going concern basis.

(d) Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis at rates calculated to write off the cost or valuation of each asset over its estimated useful economic life as follows:

Freehold property	- 2% per annum
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(e) 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.

(f) Operating Leases

Operating lease rental income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

120 CAMPDEN HILL ROAD LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002**

2. TURNOVER

Turnover represents amounts receivable for property rental to related undertakings in the United Kingdom.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	14 months to
	£	January 2001
		£
Bank interest	<u>155,806</u>	<u>-</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is arrived at after charging/(crediting) :

	2002	14 months to
	£	January 2001
		£
Operating Lease Rental	(217,421)	-
Depreciation	58,630	-
Audit Fees	1,500	-

5. DIRECTORS' EMOLUMENTS

The directors did not receive any remuneration during the year for services to the Company (2001: £Nil).

6. STAFF COSTS

The Company did not have any employees other than the directors of the Company.

120 CAMPDEN HILL ROAD LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002**

7. TAXATION

	2002 £	14 months to January 2001 £
UK Corporation Tax at 30% (2001: 30%)	5,504	-

The current charge for the period is higher than the standard rate of corporation tax in the UK (30% 2002: 30% 2001). The differences are explained below.

	2002 £	14 months to January 2001 £
Current tax reconciliation		
Loss on ordinary activities before tax	(73,847)	-
Tax credit at 30% (2001:30%)	(22,154)	-
Tax Effects of:		
Expenses not deductible for tax purposes (primarily legal fees and depreciation on assets not qualifying for capital allowances)	27,658	-
Total current tax charge	5,504	-

8. FIXED ASSETS

	Freehold land and buildings £
Cost	
1 February 2001	-
Additions	5,000,000
31 January 2002	5,000,000
Depreciation	
1 February 2001	-
Charge for year	58,630
31 January 2002	58,630
Net book value	
31 January 2002	4,941,370

The above amounts relate wholly to assets held for the use in operating leases.

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**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002**

9. CREDITORS: amounts falling due within one year

	2002 £	14 months to January 2001 £
Amounts owed to group undertakings	1,313,707	-
Bank loans and overdrafts	96,078	-
	<u>1,409,785</u>	<u>-</u>

10. CREDITORS: amounts falling due after one year

	2002 £	14 months to January 2001 £
Bank loans and overdrafts		
One to two years	100,295	-
Two to five years	345,737	-
over five years	3,164,903	-
	<u>3,610,935</u>	<u>-</u>

Bank loans relate to a mortgage secured on the property at 120 Campden Hill Road. Terms are 20 years at a fixed rate of 7.11% payable monthly.

11. CALLED UP SHARE CAPITAL

	2002 £	14 months to January 2001 £
Authorised		
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Ordinary shares of £1.00 each	<u>1</u>	<u>1</u>

One ordinary share was issued at par on the Company's incorporation on 10 December 1999.

12. RESERVES

	2002 £	14 months to January 2001 £
Retained loss for the year	(79,351)	-
Balance at 31 January 2002	<u>(79,351)</u>	<u>-</u>

120 CAMPDEN HILL ROAD LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002**

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002	14 months to
	£	January 2001
		£
Loss for the financial year	(79,351)	-
Issue of ordinary shares	<u>1</u>	<u>1</u>
Closing shareholders' deficit	<u>(79,350)</u>	<u>1</u>

14. RELATED PARTY TRANSACTIONS

At 31 January 2002 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 Financial Reporting Standard No. 8.

The amounts owed to the parent undertaking included a loan of £1,250,000 (2001: £Nil) and a trading balance of £63,707 (2001: £1), which did not attract interest during the year.

15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking at 31 January 2002 was Virgin Group Investments Limited a company incorporated in the British Virgin Islands.

The only accounts into which the Company's results are consolidated are those of Barfair Limited. The accounts of Barfair Limited can be obtained from Companies House.