

**Virgin Retail Group Limited**

**Directors' report and financial  
statements**

**Registered number 2376810**

**31 January 2003**



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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 January 2003.

### 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 year

The results of the company for the year are set out on page 5. The loss for the year of £99,236,000 (2002 loss: £56,065,000) has been taken to reserves. During the year an amount of £48,415,000 (2002: £22,619,000) was provided against intercompany debtors and £34,953,000 (2002: £27,858,000) was written off investments.

On 4 December 2002 Virgin Retail Group UK Limited and VOP Holdings Limited were put into liquidation. As a result of this decision Virgin Retail Group (UK) Limited transferred its interest in Virgin Retail Group Limited to Virgin Entertainment Asia Limited, a company registered in England and Wales.

### Proposed dividends

The directors are unable to recommend the payment of a dividend (2002: *£nil*).

### Directors and directors' interests

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

DS Wright  
S Peckham

Neither of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

DS Wright and S Peckham 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 either of the directors or their immediate families, with the exception of DS Wright, or exercised by them, during the financial period. Details of DS Wright's interests in a parent undertaking, Virgin Entertainment Group Limited, are disclosed in the financial statements of Virgin Entertainment Asia Limited.

## Directors' report *(continued)*

### Auditors

The company has passed elective resolutions pursuant to Sections 252, 366A and 386 of the Companies Act 1985, dispensing with the laying of accounts and reports before the company in general meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually.

In accordance with section 386 of the Companies Act 1985, KPMG remained in office during the year. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 12 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming Extraordinary General Meeting.

By order of the board

PG Gram  
Secretary



120 Campden Hill Rd  
London  
W8 7AR

10 May 2004

## Statement of directors' responsibilities

The directors are required 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.



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## **Report of the independent auditors to the members of Virgin Retail Group Limited**

We have audited the financial statements on pages 5 to 15.

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 3, 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 January 2003 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

10 May 2004

**Profit and loss account**  
*for the year ended 31 January 2003*

|   | <i>Note</i> | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|---|-------------|---|---|
| Administrative expenses before exceptional items        | 2           | (206)   | (301)   |
| Exceptional items                                       | 2           | (48,415)  | (22,619)  |
| <b>Total administrative expenses and operating loss</b> |             | <b>(48,621)</b>                                     | <b>(22,920)</b>                                     |
| Amounts written off investments                         |             | (34,953)  | (27,858)  |
| Interest receivable and similar income                  | 6           | 2,510   | 20  |
| Interest payable and similar charges                    | 7           | (17,422)  | (5,467)   |
| <b>Loss on ordinary activities before taxation</b>      | 2           | <b>(98,486)</b>                                     | <b>(56,225)</b>                                     |
| Taxation on loss on ordinary activities                 | 8           | -   | 910   |
| <b>Loss on ordinary activities after taxation</b>       |             | <b>(98,486)</b>                                     | <b>(55,315)</b>                                     |
| Finance costs of non-equity shares                      | 13          | (750)   | (750)   |
| <b>Retained loss for the year</b>                       | 13          | <b>(99,236)</b>                                     | <b>(56,065)</b>                                     |

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.

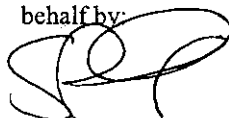
The notes on pages 7 to 15 form part of these financial statements.

**Balance sheet**  
*at 31 January 2003*

|  | Note | 2003<br>£'000    | 2002<br>£'000   |
|--|------|------------------|-----------------|
| <b>Fixed assets</b>  |      |                  |                 |
| Investments  | 9    | 26,212           | 46,166          |
| <b>Current assets</b>  |      |                  |                 |
| Debtors falling due within one year                            | 10   | 6,379            | 8,551           |
| Debtors falling due in more than one year                      | 10   | 5,462            | 5,462           |
| Cash at bank   |      | 3,553            | 546             |
| <b>Total assets</b>  |      | <b>41,606</b>    | <b>60,725</b>   |
| <b>Capital and reserves</b>                                    |      |                  |                 |
| Called up share capital  | 12   | 8,049            | 8,049           |
| Share premium  | 13   | 40,461           | 40,461          |
| Profit and loss account  | 13   | (189,776)        | (92,005)        |
| <b>Shareholders' deficit</b>                                   | 14   | <b>(141,266)</b> | <b>(43,495)</b> |
| <b>Creditors: amounts falling due within one year</b>          | 11   | <b>166,977</b>   | <b>97,595</b>   |
| <b>Creditors: amounts falling due after more than one year</b> | 11   | <b>15,895</b>    | <b>6,625</b>    |
| <b>Total liabilities</b>                                       |      | <b>182,872</b>   | <b>104,220</b>  |
| <b>Total liabilities</b>                                       |      | <b>41,606</b>    | <b>60,725</b>   |

The shareholders' interests are equity deficit of £159,791,000 (2002: £61,270,000) and non-equity funds of £18,525,000 (2002: £17,775,000).

These financial statements were approved by the board of directors on 10 May 04 and were signed on its behalf by:



**S Peckham**  
Director

The notes on pages 7 to 15 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 company's financial statements.

#### *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 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.

Under Financial Reporting Standard 1 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.

#### *Deferred 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 FRS19.

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<br>31 January<br>2003<br>£000 | Year ended<br>31 January<br>2002<br>£000 |
|--|--|--|
| <i>Loss on ordinary activities before taxation is stated after charging:</i> |  |  |
| Auditors' remuneration:  |  |  |
| Audit fees   | -  | -  |
| Other professional fees  | 161                                      | 116                                      |
| Exceptional items:   |  |  |
| Provision against intercompany debtors                                       | 48,415                                   | 22,619                                   |
|  | <hr/>                                    | <hr/>                                    |

The audit fee for the year has not been recharged by the company's parent undertaking, Virgin Entertainment Group Limited.

The exceptional provisions are in respect of debts from Virgin Retail Group UK Limited (£40,102,000) which was put into voluntary liquidation during the year, from Virgin Entertainment Group Limited (£7,229,000) and from Virgin Group Finance LP (1,084,000).

### 3 Remuneration of directors

Mr DS Wright and Mr S Peckham are employees of Virgin Retail Limited. Management charges are made by Virgin Retail Limited to the company's parent undertaking Virgin Entertainment Group Limited to cover certain emoluments and other costs. These costs are not recharged by Virgin Entertainment Group Limited to Virgin Retail Group Limited.

### 4 Related party transactions

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

At 31 January 2003, 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 8.

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

|                             | 2003<br>£000 | 2002<br>£000 |
|-----------------------------|--------------|--------------|
| <b>Parent undertakings:</b> |              |              |
| Interest payable            | 206          | 46           |
| Debtors                     | 4,438        | 5,572        |
| Creditors                   | 2,940        | -            |
|                             | <hr/>        | <hr/>        |

## Notes (continued)

### 4 Related party transactions (continued)

#### Fellow subsidiary undertakings:

|                  |        |        |
|------------------|--------|--------|
| Interest payable | 2,253  | 770    |
| Creditors        | 10,508 | 14,869 |

#### Related party undertakings:

|                     |         |        |
|---------------------|---------|--------|
| Interest payable    | 12,044  | 3,553  |
| Interest receivable | 125     | -      |
| Debtors             | 1,309   | 1,179  |
| Creditors           | 117,635 | 36,398 |

The parent undertakings that the company transacted with during the year were Virgin Entertainment Group Limited, Virgin Entertainment Holdings Limited and Virgin Entertainment Asia Limited. The fellow subsidiary undertakings that the company transacted with during the year were Virgin Cinemas Group Limited, Virgin Entertainment Europe Limited and Virgin Retail Europe Limited. The related party undertakings that the company transacted with during the year were Newstart Investments Limited, Virgin Management Limited, Virgin Group Finance Limited Partnership and Barfair Limited.

Interest is payable on amounts due to or from Barfair Limited and Newstart Investments, no interest is charged to or from any other related party. Details of the applicable rates are given in note 11.

### 5 Employee information

There were no employees directly employed by the company.

### 6 Interest receivable and similar income

|  | Year ended<br>31 January<br>2003<br>£000 | Year ended<br>31 January<br>2002<br>£000 |
|--|--|--|
| On bank deposits                       | 26                                       | 20                                       |
| On loans to subsidiary undertakings    | 2,340                                    | -  |
| On loans to related party undertakings | 125                                      | -  |
| Other interest receivable              | 19                                       | -  |
|  | <u>2,510</u>                             | <u>20</u>                                |

**Notes (continued)**

**7 Interest payable and similar charges**

|                                   | Year ended<br>31 January<br>2003<br>£000 | Year ended<br>31 January<br>2002<br>£000 |
|-----------------------------------|--|--|
| On loans from parent undertaking  | 206                                      | 46                                       |
| On loans from fellow subsidiaries | 2,253                                    | 770                                      |
| On loans from subsidiaries        | 2,919                                    | 1,098                                    |
| On loans from related parties     | 12,044                                   | 3,553                                    |
|                                   | <hr/>                                    | <hr/>                                    |
|                                   | 17,422                                   | 5,467                                    |
|                                   | <hr/>                                    | <hr/>                                    |

**8 Taxation**

|                                       | Year ended<br>31 January<br>2003<br>£000 | Year ended<br>31 January<br>2002<br>£000 |
|---------------------------------------|--|--|
| UK corporation tax at 30% (2002: 30%) | -  | -  |
|                                       | <hr/>                                    | <hr/>                                    |
| Current tax credit for the year       | -  | -  |
| Deferred tax                          | -  | 910                                      |
|                                       | <hr/>                                    | <hr/>                                    |
| Tax on loss on ordinary activities    | -  | 910                                      |
|                                       | <hr/>                                    | <hr/>                                    |

Factors affecting tax charge for the current year:

The current tax credit (2002: charge) for the year is lower (2002: lower) than the standard rate of corporation tax (30%, 2002: 30%). The differences are explained below:

|  | 2003<br>£000 | 2002<br>£000 |
|--|--------------|--------------|
| <b>Current tax reconciliation</b>        |              |              |
| Loss on ordinary activities before tax   | (98,486)     | (56,225)     |
|  | <hr/>        | <hr/>        |
| Current tax at 30% (2002: 30%)           | (29,546)     | (16,868)     |
| <i>Effect of:</i>                        |              |              |
| Expenses not deductible for tax purposes | 25,034       | 15,145       |
| Losses not utilised or recognised        | 4,512        | 1,721        |
| Other timing differences                 | -            | 2            |
|  | <hr/>        | <hr/>        |
|  | -            | -            |
|  | <hr/>        | <hr/>        |

## Notes (continued)

### 8 Taxation (continued)

The amounts provided for deferred taxation are set out below:

|  | 2003             |                    | 2002             |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | Provided<br>£000 | Unprovided<br>£000 | Provided<br>£000 | Unprovided<br>£000 |
| Deferred tax asset arising from tax losses | -                | (21,535)           | -                | (16,968)           |
| Other timing differences                   | -                | (2)                | -                | (2)                |
|  | <u>-</u>         | <u>(21,537)</u>    | <u>-</u>         | <u>(16,970)</u>    |

As at 31 January 2003, the company had tax losses available to carry forward of approximately £71,783,000 (2002: £56,561,000) 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.

### 9 Fixed asset investments

|  | Shares in group<br>undertakings<br>£000 |
|--|---|
| <b>Cost</b>                              |   |
| At 31 January 2002                       | 123,222                                 |
| Additions in year                        | 14,999                                  |
|  | <u>138,221</u>                          |
| At January 2003                          | 138,221                                 |
| <b>Provision for diminution in value</b> |   |
| At 31 January 2002                       | (77,056)                                |
| Provided in year                         | (34,953)                                |
|  | <u>(112,009)</u>                        |
| At 31 January 2003                       | (112,009)                               |
| <b>Net book value</b>                    |   |
| At 31 January 2003                       | <u>26,212</u>                           |
|  | <u>46,166</u>                           |
| At 31 January 2002                       | 46,166                                  |

## Notes (continued)

### 9 Fixed asset investments

The following were the principal subsidiary undertakings of Virgin Retail Group Limited as at 31 January 2003.

| Name of Company                                       | Country of incorporation | Proportion held | Nature of business                |
|---|--------------------------|-----------------|-----------------------------------|
| <i>Subsidiary undertakings</i>                        |                          |                 |                                   |
| <i>Directly held:</i>                                 |                          |                 |                                   |
| Virgin Retail Limited                                 | UK                       | 100%            | Music Retailer                    |
| Ablegrand Limited                                     | UK                       | 100%            | Music Retailer                    |
| Vspace Limited  | UK                       | 100%            | Internet Cafes                    |
| <i>Indirectly held through Virgin Retail Limited:</i> |                          |                 |                                   |
| Virgin Holdings (Ireland) Limited                     | Eire                     | 100%            | Holding Company                   |
| Virgin Retail (Ireland) Limited                       | UK                       | 100%            | Music Retailer                    |
| Harlandic Limited                                     | Eire                     | 100%            | Property Holding Company          |
| VR Services Limited                                   | UK                       | 100%            | Distribution and sale of vouchers |
| <i>Indirectly held through Ablegrand Limited:</i>     |                          |                 |                                   |
| Ablegrand 2 Limited                                   | UK                       | 100%            | Music Retailer                    |
| Vshop Retail Services Limited                         | UK                       | 100%            | Distribution and Sale of vouchers |

### 10 Debtors: amounts falling due within one year

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| Amounts owed by parent undertakings                       | 4,438        | 5,572        |
| Amounts owed by related party undertakings                | 1,309        | 1,179        |
| Other debtors   | 632          | 1,800        |
|   | <hr/>        | <hr/>        |
|   | 6,379        | 8,551        |
| <b>Debtors: amounts falling due in more than one year</b> |              |              |
| Amounts owed by subsidiary undertakings                   | 5,462        | 5,462        |
|   | <hr/>        | <hr/>        |
|   | 11,841       | 14,013       |
|   | <hr/>        | <hr/>        |

No interest is receivable on amounts owed by subsidiary undertakings, fellow subsidiary or parent undertakings.

During the year provisions have been made against amounts owed by parent undertakings of £47,331,000 (2002: £22,198,000), and £1,084,000 (2002: £nil) owed by related party undertakings.

The amounts represent guaranteed loan notes which are interest free and repayable in more than five years.

**Notes (continued)**

**11 Creditors**

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| <b>Amounts falling due within one year</b>          |              |              |
| Other tax and social security                       | 2,322        | 1,907        |
| Amounts owed to parent undertakings                 | 2,940        | -            |
| Amounts owed to related party undertakings          | 101,740      | 29,773       |
| Amounts owed to subsidiary undertakings             | 49,467       | 51,046       |
| Amounts owed to fellow subsidiary undertakings      | 10,508       | 14,869       |
|   | <hr/>        | <hr/>        |
|   | 166,977      | 97,595       |
| <b>Amounts falling due after more than one year</b> |              |              |
| Amounts owed to related party undertakings          | 15,895       | 6,625        |
|   | <hr/>        | <hr/>        |
|   | 182,872      | 104,220      |
|   | <hr/>        | <hr/>        |

Amounts owed to related party undertakings include loans from Newstart Investments Limited, of which at 31 January 2003, £15,895,000 principal and £131,000 of interest was outstanding. Prior year included loans from Ivanco No1, of which at 31 January 2002, £27,240,000 related to principal and £6,386,000 related to interest. As a result of VOP Holdings Limited and Virgin Retail Group UK Limited being put into liquidation, the loans between Virgin Retail Group UK Limited and Barfair were reassigned to Virgin Retail Group Limited. The outstanding balance on these loans at the 31 January 2003 was £86,360,000 principal and £15,249,000 interest. The repayment schedule of the loans is summarised below:

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| Loans payable by instalments falling due: |              |              |
| Within one year                           | 101,740      | 27,001       |
| In two to five years                      | 15,895       | 6,625        |
|   | <hr/>        | <hr/>        |
|   | 117,635      | 33,626       |
|   | <hr/>        | <hr/>        |

The interest rates of the loans are summarised below:

|              | 2003    | 2002   |
|--------------|---------|--------|
| At LIBOR +2% | 16,026  | 27,240 |
| At LIBOR +3% | -       | 6,386  |
| At 14%       | 101,609 | -      |
|              | <hr/>   | <hr/>  |
|              | 117,635 | 33,626 |
|              | <hr/>   | <hr/>  |

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 parent undertakings or on amounts owed to related party undertakings, subsidiary undertakings or fellow subsidiary undertakings.

## Notes (continued)

### 12 Called up share capital

|   | 2003<br>£000      | 2002<br>£000      |
|---|-------------------|-------------------|
| <i>Authorised</i>   |                   |                   |
| 1,000,000 "A" ordinary shares of 10p each                           | 100               | 100               |
| 461,607 ordinary shares of US\$0.01 each                            | 3                 | 3                 |
| 8,000,000 cumulative redeemable 9.375% preference shares of £1 each | 8,000             | 8,000             |
|   | <hr/> 8,103 <hr/> | <hr/> 8,103 <hr/> |
| <i>Allotted, called up and fully paid</i>                           |                   |                   |
| 461,607 "A" ordinary shares of 10p each                             | 46                | 46                |
| 461,607 ordinary shares of US\$0.01 each                            | 3                 | 3                 |
| 8,000,000 cumulative redeemable 9.375% preference shares of £1 each | 8,000             | 8,000             |
|   | <hr/> 8,049 <hr/> | <hr/> 8,049 <hr/> |

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 accumulated unpaid and undeclared dividends of £10,125,000 (2002: £9,375,000), together with the share redemption premium of £400,000 (2002: £400,000) and preference shares of £8,000,000 (2002: £8,000,000), have been disclosed as non-equity interests within shareholders' funds.

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

### 13 Share premium account and reserves

|   | Share<br>premium<br>£000 | Profit<br>and loss<br>account<br>£000 |
|---|--------------------------|---------------------------------------|
| At beginning of year                            | 40,461                   | (92,005)                              |
| Retained loss for the year                      | -                        | (99,236)                              |
| Other movements                                 | -                        | 715                                   |
| Unpaid preference dividend on non-equity shares | -                        | 750                                   |
|   | <hr/> 40,461 <hr/>       | <hr/> 189,776 <hr/>                   |
| <b>At end of year</b>                           | <b>40,461</b>            | <b>189,776</b>                        |



**Notes** (*continued*)

**14 Reconciliation of movements on shareholders' deficit**

|  | <b>2003</b>      | <b>2002</b>     |
|--|------------------|-----------------|
|  | <b>£000</b>      | <b>£000</b>     |
| Retained loss for the year                   | (99,236)         | (56,065)        |
| Reversal of non-equity appropriation         | 750              | 750             |
| Other movements                              | 715              | -               |
|  | <hr/>            | <hr/>           |
| <b>Net increase in shareholders' deficit</b> | <b>(97,771)</b>  | <b>(55,315)</b> |
| Opening shareholders' deficit                | (43,495)         | 11,820          |
|  | <hr/>            | <hr/>           |
| <b>Closing shareholders' deficit</b>         | <b>(141,266)</b> | <b>(43,495)</b> |
|  | <hr/>            | <hr/>           |

**15 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.

The company has guaranteed loans and facilities made to it as set out in Note 11.

**16 Ultimate parent undertaking**

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, Maindy, Cardiff, CF4 3UZ.