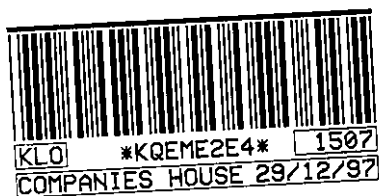


VIRGIN BROADCASTING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 1997

Registered Number : 1311784



VIRGIN BROADCASTING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 January 1997

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VIRGIN BROADCASTING LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and audited financial statements for the year ended 31 January 1997.

PRINCIPAL ACTIVITIES

The Company is engaged in the field of television and radio.

RESULTS

The profit on ordinary activities after tax of the Company for the year transferred to reserves was £27,040 (1996 : £79,237) as shown in the profit and loss account on page 5.

DIVIDENDS

The directors do not recommend the payment of a dividend (1996 : £nil)

FIXED ASSETS

The changes in fixed assets during the year are shown in note 6 of the financial statements.

DIRECTORS

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

R C N Branson  
T M Abbott (deceased 9 December 1997)  
S T M Murphy (appointed 17 September 1996)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or other group companies.

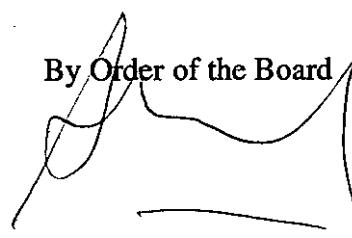
VIRGIN BROADCASTING LIMITED

REPORT OF THE DIRECTORS  
(continued)

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution to reappoint the auditors, KPMG, will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to be 'S T M Murphy', written over a horizontal line.

S T M Murphy  
Director

120 Campden Hill Road  
London  
W8 7AR

VIRGIN BROADCASTING LIMITED

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 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;
- 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 AUDITORS

KPMG

TO THE MEMBERS OF VIRGIN BROADCASTING LIMITED

We have audited the financial statements on pages 5 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF 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 mis-statement, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



*Chartered Accountants*

*Registered Auditors*

1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

29 December 1997

VIRGIN BROADCASTING LIMITEDProfit and Loss Accountfor the year ended 31 January 1997

	Notes	Year ended 31 January 1997 £	Year ended 31 January 1996 £
Administrative expenses		(631)	(5,554)
Operating loss	2	(631)	(5,554)
Income from other fixed asset investment		1,406	11,506
Amount written off investments		-	(116)
Profit on sale of fixed asset investments	3	-	104,515
Profit on ordinary activities before taxation		775	, 110,351
Taxation	4	26,265	(37,114)
Profit for the financial year		27,040	73,237
Accumulated losses brought forward		(2,880,032)	(2,953,269)
Accumulated losses carried forward		(2,852,992)	(2,880,032)

The result for the year arises solely from continuing operations.

There are no other gains or losses except for the profit disclosed above.

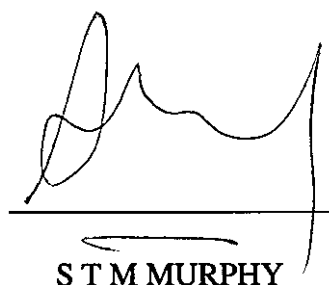
The notes on pages 8 to 11 form part of these financial statements.

VIRGIN BROADCASTING LIMITEDBalance Sheet as at 31 January 1997

	Notes	31 January 1997 £	31 January 1996 £
<b>FIXED ASSETS</b>			
Investments	5	<u>102</u>	<u>102</u>
<b>CURRENT ASSETS</b>			
Debtors	6	147,009	17,569
Investment	7	<u>-</u>	<u>104,400</u>
		147,009	121,969
<b>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(3)</u>	<u>(2,003)</u>
<b>NET CURRENT ASSETS</b>		<u>147,006</u>	<u>119,966</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>147,108</u>	<u>120,068</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	3000,100	3,000,100
Profit and loss account	10	<u>(2,852,992)</u>	<u>(2,880,032)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>147,108</u>	<u>120,068</u>

The notes on pages 8 to 11 form part of these financial statements.

The financial statements were approved by the Board of Directors on 29 December 1997 and signed on its behalf by:-



S T M MURPHY

DIRECTOR



VIRGIN BROADCASTING LIMITEDReconciliation of movements in shareholders' funds  
for the year ended 31 January 1997

	Year ended 31 January 1997 £	Year ended 31 January 1996 £
Profit for the financial year	27,040	73,237
Opening shareholders' funds	120,068	46,831
Closing shareholders' funds	<u>147,108</u>	<u>120,068</u>

**VIRGIN BROADCASTING LIMITED****Notes to the Financial Statements****for the year ended 31 January 1997****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 accounting**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The company is exempt by virtue of S.248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under Section 246 to 249 of the Companies Act 1985.

**(b) Investments**

Current asset investments are shown at the lower of cost and market value or directors' valuation. Investments in subsidiaries are included in fixed assets and are stated at cost less amounts written off.

**2. Operating loss**

	Year ended 31 January 1997 £	Year ended 31 January 1996 £
This is stated after charging:		
Auditors' remuneration	<u>1,500</u>	<u>5,700</u>

The directors were the only employees of the company. Neither director received any emoluments during the year (1996 : £nil).

**3. Profit on disposal of fixed assets**

	Year ended 31 January 1997 £	Year ended 31 January 1996 £
Profit on disposal of investment	<u>-</u>	<u>104,515</u>

**VIRGIN BROADCASTING LIMITED****Notes to the Financial Statements**

**for the year ended 31 January 1997**  
**(continued)**

**4. Taxation**

	Year ended 31 January 1997 £	Year ended 31 January 1996 £
Charge for year	-	(37,114)
Adjustment for overprovision in prior year	26,265	
	<u>26,265</u>	<u>(37,114)</u>

**5. Fixed asset investments**

Investments in subsidiary companies at cost

	Subsidiary Undertakings £
At 31 January 1996 & 1997	<u>102</u>

The companies in which the company's interest is more than 10% are as follows:

<u>Subsidiary Undertakings</u>	<u>Activity</u>	<u>Class of Share Held</u>	<u>Holding</u>	<u>Country of Registration</u>
Virgin TV Productions Limited	Programme production	Ordinary	100%	England and Wales
Radio Radio Limited	Non-trading	Ordinary	100%	England and Wales

**VIRGIN BROADCASTING LIMITED****Notes to the Financial Statements****for the year ended 31 January 1997****(continued)****6. Debtors**

	31 January 1997 £	31 January 1996 £
Amounts owed by parent undertaking	147,009	17,568
Other debtors	-	1
	<u>147,009</u>	<u>17,569</u>

**7. Current Asset Investments**

	31 January 1997 £	31 January 1996 £
Quoted, at market value	<u>-</u>	<u>104,400</u>

**8. Creditors: Amounts falling due within one year**

	31 January 1997 £	31 January 1996 £
Accruals	-	2,000
Other creditors	<u>3</u>	<u>3</u>
	<u>-</u>	<u>2,003</u>

**9. Share capital**

	31 January 1997 £	31 January 1996 £
Authorised:		
3,000,100 ordinary shares of £1 each	<u>3,000,100</u>	<u>3,000,100</u>
Allotted, called up and fully paid:		
3,000,100 ordinary shares of £1 each	<u>3,000,100</u>	<u>3,000,100</u>

**VIRGIN BROADCASTING LIMITED**

**Notes to the Financial Statements**  
**for the year ended 31 January 1997**  
**(continued)**

**10. Profit and loss account**

	31 January 1997 £	31 January 1996 £
Balance at 1 February 1996	(2,880,032)	(2,953,269)
Retained profit for the year	<u>27,040</u>	<u>73,237</u>
Balance at 31 January 1997	<u>(2,852,992)</u>	<u>(2,880,032)</u>

**11. Contingent Liabilities**

The Company is party to a group overdraft facility of £6 million, £500,000 repayable on demand.

**12. Ultimate holding company**

The ultimate holding company at 31 January 1997 was Voyager Investments (BVI) Limited, a company incorporated in the British Virgin Islands. No other group accounts include the results of this company.

**13. Related party transactions**

At 31 January 1997, the company's ultimate parent company was Voyager Investments (BVI) Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Voyager Investments (BVI) Limited. The principal beneficiaries of those trusts are RCN Branson and his immediate family. The shareholders of Voyager Investments (BVI) Limited have interest 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 an inter-company balance of £147,009 due from its parent company, Virgin Management Limited, which was on interest-free terms.