

Virgin Direct Personal Financial Service Limited

Registered No. 3072766

DIRECTORS

Executive Directors:

J A Gadhia
R Gormley (Managing Director)
A Wood

Non-Executive Directors:

T Abbott
R Branson
S Murphy
J Schwartz
J Skellern
G Trumbull
A Watson

SECRETARY

J A Gadhia

AUDITORS

Ernst & Young
Rolls House, 7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

Midland Bank plc
City of London Corporate Office
PO Box 125
27 - 32 Poultry
London EC2P 0NH

REGISTERED OFFICE

Discovery House
Whiting Road
Norwich NR4 6EJ

ERNST & YOUNG



Virgin Direct Personal Financial Service Limited

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The retained loss for the year ended 31 December 1996 amounted to £6,609k. The directors do not recommend any dividends to be paid.

CHANGE OF COMPANY NAME

On 17 May 1996 the company changed its name from Virgin Direct Personal Financial Service Limited to Virgin Direct Unit Trust Managers Limited consequent to a reconstruction.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The previously dormant company commenced trading on 18 May 1996. The company's principal activity during the year was that of service provider to fellow group companies.

The results of the company are directly related to the performance of other subsidiaries. Losses will continue in the medium term as the group focuses on increasing the long term value of the customer relationship.

FUTURE DEVELOPMENTS

The company will continue as a service provider to fellow group companies.

FIXED ASSETS

Details of the company's fixed assets are in Note 9 to the accounts.

Virgin Direct Personal Financial Service Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

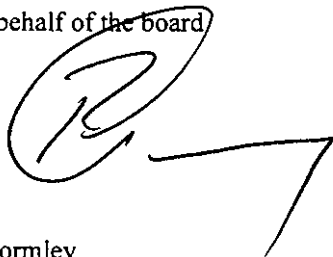
The names of the current directors are listed on page 2. All executive directors held office throughout the year. All non-executive directors were appointed on 16 September 1996.

The directors had no interests in the share capital of the Company.

AUDITORS

A resolution to reappoint Ernst & Young, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a downward stroke.

R Gormley
Managing Director

Virgin Direct Personal Financial Service Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 the profit or loss of the company for that period. 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; and
- 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 to 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.

Virgin Direct Personal Financial Service Limited

REPORT OF THE AUDITORS

to the members of Virgin Direct Personal Financial Service Limited

We have audited the accounts on pages 7 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

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

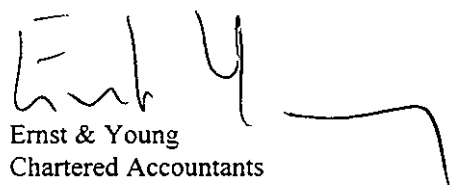
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'EY' followed by a stylized flourish.

Ernst & Young
Chartered Accountants
Registered Auditor
London

30 April 1997

Virgin Direct Personal Financial Service Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

	Notes	1996 £000
TURNOVER	2	213
Administrative expenses		(8,293)
OPERATING LOSS	3	<u>(8,080)</u>
Bank interest receivable and sundry income		197
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(7,883)</u>
Taxation	7	1,274
LOSS RETAINED FOR THE YEAR		<u><u>(6,609)</u></u>

There were no other recognised gains or losses in the year, other than the loss for the year as reported above.

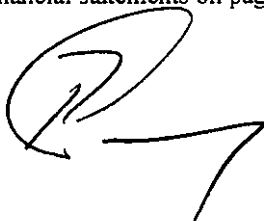
The historical cost loss for the year is no different to the loss for the year as reported above.

Virgin Direct Personal Financial Service Limited

BALANCE SHEET
at 31 December 1996

	Notes	1996 £000
FIXED ASSETS		
Tangible assets	9	2,230
		<u>2,230</u>
CURRENT ASSETS		
Debtors	10	1,396
Cash at bank and in hand		5,252
		<u>6,648</u>
CREDITORS : amounts falling due within one year	11	2,387
NET CURRENT ASSETS		<u>4,261</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,491</u>
CAPITAL AND RESERVES		
Called up share capital	12	13,100
Profit and loss account	13	(6,609)
		<u>6,491</u>

The financial statements on pages 7 to 13 were approved by the Board of Directors on



R Gormley

Managing Director

Virgin Direct Personal Financial Service Limited

NOTES TO THE ACCOUNTS
at 31 December 1996

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention of accounting and in accordance with applicable accounting standards.

Fixed assets and depreciation

Depreciation is provided on a straight line basis in order to write off the cost of fixed assets less their appropriate residual value over their estimated useful lives. Deprecation is charged from the date assets are brought into use. The time periods being used are:

Office Equipment	5 years
Computer Hardware	4 years
Computer Software	3 years

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is written off as incurred.

Deferred taxation

Deferred taxation is calculated using the liability method on all timing differences, but is only provided for where the amount is likely to become payable in the foreseeable future.

Leases

Rentals payable under operating leases are charged in the profit and loss account as they fall due under the contract.

2. TURNOVER

All of the company's turnover relates to management fees received from fellow group companies.

Virgin Direct Personal Financial Service Limited

NOTES TO THE ACCOUNTS
at 31 December 1996

3) OPERATING LOSS

1996
£000

Operating loss is stated after charging:

Auditors' remuneration	audit services - UK	19
	other services - UK	69
		<u>88</u>

Depreciation of owned fixed assets 336

Operating lease rentals	- land and buildings	66
	- plant and machinery	<u>13</u>

4) OTHER FINANCIAL COMMITMENTS

1996
£000

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

Operating leases which expire:	4
In under one year	6
In two to five years	<u>36</u>
In over five years	<u>46</u>

5) DIRECTORS EMOLUMENTS

1996
£000

Fees	0
Other emoluments	320
	<u>320</u>

No emoluments were paid to non executive directors. The emoluments of the executive directors fell within the following ranges:

1.996

£60.001 - £65,000	1
£105.001 - £110,000	1
£150.001 - £155,000	1

The emoluments of the highest paid director were £150,104.

Virgin Direct Personal Financial Service Limited

NOTES TO THE ACCOUNTS
at 31 December 1996

6.	EMPLOYEE INFORMATION	1996 £000
	Wages and salary costs	2,418
	Social security costs	251
		<u>2,669</u>

The average number of persons employed during the year was 112.

7.	TAXATION	1996 £000
	Consortium relief on the loss for the period at 33%	<u>1,274</u>

8.	DEFERRED TAXATION	1996 £000
	No adjustment for the effects of deferred taxation has been included in the accounts. The deferred taxation asset not included in the accounts, in accordance with the company's accounting policy, is as follows:	
	Capital allowances in arrears of depreciation	17
	Losses for taxation purposes carried forward	1,274
	Net deferred taxation asset	<u>1,291</u>

Virgin Direct Personal Financial Service Limited

NOTES TO THE ACCOUNTS
at 31 December 1996

	Hardware £000	Software £000	Other equipment £000	Total £000
9. TANGIBLE FIXED ASSETS				
Cost:				
At 1 January 1996	0	0	0	0
Transfers	1,013	215	335	1,563
Additions	833	311	98	1,242
Disposals	0	(63)	0	(63)
At 31 December 1996	<u>1,846</u>	<u>463</u>	<u>433</u>	<u>2,742</u>
Depreciation:				
At 1 January 1996	0	0	0	0
Transfers	116	0	60	176
Charge for the year	216	72	48	336
At 31 December 1996	<u>332</u>	<u>72</u>	<u>108</u>	<u>512</u>
Net book value at 31 December 1995	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net book value at 31 December 1996	<u>1,514</u>	<u>391</u>	<u>325</u>	<u>2,230</u>
10. DEBTORS				1996 £000
Other debtors				1,306
Prepayments and accrued income				90
				<u>1,396</u>
11. CREDITORS: amounts falling due within one year				1996 £000
Trade creditors				741
Taxation and social security				281
Accruals				1,358
Others				4
Amount due to follow subsidiary undertaking				3
				<u>2,387</u>

Virgin Direct Personal Financial Service Limited

NOTES TO THE ACCOUNTS at 31 December 1996

12. SHARE CAPITAL	1996 No.	1996 £000	1995 No.	1995 £000
<i>Authorised</i>				
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000</u>	<u>1,000</u>	<u>1</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>13,100,002</u>	<u>13,100</u>	<u>2</u>	<u>0</u>

At 31 December 1995 the company was dormant, no trading took place prior to that date. Company assets were £2 debtors and issued ordinary share capital of £2.

During the year, the company issued share capital of £13,100,000 by the creation of 13,100,000 ordinary shares of £1 each.

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 1996	0	0	0
Loss for the year		(6,609)	(6,609)
Share capital	13,100		13,100
At 31 December 1996	<u>13,100</u>	<u>(6,609)</u>	<u>6,491</u>
Attributable to:			
Equity interests			<u>6,491</u>

14. ULTIMATE PARENT COMPANY

The ultimate parent company is Virgin Direct Limited which is incorporated in Great Britain.