

VIRGIN MUSIC LIMITED

REPORT AND ACCOUNTS

31 MARCH 1999

COMPANY'S REGISTERED NUMBER 1145231



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VIRGIN MUSIC LIMITED**Report of the directors**

The directors present their report and the accounts for the year ended 31 March 1999.

RESULTS AND PRINCIPAL ACTIVITIES

The company did not trade during the financial year. The expenses of the company have been met by the parent undertaking. There is no intention to put the company into liquidation.

DIVIDENDS

The directors do not recommend the payment of a dividend (1998:£nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 March 1999 are listed below. The only interest held by the directors in the share capital and loan stocks of the company's ultimate parent undertaking at that date, EMI Group plc, or any subsidiary undertakings thereof, were ordinary shares and options to purchase ordinary shares of EMI Group plc, granted in accordance with the provisions of that company's share option schemes, as follows:-

	At 31 March 1999		At 1 April 1998	
	Ordinary Shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
P.S.Robinson	2,216	4,068	3,040	1,110
P.A.Kernick	-	-	-	-

VIRGIN MUSIC LIMITED

Report of the directors

DIRECTORS AND THEIR INTERESTS (Contd)

Under the demerger arrangements, each ordinary share in THORN EMI plc converted into one ordinary share in Thorn plc and one ordinary share in EMI Group plc on 19 August 1996.

Following the demerger, options under the Executive Option Scheme remain over only EMI Group plc shares. Therefore, the number of shares under option was adjusted to reflect the demerger, either by way of adjustment or by way of a grant of additional options, by reference to the prices of EMI Group plc and Thorn plc shares averaged over the first five dealing days following the demerger.

Prior to the demerger, SAYE optionholders were offered an alternative award of shares, on condition they renounce their options, equal in value to the aggregate gain on their option, based on the total number of shares under option and calculated on the difference between the relevant option exercise price and the price of THORN EMI shares on the day the EGM to approve the demerger was held. The shares were awarded by the THORN EMI Group General Employee Benefit Trust immediately prior to the demerger, thereby being entitled to the demerger dividend of Thorn plc shares. All optionholders of the company accepted the offer and renounced all their options.

The directors of the company are not subject to retirement by rotation or otherwise.

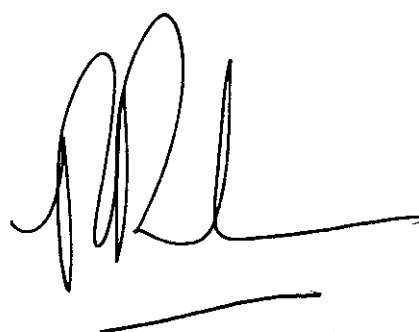
VIRGIN MUSIC LIMITED

Report of the directors

AUDITORS

A special resolution was passed in 1993 to dispense with the need to reappoint auditors annually.

On behalf of the Board

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a series of loops and a long horizontal stroke.

P.S. Robinson
Director

Kensal House
553-579 Harrow Road
LONDON
W10 4RH

27 JAN 2000

VIRGIN MUSIC 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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF VIRGIN MUSIC LIMITED

We have audited the accounts on pages 6 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 4 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 March 1999 and have been properly prepared in accordance with the Companies Act 1985.



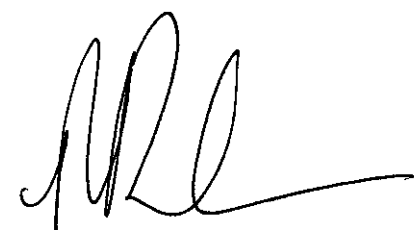
Ernst & Young
Registered Auditor
London

27 JAN 2000

VIRGIN MUSIC LIMITED**Balance sheet at 31 March 1999**

	<u>Notes</u>	1999	1998
		£	£
CURRENT ASSETS			
Debtors	6	10,506,578	10,506,578
CREDITORS: Amounts falling due within one year	7	(10,380,168)	(10,380,168)
NET CURRENT ASSETS		126,410	126,410
TOTAL ASSETS LESS CURRENT LIABILITIES		126,410	126,410
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit & loss account	9	126,310	126,310
Equity Shareholders' funds		126,410	126,410

The accounts were approved by the Board of Directors on
and signed on its behalf by:



DIRECTOR

27 Jan 2000

VIRGIN MUSIC LIMITED

Notes to the accounts

for the year ended 31 March 1999

1. ACCOUNTING POLICIES

a) Basis of accounting

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

b) Cash flow statement

A cash flow statement is not prepared as the company is exempt by virtue of paragraph 8 of FRS1 being a subsidiary undertaking of a parent undertaking registered in England and Wales which prepares a consolidated cash flow statement.

2. EMPLOYEE INFORMATION

The company had no employees during the year (1998:nil).

3. PROFIT AND LOSS ACCOUNT

The company has not traded during the financial year and has made neither a profit nor a loss. No profit and loss account has therefore been prepared.

4. DIRECTORS' EMOLUMENTS

The directors received no emoluments during the year (1998:£nil).

5. AUDITORS' REMUNERATION

The auditors' remuneration was paid by the parent undertaking.

VIRGIN MUSIC LIMITED**Notes to the accounts****for the year ended 31 March 1999****6. DEBTORS**

	1999 £	1998 £
Amounts due from fellow subsidiary undertakings	10,506,478	10,506,478
Other debtors	100	100
	<hr/>	<hr/>
	10,506,578	10,506,578
	=====	=====

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Amounts owed to group undertakings	10,380,168	10,380,168
	=====	=====

8. SHARE CAPITAL

	1999 £	1998 £
100 authorised, allotted, called up and fully paid shares of £1 each	100	100
	=====	=====

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital	Profit and Loss Account	Total
	£	£	£
At 31 March 1999	100	126,310	126,410
	=====	=====	=====

VIRGIN MUSIC LIMITED

Notes to the accounts

for the year ended 31 March 1999

10. CONTINGENT LIABILITY

The company has undertaken together with certain UK undertakings within the EMI Group plc group to give joint and several guarantees to the bank in respect of amounts due to the bank from group undertakings.

11. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8 - Related Party Disclosures (FRS 8) not to disclose related party transactions between wholly owned group undertakings.

12. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the group of undertakings for which group accounts were drawn up for the year ended 31 March 1999 and of which the company was a member was EMI Group plc, registered in England and Wales.

Copies of EMI Group plc's accounts can be obtained from:-

EMI Group plc
4 Tenterden Street
Hanover Square
London
W1A 2AY
ENGLAND