

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 31 March 2002.

Principal Activities

The Company's principal activity is as an investment holding company.

Results and Dividends

The Company made a loss of £3,188,000 (2001: profit £26,334,000). A dividend of £23,000,000 has been paid (2001 dividend: £Nil).

Directors and their Interests

The Directors during the year were as follows:

D J T Bratchell
S M Cottis

No Director had any interest in the shares of the Company at any time during the year.

The interests of the Directors in the share capital of EMI Group plc, the ultimate parent undertaking at the year end were as follows:

	<u>Ordinary Shares</u>		<u>Senior Executive Incentive Plan</u>			<u>Options*</u>		
	1/4/01	31/3/02	1/4/01	31/3/02	01/4/01	Granted During the Year	Exercised/ Renounced	31/3/02
D J T Bratchell	7,623	7,623	27,678	29,510	42,645	-	-	42,645
S M Cottis	1,203	1,203	-	-	4,016	3,617	(4,016)	3,617

* Options over Ordinary Shares are granted under Savings-Related and Executive Share Option Schemes.



Directors' Report Continued

Directors' and Officers' Liability Insurance

The ultimate parent undertaking, EMI Group plc, has maintained insurance to cover Directors' and Officers' liability as permitted by Section 310(3) of the Companies Act 1985.

Overseas Branches

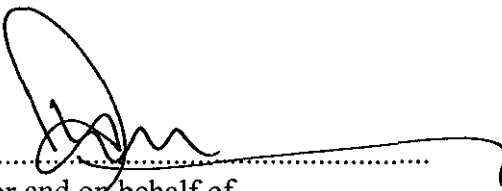
The company has a branch based in the Netherlands.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors.

The Company having passed an Elective Resolution at a duly convened Extraordinary General Meeting of the Members, is exempt from the need to re-appoint auditors annually. Ernst & Young LLP will therefore continue in office for the forthcoming year in accordance with Section 385(A), Companies Act 1985.

By Order of the Board.



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For and on behalf of
Mawlaw Secretaries Limited
Secretary

Date: 23.1.2003

Registered Office
4 Tenterden Street
London
W1A 2AY

EMI GROUP INTERNATIONAL HOLDINGS 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; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMI GROUP INTERNATIONAL HOLDINGS LIMITED

We have audited the company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 9. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 March 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

24 JAN 2003

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2002 £000	2001 £000
Administration expenses		(379)	(299)
Other operating income	2	19,406	52,721
		<hr/>	<hr/>
OPERATING PROFIT BEFORE TAXATION		19,027	52,422
Interest receivable	4	2,058	4,820
Interest payable	5	(24,261)	(30,899)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,176)	26,343
Taxation	6	(12)	(9)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(3,188)	26,334
Dividends	15	(23,000)	-
		<hr/>	<hr/>
RETAINED (LOSS) / PROFIT FOR THE YEAR		(26,188)	26,334
		<hr/>	<hr/>

All operating profit is from continuing operations

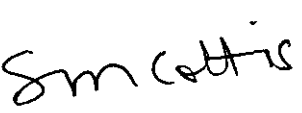
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses attributable to the shareholders of the Company other than the loss of £3,188,000 (2001: profit £26,334,000).

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEET AT 31 MARCH 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	9	1	-
Investments	7	1,660,802	1,660,802
		<hr/>	<hr/>
		1,660,803	1,660,802
		<hr/>	<hr/>
CURRENT ASSETS			
DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amount due from fellow subsidiary undertakings		23,874	20,251
Amount due from parent undertaking		-	35,663
Debtors and prepayments		10	13
DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amount due from parent undertaking		382,240	298,010
Amount due from fellow subsidiary undertaking		31,293	31,293
		<hr/>	<hr/>
		437,417	385,230
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amount due to parent undertaking		(414,930)	(415,544)
Other creditors and accruals		(110)	(214)
Bank borrowings		(4,483)	(12,063)
		<hr/>	<hr/>
		(419,523)	(427,821)
NET CURRENT ASSETS / (LIABILITIES)			
		17,894	(42,591)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,678,697	1,618,211
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amount due to parent undertaking	14	(63,674)	-
Amount due to fellow subsidiary undertaking		(278,800)	(255,800)
		<hr/>	<hr/>
		1,336,223	1,362,411
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	8	1,336,000	1,336,000
Profit and loss reserve	10	223	26,411
		<hr/>	<hr/>
Equity shareholders' funds		1,336,223	1,362,411
		<hr/>	<hr/>


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) Director
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23/1/03

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts present information about the Company as an individual undertaking and not about its Group, because the Company is exempt from preparing group accounts as it is a subsidiary undertaking itself. The accounts are prepared on a going concern basis because the parent undertaking has confirmed that it will provide continuing financial resources to the company to allow it to meet its debts as they fall due, for the foreseeable future.

Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the determination of profit for the financial year.

The Company uses the temporal method of translation to account for the holdings in its Dutch Branch.

Cashflow

The Company has taken advantage of the exemption in FRS1 (revised) not to prepare a cashflow statement as its ultimate parent undertaking prepares a consolidated cashflow statement in accordance with FRS1 (revised).

Related Parties

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions with wholly owned fellow subsidiary undertakings.

Investments

Investments in subsidiary and associated undertakings are stated at cost less provision to reflect any permanent diminution in value.

2. OTHER OPERATING INCOME

	2002 £000	2001 £000
Dividends	18,983	52,551
Management fees	423	171
Exchange loss	-	(1)
	<hr/>	<hr/>
	19,406	52,721
	<hr/>	<hr/>

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

3. EMPLOYEES

(All based in the Netherlands)

	2002	2001
Average number employed	1	1
Employee costs	2002 £000	2001 £000
Wages and salaries	93	89
Social security costs	5	6
Other pension costs	17	52
	<hr/>	<hr/>
	115	147
	<hr/>	<hr/>

Pension arrangements

The company pays the pension costs of relevant employees based in The Netherlands on a defined contribution basis. Relevant additional details are disclosed in the accounts of the ultimate parent undertaking EMI Group plc.

4. INTEREST RECEIVABLE

	2002 £000	2001 £000
Interest receivable on:		
Loans to Group undertakings	2,058	4,820
	<hr/>	<hr/>
	2,058	4,820
	<hr/>	<hr/>

5. INTEREST PAYABLE

	2002 £000	2001 £000
Interest payable on:		
Loans from Group undertakings	23,854	30,303
Bank borrowings	407	596
	<hr/>	<hr/>
	24,261	30,899
	<hr/>	<hr/>

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

6. TAXATION

	2002 £000	2001 £000
Corporation tax at 30%	(12)	(9)
Double taxation relief	12	9
	<hr/>	<hr/>
	-	-
Overseas withholding tax	(12)	(9)
	<hr/>	<hr/>
	(12)	(9)
	<hr/>	<hr/>

The company is primarily liable for UK Corporation Tax on its profits. However no provision has been made in the accounts for either current or deferred taxation as an undertaking has been received from its ultimate parent undertaking EMI Group plc, that the latter will assume responsibility for any such taxation so long as the company remains a subsidiary undertaking. In view of the undertaking received no disclosure is made in these accounts of any potential liability to taxation.

7. INVESTMENTS

a) SHARES IN GROUP UNDERTAKINGS

	<u>Cost</u> £000	<u>Provisions</u> £000	Net Book <u>Value</u> £000
At 31 March 2001	1,660,902	(100)	1,660,802
Additions and transfers	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2002	1,660,902	(100)	1,660,802
	<hr/>	<hr/>	<hr/>

In the opinion of the Directors the value of the investments is at least equal to their carrying value.

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

7. INVESTMENTS (continued)

b) PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following were the principal subsidiary undertakings of EMI Group International Holdings Limited at 31 March 2002.

Subsidiary undertakings	Country of Incorporation	Proportion held	Nature of business
Virgin Australia Pty Ltd	Australia	100%	Records
Virgin Australia Music Pty Ltd	Australia	100%	Music Publishing
Virgin Belgium SA	Belgium	100%	Marketing & Promotion
Virgin Belgium Publishing SA	Belgium	100%	Music Publishing
Virgin Benelux BV	Netherlands	100%	Records
Virgin Benelux Publishing SA	Netherlands	100%	Music Publishing
Virgin Records Canada Inc	Canada	100%	Records
Virgin Vision Canada Inc	Canada	100%	Video
Virgin Records Denmark Aps	Denmark	100%	Marketing & Promotion
Ediciones Musicales Virgin SA	Spain	100%	Music Publishing
Virgin France SAE	France	100%	Records
Diski Virgin EPE	Greece	100%	Records
Virgin Music EPE	Greece	100%	Music Publishing
Virgin Japan Ltd	Japan	100%	Records
Virgin Records (NZ) Ltd	New Zealand	100%	Marketing & Promotion
Virgin Music AB	Sweden	100%	Music Publishing
Virgin Music Publishers	Germany	100%	Music Publishing
Virgin Schallplatten GmbH Co KG	Germany	100%	Records
Virgin Records America Inc	USA	100%	Records
Virgin Music America Inc	USA	100%	Holding Company
Cardiac Records Inc	USA	100%	Records
Caroline Records Calif. Inc	USA	100%	Records
Charisma Records America Inc	USA	100%	Records
Caroline Records Inc	USA	100%	Records
Virgin Holdings Inc	USA	100%	Holding Company
Virgin Music Inc	USA	100%	Music Publishing
Virgin Songs Inc	USA	100%	Music Publishing
Virgin Oil & Gas Inc	USA	100%	Oil exploration
Virgin Records Inc	USA	100%	Records
Virgin Records (Hong Kong) Ltd	Hong Kong	100%	Records
Virgin Music Publishers (HK) Ltd	Hong Kong	100%	Music Publishing
Virgin Music Japan Ltd	Japan	100%	Music Publishing
EMI Overseas Holdings Ltd	UK	100%	Holding Company
EMI Group Holdings BV	Netherlands	100%	Holding Company

The Company directly holds shares in EMI Group Holdings BV and EMI Overseas Holdings Ltd. The other subsidiary undertakings are held indirectly.

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

8. SHARE CAPITAL

	2002 £	2001 £
Authorised:		
Ordinary shares of £1 each	64,000,100	64,000,100
Redeemable ordinary shares of £1 each	1,399,999,900	1,399,999,900
	<hr/>	<hr/>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	100	100
Redeemable ordinary shares of £1 each	1,335,999,900	1,335,999,900
	<hr/>	<hr/>
	1,336,000,000	1,336,000,000
	<hr/>	<hr/>

The redeemable ordinary shares may be redeemed at any time provided that the company provides not less than 3 months notice of its intention to do so.

9. TANGIBLE FIXED ASSETS

Plant and Equipment

	Cost £000	Depreciation £000	Net Book Value £000
At 31 March 2001	3	(3)	-
Additions	1	-	1
Charge for period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2002	4	(3)	1
	<hr/>	<hr/>	<hr/>

Depreciation of plant and equipment is calculated on cost at rates estimated to write off the cost of the relevant asset by equal annual amounts over their expected useful lives. The annual rate used was 20%.

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u> £000	<u>Profit & Loss Reserve</u> £000	<u>Total</u> £000
At 1 April 2000	1,336,000	77	1,336,077
Result for the year	-	26,334	26,334
	<hr/>	<hr/>	<hr/>
At 31 March 2001	1,336,000	26,411	1,362,411
Result for the year	-	(26,188)	(26,188)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	1,336,000	223	1,336,223
	<hr/>	<hr/>	<hr/>

11. CONTINGENT LIABILITIES

The Company has provided a guarantee to its clearing banks in respect of borrowings of other EMI Group plc UK Group companies. Such guarantee is limited to the amount of cash deposited by the Company with the banks. At 31 March 2002, £nil (2001: £nil) was guaranteed.

12. DIRECTORS' EMOLUMENTS

No Director received any remuneration during the year in respect of his/her services to the Company.

13. AUDITORS' REMUNERATION

The Auditors remuneration is borne by the parent undertaking.

14. AMOUNT DUE TO PARENT UNDERTAKING

Loans from the parent undertaking are interest free, unsecured with no fixed repayment date.

EMI GROUP INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

15. DIVIDENDS

	2002 £000	2001 £000
Equity dividends on ordinary shares:		
Interim paid	-	-
Final paid	23,000	-
	<hr/> 23,000	<hr/> -
Non-equity dividends on preference shares:		
Interim paid	-	-
Final paid	-	-
	<hr/> -	<hr/> -
	<hr/> 23,000	<hr/> -

16. PARENT UNDERTAKING

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is EMI Group plc, which is the ultimate parent undertaking registered in England and Wales. Copies of EMI Group plc's accounts can be obtained from EMI Group plc, 4 Tenterden Street, London W1A 2AY, England.