

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services Act 1986.

If you have sold or transferred all or part of your registered holding of THORN EMI shares please forward this document and, unless you have sold your THORN EMI shares ex-rights, the accompanying provisional allotment letter to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Copies of this document, which comprises Listing Particulars relating to THORN EMI prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act. Application has been made to the London Stock Exchange for the Stock Units and the new THORN EMI shares to be admitted to the Official List. Dealings in the Stock Units on the London Stock Exchange are expected to commence, nil paid, on 10th March, 1992.



THORN EMI

Acquisition of Virgin Music Group Limited

by

THORN EMI plc

and

Rights Issue

of

81,340,938 Stock Units of 650 pence each at par

(automatically convertible into new THORN EMI shares)

payable as to 260 pence per Stock Unit on acceptance



The provisional allotment letters, the Stock Units and the new THORN EMI shares have not been and will not be registered under the U.S. Securities Act and, subject to certain limited exceptions, may not be offered, sold, taken up, renounced or delivered, directly or indirectly, within the United States. The provisional allotment letters, the Stock Units and the new THORN EMI shares are not being offered in Canada and may not be sold or distributed in or into Canada. The provisional allotment letters, the Stock Units and the new THORN EMI shares are not being offered in Australia or to holders of THORN EMI shares who have addresses in Australia, and may not be sold or distributed in or into Australia. Persons (including, without limitation, nominees and trustees) who have a contractual or legal obligation to forward a provisional allotment letter should read the information relating to overseas shareholders set out in paragraph 10 of Part VII of this document.

The latest time for acceptance and payment of the First Instalment is 3.00 p.m. on 30th March, 1992. The procedure for acceptance and payment is set out on page 9 of this document and in the accompanying provisional allotment letter.

Definitions

The following definitions apply in this document and the accompanying provisional allotment letter, unless the context requires otherwise:—

“THORN EMI” or “Company”	THORN EMI plc
“THORN EMI Group” or “Group”	THORN EMI and its subsidiaries
“Virgin Music”	Virgin Music Group Limited
“Virgin Music Group”	Virgin Music and its subsidiaries
“Acceptance Date”	3.00 p.m. on 30th March, 1992
“Acquisition”	the proposed acquisition of Virgin Music pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 6th March, 1992 between the shareholders of Virgin Music and THORN EMI providing for the Acquisition, the principal terms of which are summarised in Part III
“Deed Poll”	the deed poll constituting the Stock
“Directors”	the directors of THORN EMI
“EMI Music”	the subsidiary and associated undertakings of THORN EMI which are engaged in music recording and music publishing
“enlarged Group”	the THORN EMI Group as enlarged by the Acquisition
“First Instalment”	the initial instalment of 260 pence per Stock Unit, payable on the Acceptance Date
“London Stock Exchange”	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
“new THORN EMI shares”	THORN EMI shares to be issued upon conversion of the Stock Units
“Qualifying shareholders”	the holders of THORN EMI shares on the register of the Company on the Record Date other than certain overseas shareholders as set out in paragraph 10 of Part VII
“Record Date”	6th March, 1992
“Rights Issue”	the issue of 81,340,938 Stock Units by way of rights, as described in this document
“Second Instalment”	the final instalment of 390 pence per Stock Unit payable subject to the conditions set out in the Deed Poll
“Second Instalment Notice”	the notice issued by the Company to Stockholders requiring payment of the Second Instalment
“Second Instalment Payment Date”	the date specified in the Second Instalment Notice (being not later than 8th February, 1993) by which the Second Instalment is due, as set out in the Deed Poll
“Stock”	the £528,716,097 non-interest bearing convertible unsecured loan stock of THORN EMI, to be constituted by the Deed Poll
“Stock Unit”	a unit of Stock of 650 pence nominal
“Stockholder”	the person or persons for the time being entered in the register of Stock maintained by the Company
“THORN EMI Share Option Schemes”	the Savings-Related Share Option Scheme, the 1973 Executive Share Option Scheme and the 1984 Executive Share Option Scheme of THORN EMI referred to in paragraph 3(b) of Part VII

“THORN EMI shares”	fully-paid ordinary shares of 25 pence each in the capital of THORN EMI
“Underwriting Agreement”	the underwriting agreement dated 6th March, 1992 between S.G. Warburg & Co. Ltd. and the Company, described more fully in paragraph 9(f) of Part VII
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended

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Timetable of events	
Record date for entitlement to the Rights Issue	6th March, 1992
Dealings in Stock Units expected to commence, nil paid	10th March, 1992
Latest time and date for splitting the Stock Units, nil paid	3.00 p.m. on 26th March, 1992
Latest time and date for acceptance and payment of First Instalment	3.00 p.m. on 30th March, 1992
Despatch of certificates in respect of partly-paid Stock Units	by 27th April, 1992
Latest date for issue of Second Instalment Notice	7th January, 1993
Latest date for payment of Second Instalment	8th February, 1993

Note: If the Second Instalment Notice has not been issued by 7th January, 1993, the Second Instalment will not be payable and will be cancelled. In that event, every five partly-paid Stock Units will be consolidated into two fully-paid Stock Units, which will be automatically convertible into two new THORN EMI shares.



THORN EMI

Directors:

Colin Southgate (*Chairman and Chief Executive*)

Sir Peter Walters* (*Deputy Chairman*)

Sir Michael Angus*

David Barnes*

Sir Graham Day*

Simon Duffy

James Fifield

Lord Griffiths of Fforestfach*

Michael Metcalf

* *Non-executive*

THORN EMI plc
4 Tenterden Street
Hanover Square
London W1A 2AY

9th March, 1992

To holders of THORN EMI shares and, for information only, to participants in the THORN EMI Share Option Schemes

Dear Shareholder,

Acquisition of Virgin Music and Rights Issue

I am pleased to be able to tell you that THORN EMI announced on 6th March, 1992 that it had entered into an agreement to acquire Virgin Music for £510 million in cash. THORN EMI will also assume up to £50 million of Virgin Music Group's borrowings on completion of the Acquisition. To fund the Acquisition we are raising approximately £516 million, net of expenses, through a rights issue.

The Acquisition will further strengthen EMI Music's position as one of the world's leading music groups. The integration of the two businesses will provide substantial opportunities to enhance profitability through use of EMI Music's worldwide marketing, manufacturing and distribution network as well as through increased operating efficiencies.

Completion of the Acquisition is conditional upon clearances from certain regulatory authorities. Because of this regulatory review process, the consideration is being funded by a rights issue of convertible loan stock, partly-paid as to 40 per cent. with the remainder payable prior to completion of the Acquisition. When fully-paid, each Stock Unit will automatically convert into one new THORN EMI share. You are being offered the Stock Units by way of rights on the basis of 1 Stock Unit for every 4 THORN EMI shares held, as set out in Part II. The Rights Issue has been underwritten by S.G. Warburg & Co. Ltd. and the brokers to the issue are S.G. Warburg Securities.

Virgin Music Group

The Virgin Music Group was established in 1972 and has since developed into the world's leading independent recorded music and music publishing group.

In recorded music, the Virgin Music Group has a strong roster of artists under contract including Paula Abdul, Belinda Carlisle, Neneh Cherry, Phil Collins, Bryan Ferry, Peter Gabriel, Genesis, Simple Minds, Gary Moore and UB40 and has recently signed new contracts with Janet Jackson and the Rolling Stones. The group is known for attracting and developing new artists and has recorded music operations, which act for international and local artists, in the U.S.A., the U.K., France, Germany, Italy, Canada, Australia, Scandinavia, Benelux, Spain and Hong Kong.

In music publishing, the Virgin Music Group operates in 15 territories and has a good quality catalogue of titles. Its portfolio of leading writers includes Cole and Clivilles, Fine Young Cannibals, Lenny Kravitz, Nirvana, Tears for Fears and The Pet Shop Boys.

During the three financial years ended 31st July, 1991 sales of the Virgin Music Group including recorded music, music publishing and studio operations have increased by over 34 per cent. from £246 million to £330 million. Virgin Music Group's operating profit in the year ended 31st July, 1991 was £21.2 million and net tangible assets as at 31st July, 1991 were £3.2 million. Further information on the Virgin Music Group is set out in Part IV of this document.

Reasons for the Acquisition and benefits to THORN EMI

In recorded music sales, EMI Music ranks fourth in the world. In music publishing it is one of the two leading companies in the world. EMI Music has increased operating profits each year from £2.1 million in the year ended 31st March, 1986 to £109.0 million in the year ended 31st March, 1991. This growth has been achieved by blending creative freedom with sound business disciplines, resulting in gains in market share and marked improvements in efficiency. Part of EMI Music's success can also be attributed to the acquisition and integration of selective recorded music and music publishing companies. In recorded music these include SBK Records and Chrysalis Records and, in music publishing, SBK Entertainment World and Filmtrax.

The combined businesses of EMI Music and Virgin Music Group will form the world's premier music group. Substantial benefits are expected to flow from combining the operations of the two businesses, resulting in earnings per share enhancement after the first year.

In recorded music, growth in sales will be enhanced by distributing Virgin Music Group's recordings through EMI Music's extensive worldwide network. Profitability will be improved by a series of actions designed to reduce costs in the areas of manufacturing, distribution and indirect costs.

In music publishing, EMI Music's catalogue will be strengthened by the addition of Virgin Music Group's portfolio of contemporary songs. Virgin Music Group's catalogue will benefit from being marketed through EMI Music's network and we also envisage that there will be substantial savings of indirect costs in publishing.

The creative skills of key management and the distinctive character of the Virgin Music Group, which have helped to attract the strong roster of artists and writers, will be retained. We intend to maintain the separate identity of the Virgin Music Group and the Virgin label. Richard Branson has agreed to become President for life of the Virgin Music Group. In addition, the two principal executives with day-to-day responsibility for the Virgin Music Group, who have played a significant part in its development, Ken Berry and Simon Draper, are remaining with the group and I look forward to their future contribution to our music business.

A summary of the principal terms of the Acquisition is set out in Part III.

Current trading and prospects

As I indicated in my statement to shareholders with the interim results to 30th September, 1991 the current financial year has been challenging and most of our businesses have yet to see an improvement in their markets. However, I believe that the underlying strength of THORN EMI will continue to demonstrate our ability to deal with these challenges effectively.

Our prospects are heavily dependent on the outlook for international economic growth and there has been no sign of economic recovery in the current year. We remain determined to strengthen our businesses to take advantage of the upturn as soon as it arrives and further to enhance the Group's considerable financial strengths. The longer term prospects for THORN EMI are encouraging and should be greatly improved by the Acquisition.

In the absence of unforeseen circumstances, the Board expects to recommend to shareholders a final dividend in respect of the year ending 31st March, 1992 of not less than that for the previous year.

Terms of the Rights Issue

You are being offered Stock Units, at a price of 650 pence each, on the following basis:—

1 Stock Unit for every 4 THORN EMI shares

The issue price of a Stock Unit is payable in two instalments of 260 pence and 390 pence respectively.

The First Instalment is payable upon acceptance and should be received not later than 3.00 p.m. on 30th March, 1992.

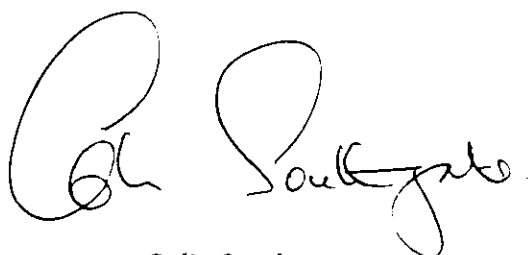
The First Instalment is payable irrespective of whether the Acquisition is completed. The Second Instalment will only be called upon satisfaction of the conditions to the Acquisition Agreement. If the Acquisition is not completed, the partly-paid Stock Units will automatically convert into new THORN EMI shares and the aggregate amount paid in respect of the First Instalment, totalling approximately £211 million, will be used to reduce borrowings incurred in connection with the recent Remco and Chrysalis Records acquisitions with the balance being used to reduce Group borrowings.

The number of new THORN EMI shares into which the Stock will convert is equivalent to 20 per cent. of the enlarged ordinary share capital (if the Second Instalment is paid) or approximately 9 per cent. (if only the First Instalment is paid). The new THORN EMI shares arising on conversion of the Stock will rank for the final dividend in respect of the year ending 31st March, 1992.

Further information

Full details of the Rights Issue are set out in Part I of this document and in the accompanying provisional allotment letter. Your attention is also drawn to the further information set out in Parts II to VII of this document.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Colin Southgate', written in dark ink.

Colin Southgate
Chairman

Part I

Further information on the Rights Issue

1. Details of the Rights Issue

THORN EMI is issuing 81,340,938 Stock Units by way of rights. Qualifying shareholders are being offered the right to subscribe for Stock Units on the following basis:—

1 Stock Unit for every 4 THORN EMI shares

registered in their name at the close of business on the Record Date and so in proportion for any other number of THORN EMI shares then held. Pro rata entitlements to Stock Units have been rounded down such that fractions of Stock Units will not be allotted. Accordingly, Qualifying shareholders with holdings of less than 4 shares will not be sent provisional allotment letters. Any fractional entitlements which would otherwise have arisen will be aggregated and sold in the market for the benefit of the Company.

The Stock Units are being issued at a price of 650 pence each, free of all expenses, payable in two instalments as follows:—

(a) the first instalment of 260 pence per Stock Unit, payable on acceptance not later than 3.00 p.m. on 30th March, 1992; and

(b) the second instalment of 390 pence per Stock Unit, payable by the date specified in the Second Instalment Notice.

The First Instalment is payable on acceptance irrespective of whether the Acquisition is completed. The Second Instalment will only be called upon satisfaction of the conditions to the Acquisition Agreement. If the Second Instalment Notice has not been issued on or before 7th January, 1993, the Second Instalment will be cancelled and Stockholders will have no obligation to pay the Second Instalment. It is expected that the Acquisition should be completed well before this date. The Stock will be issued in registered form and if the Second Instalment becomes payable, the registered holder at the time that payment is due will be the person liable to pay that instalment. On registration of a transfer of partly-paid Stock Units, the liability to pay the Second Instalment will pass to the transferee. **As described in paragraph 6 of Part II failure to pay the Second Instalment when due may result in partly-paid Stock Units and the First Instalment paid thereon being forfeited.**

Each fully-paid Stock Unit will automatically convert into one new THORN EMI share on completion of the Acquisition. If the Second Instalment is cancelled, or if the Acquisition does not complete on or following the Second Instalment Payment Date and the Second Instalment is repaid, every 5 partly-paid Stock Units will consolidate into 2 fully-paid Stock Units and will convert into 2 new THORN EMI shares within seven days following such cancellation or repayment.

The Stock Units will not bear interest. The new THORN EMI shares will rank for any final dividend payable in respect of the year ending 31st March, 1992 and subsequent dividends whether or not such new THORN EMI shares shall have been issued before the record date for such dividends. If conversion occurs after the payment date for any such dividend, a dividend of an amount equal to that dividend will be paid following conversion. The new THORN EMI shares will be allotted as fully paid and will rank *pari passu* in all other respects with the THORN EMI shares currently in issue.