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EMI RECORDS LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and accounts for the financial year comprising the period of nine months ended 31st March 1980 ("the year").

Results

The result for the year and the appropriation thereof are set out in the profit and loss account on page 4.

Dividend

The directors do not recommend the payment of a dividend (1979 - £2,615,060).

Principal Activity

The company continues to be engaged principally in the manufacture and sale of gramophone records and pre-recorded tapes.

Exports

Exports from the United Kingdom comprised:-

Period Ended	31st March 1980 £'000	30th June 1979 £'000
Goods exported	3414	8988
Royalties and technical fees earned and royalties collected for British artists	2009	2868
	<u>5423</u>	<u>11856</u>

Directors

The directors of the company during the year were as follows:-

Mr K.A.C. East	
Mr L.F. Hill	
Mr A. Kaupe	(resigned 31st January 1980)
Mr J.M. Kuipers	(resigned 24th July 1979)
Mr R. Lopez Serrano	
Mr R.E. Matthews	(resigned 30th September 1979)
Mr R.A. Mercer	
Mr N.J.D. Payne	(appointed 18th September 1979)
Sir John Read	(resigned 16th January 1980)
Mr B. Shepherd	(appointed 18th September 1979)
Mr A.J.S. Todman	
Mr J.M. Tyrrell	
Mr R.N. White	
Mr L.G. Wood	(resigned 6th March 1980)



Mr L.F. Hill and Mr R. Lopez S. resigned from the board on 30th April 1980 and Mr J.L. Bush was appointed a director of the company on 1st May 1980.

Mr B. Shepherd resigned as a director on 31st May 1980 and Mr T. Slater was appointed a director in his place.

Mr J.L. Bush and Mr T. Slater retire in accordance with the Articles of Association and Mr R.A. Mercer and Mr J.M. Tyrrell retire by rotation. Being eligible, they all offer themselves for re-election.

#### Directors' Interests

The only directors in office at the end of the year to have any interests in the share capital and loan stocks of companies in the EMI and/or THORN EMI Groups during the year were as follows:-

#### At 1st July 1979:-

	EMI Limited	
	50p Ordinary Stock Units	8½% Cum.Unsec. Loan Stock
Mr J.M. Tyrrell	218	NIL
Mr R.N. White	646	NIL

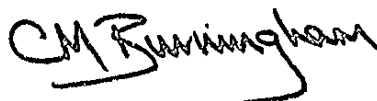
#### At 31st March 1980:-

	EMI Limited 8½% Cum.Unsec. Loan Stock	THORN EMI Ltd 25p Ordinary Shares	7% Convertible Shares 1992/9
Mr J.M. Tyrrell	NIL	49	125
Mr R.N. White	NIL	183	380

#### Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the General Meeting.

BY ORDER OF THE BOARD

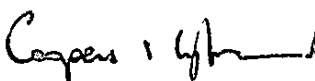


C.M. BURNINGHAM  
Secretary

Blyth Road,  
Hayes,  
Middlesex.

EMI RECORDS LIMITEDREPORT OF THE AUDITORS TO THE MEMBERS

In our opinion the accounts on pages 4 to 13 give a true and fair view of the state of the company's affairs at 31st March 1980 and of its loss and the source and application of funds for the period ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

  
COOPERS & LYBRAND

LONDON, 20 June 1980

Chartered Accountants

EMI RECORDS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31ST MARCH 1980

	Period Ended	<u>31st March 1980</u>	<u>30th June 1979</u>
		<u>£'000</u>	<u>£'000</u>
	<u>Notes</u>		
Sales	1(g)	<u>42575</u>	<u>67447</u>
Profit/(loss) before taxation	2	(2759)	715
Taxation	3(a)	<u>(736)</u>	<u>104</u>
Profit/(loss) after taxation		(3515)	819
Dividend			
Proposed Final		-	(2112)
Deficit for the period		<u>(3515)</u>	<u>(1293)</u>

STATEMENT OF MOVEMENT ON RESERVES

Balance as reported at 30 June 1979		-	-
Prior year adjustment		-	<u>1293</u>
Restated balance		-	1293
Deficit for the period		(3515)	(1293)
Revaluation of currency balances	1(h)	(880)	-
Surplus on property revaluation in subsidiaries		-	503
Interim dividend paid		-	<u>(503)</u>
Accumulated deficiency at 31st March 1980		<u>(4395)</u>	<u>-</u>

The notes on pages 7 to 13 form part of these accounts.

Auditors report - page 3.

EMI RECORDS LIMITEDBALANCE SHEET - 31ST MARCH 1980

	<u>Notes</u>	<u>1980</u>		<u>1979</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>EMPLOYMENT OF CAPITAL</b>					
FIXED ASSETS	5		3322		3874
INVESTMENT	6		-		-
<b>CURRENT ASSETS</b>					
Stocks and work in progress	7	3668		5096	
Debtors		16396		16074	
Bank balances and cash		479		391	
Net amount due from group companies		-		4684	
		<u>20543</u>		<u>26245</u>	
<b>CURRENT LIABILITIES</b>					
Creditors and provisions		23325		25065	
Bank overdraft	8	1165		-	
Net amount due to group companies	9	1025		-	
Taxation	3(b)	140		337	
Proposed dividend		-		2112	
		<u>25655</u>		<u>27514</u>	
<b>NET CURRENT LIABILITIES</b>			(5112)		(1269)
			<u>(1790)</u>		<u>2605</u>
<b>CAPITAL EMPLOYED</b>					
SHARE CAPITAL	10		2605		2605
ACCUMULATED DEFICIENCY			(4395)		-
			<u>(1790)</u>		<u>2605</u>
<b>DEFERRED TAXATION</b>		3(b)	-		-
			<u>(1790)</u>		<u>2605</u>

The notes on pages 7 to 13 form part of these accounts

Auditors report - page 3.

Directors:

*(N.J. PAYNE)*

(K.A.C. EAST)

*(K.A.C. EAST)*

EMI RECORDS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF  
FUNDS FOR THE PERIOD ENDED 31ST MARCH 1980

Period Ended	31st March 1980 £'000	30th June 1979 £'000
<b>SOURCE OF FUNDS</b>		
Profit/(loss) before tax	(2759)	715
Net book value of fixed assets disposed of	101	353
	<u>(2658)</u>	<u>1068</u>
Adjustment for items not involving the use of funds:		
Depreciation	618	1016
Provision against investment in subsidiary companies	144	94
Currency revaluations	(880)	-
	<u>(2776)</u>	<u>2178</u>
<b>APPLICATION OF FUNDS</b>		
Dividends paid	2112	1096
Taxation paid	512	381
Purchase of fixed assets	167	814
	<u>2791</u>	<u>2291</u>
	<u>(5567)</u>	<u>(113)</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Stock	(1428)	(598)
Debtors	322	3402
Amounts due from group companies	(5124)	(2323)
Creditors and provisions	1740	(126)
	<u>(4490)</u>	<u>355</u>
<b>MOVEMENT IN LIQUID FUNDS</b>		
Decrease in bank balances and cash	(1077)	(468)
	<u>(5567)</u>	<u>(113)</u>

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EMI RECORDS LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1980

1. Accounting Policies

The following is a summary of the more important accounting policies used by the company.

(a) Fixed Assets

(i) Depreciation is provided on all fixed assets with the exception of assets not yet brought into use. The company's policy is to write off the cost or value of each fixed asset over its expected useful life on a straight line basis.

(ii) Government grants on capital expenditure have been credited to profit and loss account over the expected useful life of the relevant asset, depreciation having been provided on the full original cost of the assets.

(iii) No provision is made for any increased costs of replacing fixed assets.

(b) Stocks and Work in Progress

These are stated at the lower of cost and net realisable value less provisions for expected losses and for obsolete or slow moving items. Cost comprises direct cost of materials, labour and a proportion of production overheads.

(c) Debtors

Bad debts are written off; specific provision is made for those debts considered to be doubtful. A general provision of not less than 2½% is made on the balance of trade debtors.

(d) Deferred Taxation

Provision is made for deferred tax at the rate of corporation tax ruling at the period end (the liability method), except in respect of any tax reduction which can reasonably be expected to continue for the future. The amounts provided, the full potential liability and the major factors contributing to reductions in the provision, are set out in the notes to the accounts.

(e) Expenditure on Research, Development and Recording Repertoire

Expenditure on these items is charged against profits in the year in which it is incurred.

(f) Investments

Investments are stated at cost, less amounts written off in recognition of any permanent fall in value.

EMI RECORDS LIMITEDNOTES TO THE ACCOUNTS- 31ST MARCH 1980 - Continued(g) Profit and Loss Account

Sales include sales to third parties and group companies, income from patents, copyrights and trademarks, after deducting all discounts, commissions and taxes levied on sales, but do not include sales of associated companies.

Royalties receivable and payable are dealt with on an accruals basis.

(h) Foreign Currencies

Assets and liabilities stated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The net profit or loss arising is taken direct to reserves.

2. Profit before Taxation

Profit before taxation is stated after charging:-

Period Ended	<u>31st March 1980</u>	<u>30th June 1979</u>
	<u>£'000</u>	<u>£'000</u>
Depreciation (note 5)	618	1016
Interest payable on bank advances	184	148
Directors' emoluments:		
As directors	-	-
For management	-	-
Auditors' remuneration and expenses	25	22
Management charge from parent company	856	1248
	<u>          </u>	<u>          </u>
and after crediting:-		
Interest received and receivable	60	601
Dividends receivable from unquoted investments:		
Subsidiaries	21	1130
	<u>          </u>	<u>          </u>



EMI RECORDS LIMITEDNOTES TO THE ACCOUNTS - 31ST MARCH 1980 - Continued3. Taxation(a) In the Profit and Loss Account

Period Ended	<u>31st March 1980</u> £'000	<u>30th June 1979</u> £'000
United Kingdom Corporation Tax:		
Current year charge at 52%	-	331
Double taxation relief	-	(331)
Prior year charge (credit)	(290)	185
Double taxation relief	-	(185)
Overseas tax charge	605	331
Deferred tax:		
Current year charge (credit)	441	(777)
Prior year charge (credit)	-	342
	<u>756</u>	<u>(104)</u>

The taxable profit of the previous year to the extent to which it was not covered by double tax relief, has been offset by losses surrendered by other group companies without payment, by way of group relief.

(b) <u>In the Balance Sheet</u>	<u>1980</u> £000	<u>1979</u> £000
<u>Current Taxation</u>		
United Kingdom and overseas taxes	140	337
Due within one year	<u>140</u>	<u>337</u>

(c) Deferred Taxation

The provision made in the accounts for deferred taxation, and the full potential liability, are set out below; the accounting policy for deferred taxation is explained in Note 1(d) above.

Analysis of provision and potential liability

	<u>31st March 1980</u>		<u>30th June 1979</u>	
	Full Potential Liability/(Asset)	Provision	Full Potential Liability	Provision/ (Asset) made
	£'000	£'000	£'000	£'000
Accelerated tax allowances on buildings, plant and machinery	844	844	951	-
Short term timing differences	(2366)	(844)	(441)	(441)
	<u>(1522)</u>	<u>-</u>	<u>510</u>	<u>(441)</u>

EMI RECORDS LIMITEDNOTES TO THE ACCOUNTS -31ST MARCH 1980 - ContinuedMovement in deferred tax asset

Period Ended	31st March 1980 £'000	30th June 1979 £'000
At beginning of period (asset)	(441)	(6)
Charge/(credit) to profit and loss account	441	(435)
At end of period (asset)	-	(441)

At 30th June 1979 the deferred taxation balance was held by the then ultimate holding company, EMI Limited, in a central deferred tax provision. Such balance was transferred back to this company with effect from 1st July 1979.

4. Directors' Emoluments

The directors are employed and remunerated as directors or executives of, or consultants to, EMI Limited, the parent company, in respect of their services to the group as a whole. EMI Limited is also the employer of the company's senior staff and has made a charge to the company for management and other services.

5. Fixed Assets

	Long Leasehold £'000	Plant & Equipment £'000	Total £'000
Cost or valuation at 1st July 1979	350	8759	9109
Additions	-	167	167
Disposals	-	(234)	(234)
Cost or valuation at 31st March 1980	350	8692	9042
Accumulated depreciation at 1st July 1979	4	5231	5235
Charge for the period	3	615	618
Disposals	-	(133)	(133)
Accumulated depreciation at 31st March 1980	7	5713	5720
Net book value at 31st March 1980	343	2979	3322
Net book value at 30th June 1979	346	3528	3874

EMI RECORDS LIMITEDNOTES TO THE ACCOUNTS - 31ST MARCH 1980 - Continued6. Investment

The investment held by the company represents 25% of the ordinary share capital of Record Merchandisers Limited, a company incorporated in Great Britain. An amount of £5,412 has been released during the period from the provision for deficiency in net assets of Record Merchandisers Limited. During the year to 30th June 1979 there was a charge to the profit and loss account of £67,356. Of the total provision of £135,708 at 31st March 1980 an amount of £25,000 has been set off against the cost of the investment. The balance of £110,708 (1979 £116,120) has been included in provisions.

7. Stocks and Work in Progress

Stocks comprise the following categories:-

	<u>1980</u> <u>£000</u>	<u>1979</u> <u>£000</u>
Raw materials	1150	1491
Work in progress	483	904
Finished goods	2035	2701
	<u>3668</u>	<u>5096</u>

8. Bank Overdraft

The bank overdraft is secured by a guarantee of the parent company.

9. Net Amount due to/(from) Group Companies

	<u>1980</u> <u>£000</u>	<u>1979</u> <u>£000</u>
Shares, at cost	585	585
Amounts due from:		
Fellow subsidiaries	12973	22247
Subsidiaries, less amounts written off	681	2102
	<u>14239</u>	<u>24934</u>
Amounts due to:		
Fellow subsidiaries	3862	4877
Holding company	11402	15373
	<u>15264</u>	<u>20250</u>
	<u>1025</u>	<u>(4684)</u>

EMI RECORDS LIMITEDNOTES TO THE ACCOUNTS - 31ST MARCH 1980 - Continued

Details of the company's interests in group subsidiaries are as follows:

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Class of Shares Held</u>	<u>% of Shares held</u>	
			<u>1980</u>	<u>1979</u>
EMI Record Shops Limited	Great Britain	Ordinary	100	100
World Records Limited	Great Britain	Ordinary	100	100
Music for Pleasure Limited	Great Britain	'A' Ordinary Non cumulative Preference	100	100

In the opinion of the directors, the aggregate value of the assets of the company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated or included in the balance sheet.

10. Share Capital

Details of the share capital of the company are as follows:-

	<u>Ordinary Shares of £1 each</u>	
	<u>Authorised</u>	<u>Issued and Fully Paid</u>
31st March 1980 and 30th June 1979	£3,340,000	£2,605,563

11. Holding Company

The company is a subsidiary of EMI Limited, a company incorporated in Great Britain. The ultimate holding company is THORN EMI Ltd.

12. Capital Commitments

Capital commitments and the amount of capital expenditure authorised but not contracted for at 31st March 1980 were:-

	<u>1980</u> <u>£000</u>	<u>1979</u> <u>£000</u>
Capital commitments not provided for in the accounts	257	81
Capital expenditure authorised but not contracted for	-	10½

EMI RECORDS LIMITEDNOTES TO THE ACCOUNTS - 31ST MARCH 1980 - Continued13. Contingent Liabilities

Certain contingent liabilities exist in relation to litigation. These claims are being contested and it is not considered that they will result in any material liability.