

# EMI GROUP FINANCE PLC

## DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 31 March 2004.

### Principal Activity

The Company operates as a finance company within the EMI Group.

### Results and Dividends

The Company made a profit of £63,424,000 during the year (2003 profit: £23,964,000). An interim dividend of £60,701,000 has been paid (2003 dividend: £23,964,000).

### Directors and their Interests

The Directors during the year were as follows:

C P Ashcroft  
D J T Bratchell  
R C Faxon



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/Executive Share Incentive Plan</u>		<u>Options*</u>			
	1/4/03	31/3/04	1/4/03	31/3/04	1/4/03	Granted During the Year	Exercised/ Renounced/ Lapsed	31/3/04
D J T Bratchell	7,623	7,623	29,510	85,336	158,640	154,505	(9,788)	303,357
C P Ashcroft	-	-	72,863	272,055	395,453	471,259	(7,488)	859,224
R C Faxon <sup>1</sup>								

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

1 R C Faxon is a director of the Company's ultimate parent undertaking, EMI Group plc, and his interests in the shares of that company as at 31 March 2003 and 31 March 2004 are shown in its annual report.

Directors' Report Continued

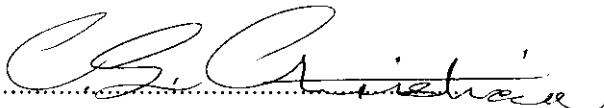
Directors' and Officers' Liability Insurance

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.

Auditors

Ernst & Young LLP has expressed its willingness to continue in office as auditor. A resolution proposing their re-appointment will be submitted to the forthcoming Annual General Meeting.

By Order of the Board.

A handwritten signature in dark ink, appearing to read 'C L Christian', written over a dotted line.

C L Christian  
Secretary

Date: 10.9.04

Registered Office  
27 Wrights Lane  
London  
W8 5SW

**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 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;
- 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 FINANCE PLC**

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London

13/4/04

# EMI GROUP FINANCE PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £000	2003 £000
Administration expenses		(150)	(192)
Other operating income	2	39,645	13,204
Other operating expenses	3	(4,344)	(26,220)
		<hr/>	<hr/>
OPERATING PROFIT		35,151	(13,208)
		<hr/>	<hr/>
Interest receivable	4	236,603	239,793
Interest payable	5	(208,330)	(202,621)
		<hr/>	<hr/>
		28,273	37,172
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		63,424	23,964
Taxation	6	-	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		63,424	23,964
		<hr/>	<hr/>
Interim dividends paid		(60,701)	(23,964)
		<hr/>	<hr/>
TRANSFERRED TO RESERVES		2,723	-
		<hr/>	<hr/>

All activities are continuing.

### STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses in the year other than the profit of £63,424,000 (2003 profit: £23,964,000).

# EMI GROUP FINANCE PLC

## BALANCE SHEET - 31 MARCH 2004

	Notes	2004 £000	2003 £000
CURRENT ASSETS			
Debtors	8	5,155,889	4,927,277
Cash at bank and in hand and cash deposits		192,095	126
		<hr/>	<hr/>
		5,347,984	4,927,403
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(23,165)	(13,401)
Creditors and accruals	9	(4,974,534)	(4,457,865)
		<hr/>	<hr/>
		(4,997,699)	(4,471,266)
		<hr/>	<hr/>
NET CURRENT ASSETS		350,285	456,137
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to parent undertaking		(142,956)	(81,964)
Amounts owed to fellow subsidiary undertakings		(42,484)	(45,229)
Bank loans	10	-	(166,822)
		<hr/>	<hr/>
		(185,440)	(294,015)
		<hr/>	<hr/>
		164,845	162,122
		<hr/>	<hr/>
CAPITAL AND RESERVES: EQUITY			
Called up share capital	11	83,936	83,936
Profit and loss account	12	80,909	78,186
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		164,845	162,122
		<hr/>	<hr/>



) Director

20.4.04

# EMI GROUP FINANCE PLC

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.

#### Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Unhedged monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of profit for the financial year. Hedged monetary assets and liabilities denominated in foreign currencies are translated into sterling at the hedged rates.

#### 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.

### 2. OTHER OPERATING INCOME

	2004 £000	2003 £000
Exchange gain on foreign currency balances	39,645	13,204

# EMI GROUP FINANCE PLC

## NOTES TO THE ACCOUNTS CONTINUED

### 3. OTHER OPERATING EXPENSES

	2004	2003
	£000	£000
Exchange loss on foreign currency balances	4,344	26,220

Audit fees are paid by the parent undertaking, EMI Group plc.

### 4. INTEREST RECEIVABLE

	2004	2003
	£000	£000
Interest receivable on:		
Bank deposits	504	952
Loans to fellow subsidiary undertakings	236,098	238,795
Other	1	46
	<hr/>	<hr/>
	236,603	239,793
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### 5. INTEREST PAYABLE

	2004	2003
	£000	£000
Interest payable on:		
Bank loans and overdrafts repayable within five years	8,595	17,868
Loans from fellow subsidiary undertakings	121,780	118,176
Loans from parent undertaking	73,031	56,864
Other	4,924	9,713
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	208,330	202,621
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## EMI GROUP FINANCE PLC

### NOTES TO THE ACCOUNTS CONTINUED

#### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The Company is primarily liable for UK corporation tax on its profits. However, no provision has been made in these 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 all liability for any such taxation as long as the Company remains a subsidiary. In view of the undertaking received, no disclosure is made in the accounts of any potential liability to taxation.

#### 7. DIRECTORS' EMOLUMENTS

There are no employees of the Company other than the Directors. No Director received any remuneration during the year in respect of his/her services to the Company.

#### 8. DEBTORS

	2004 £000	2003 £000
Amounts falling due within one year:		
Amounts due from fellow subsidiary undertakings	5,101,797	4,862,614
Interest receivable from fellow subsidiary undertakings	21,473	19,221
Other debtors	38	30
	<hr/>	<hr/>
	5,123,308	4,881,865
Amounts falling due after more than one year:		
Amounts due from parent undertaking	31,429	31,428
Amounts due from fellow subsidiary undertakings	1,152	13,984
	<hr/>	<hr/>
	32,581	45,412
	<hr/>	<hr/>
	5,155,889	4,927,277
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# EMI GROUP FINANCE PLC

## NOTES TO THE ACCOUNTS CONTINUED

### 9. CREDITORS AND ACCRUALS

	2004 £000	2003 £000
Amounts due to parent undertaking	1,510,540	1,262,589
Amounts due to fellow subsidiary undertakings	3,449,593	3,183,044
Interest payable to fellow subsidiary undertakings	14,373	10,212
Other creditors and accruals	28	2,020
	<hr/>	<hr/>
	4,974,534	4,457,865
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### 10. BANK LOANS

	2004 £000	2003 £000
Maturity analysis of long-term borrowings:		
Bank loans falling due after more than one year are repayable as follows:		
Between one and two years	-	166,822
Between two and five years	-	-
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### 11. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2004 No.	2003 No.	2004 £000	2003 £000
Ordinary shares of £1 each	85,000,000	85,000,000	83,936	83,936
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## EMI GROUP FINANCE PLC

### NOTES TO THE ACCOUNTS CONTINUED

#### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u>	<u>Profit &amp; Loss Account</u>	<u>Total</u>
	£000	£000	£000
At 1 April 2003	83,936	78,186	162,122
Result for the year	-	2,723	2,723
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At 31 March 2004	83,936	80,909	164,845
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#### 13. 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, 27 Wrights Lane London W8 5SW England.

#### 14. 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 2004, £738,000 (2003: £126,000) was guaranteed.