

EMI GROUP FINANCE PLC

DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 31 March 2006.

Business Review and Principal Activity

The Company is a wholly owned subsidiary of EMI Group plc. The principal activity of the Company is that of a finance company within the EMI Group. There has not been any change to the principal activity of the Company during the year ended 31 March 2006. The Directors do not anticipate any change to the principal activity of the Company during the next year.

Financial Review

As stated in the profit and loss account on page 6 the Company made a profit before tax of £19,162,000 in the year to 31 March 2006 which represents a decrease of 51.6% compared with the previous year's profit before tax of £39,563,000. This decrease is mainly due to higher exchange losses in the year to 31 March 2006.

In the balance sheet shown on page 7 there have been no significant changes in the net assets of the Company compared with the prior year.

Principal Risks and Uncertainties

The Company operates as part of the EMI Group and transacts business with fellow group undertakings and with external banks. The Company's activities are dependent on the activities of the EMI Group as a whole.

The risks and uncertainties facing the Company are linked to those of the Group. A detailed discussion of the Group risks and uncertainties is contained in the Group's annual report.

Dividends

An interim dividend of £32,000,000 has been paid (2005 dividend: £14,000,000). The Directors do not recommend the payment of a final dividend.

Directors and their Interests

The Directors during the year were as follows:

C P Ashcroft
D J T Bratchell
M D Stewart



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

Directors' Report Continued

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>		
	1/4/05	31/3/06	1/4/05	31/3/06	1/4/05	Granted During the Year	Exercised/ Renounced/ Lapsed 31/3/06
D J T Bratchell	7,623	7,623	110,866	148,378	387,171	75,024	(8,500)
C P Ashcroft	-	-	365,492	492,157	1,135,536	253,331	-
M D Stewart ¹							453,695
							1,388,867

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

1 M D Stewart was a director of the Company's ultimate parent undertaking, EMI Group plc, and his interests in the shares of that company as at 1 April 2005 and 31 March 2006 are shown in its annual report.

Supplier Payment Policy

As part of its principal activity as a finance company within the EMI Group, the Company enters into financial instruments and payments relating to these are made as required on a transaction by transaction basis.

The administration costs of the Company are settled by EMI Group plc and then recharged to the Company. EMI Group plc negotiates payment terms with its suppliers on an individual basis, with the normal spread being payment at the end of the month following delivery plus 30 or 60 days. It is the policy of EMI Group plc to settle the terms of payment when agreeing the terms of each transaction, to ensure that the suppliers are made aware of the terms, and to abide by them. EMI Group plc makes payments to its suppliers through its subsidiary, EMI Records Ltd. The number of days' purchases outstanding at 31 March 2006 is calculated at 74 days (2005: 48 days).

Directors' Report Continued

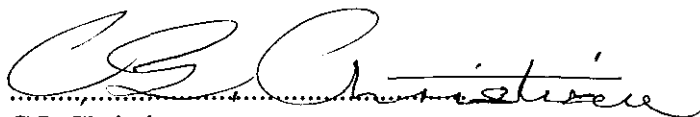
Directors' and Officers' Liability Insurance

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.



C L Christian
Secretary

Date: 18.4.06

Registered Office
27 Wrights Lane
London
W8 5SW

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements 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 judgments and estimates that are reasonable and prudent; and
- prepare the financial statements 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 enable them to ensure that the financial statements 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.

So far as each Director is aware, there is no relevant audit information (as defined in S244ZA (3) of the Companies Act 1985) of which the Company's auditors are unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of, and to establish that the auditors are aware of, any relevant audit information.

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 2006 which comprise the Profit and Loss Account, Balance Sheet, the 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

The Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.


Ernst & Young LLP
Registered Auditor
London

20/4/06

EMI GROUP FINANCE PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 £000	2005 £000
Administration expenses		(257)	(223)
Other operating income	2	-	9,107
Other operating expenses	3	(31,666)	(10,396)
		<hr/>	<hr/>
OPERATING PROFIT		(31,923)	(1,512)
		<hr/>	<hr/>
Interest receivable	4	310,538	291,275
Interest payable	5	(259,453)	(250,200)
		<hr/>	<hr/>
		51,085	41,075
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,162	39,563
Taxation	6	(7)	(1)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19,155	39,562
		<hr/>	<hr/>
Interim dividends paid	14	(32,000)	(14,000)
		<hr/>	<hr/>
TRANSFERRED (FROM/TO RESERVES)		(12,845)	25,562
		<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 £19,155,000 (2005 profit: £39,562,000).

EMI GROUP FINANCE PLC

BALANCE SHEET - 31 MARCH 2006

	Notes	2006 £000	2005 £000
CURRENT ASSETS			
Debtors	8	5,758,582	5,489,900
Cash at bank and in hand and cash deposits		40,632	81,757
		<hr/>	<hr/>
		5,799,214	5,571,657
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(14,150)	(21,643)
Creditors and accruals	9	(5,369,932)	(5,157,550)
		<hr/>	<hr/>
		(5,384,082)	(5,179,193)
		<hr/>	<hr/>
NET CURRENT ASSETS			
		415,132	392,464
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to parent undertaking		(189,376)	(157,163)
Amounts owed to fellow subsidiary undertakings		(48,194)	(44,894)
		<hr/>	<hr/>
		(237,570)	(202,057)
		<hr/>	<hr/>
		177,562	190,407
		<hr/>	<hr/>
CAPITAL AND RESERVES: EQUITY			
Called up share capital	10	83,936	83,936
Profit and loss account	11	93,626	106,471
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		177,562	190,407
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18.4.06

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) Director

EMI GROUP FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

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).

Events after the balance sheet date

The adoption of FRS21 has resulted in a change of accounting policy in respect of proposed equity dividends. If the Company declares dividends to the holders of equity instruments after the balance sheet date, the Company does not recognise those dividends as a liability at the balance sheet date, even if those dividends are paid or approved by the shareholders before the financial statements are authorised for issue. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been included in liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date. Interim dividends are recorded as appropriations from equity in the year in which they are paid. There has been no effect on the result of the Company in the prior year from the application of FRS21.

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

	2006 £000	2005 £000
Exchange gain on foreign currency balances	-	9,107

EMI GROUP FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. OTHER OPERATING EXPENSES

	2006 £000	2005 £000
Exchange loss on foreign currency balances	31,666	10,396

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

4. INTEREST RECEIVABLE

	2006 £000	2005 £000
Interest receivable on:		
Bank deposits	674	807
Loans to fellow subsidiary undertakings	309,115	290,468
Loans to parent undertaking	3	-
Exceptional finance income *	746	-
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	310,538	291,275
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* Exceptional finance income relates to exchange gains on unhedged foreign currency borrowings.

5. INTEREST PAYABLE

	2006 £000	2005 £000
Interest payable on:		
Bank loans and overdrafts repayable within five years	9,196	7,857
Loans from fellow subsidiary undertakings	153,907	171,668
Loans from parent undertaking	95,918	70,672
Exceptional finance charge *	432	-
Other	-	3
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	259,453	250,200
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* Exceptional finance charge relates to exchange losses on unhedged foreign currency borrowings.

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
Profit on ordinary activities before tax	19,162	39,563
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	5,749	11,869
Group relief	(5,749)	(11,869)
Withholding tax	7	1
	<hr/>	<hr/>
Total current tax	7	1
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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 AND STAFF COSTS

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

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. DEBTORS

	2006 £000	2005 £000
Amounts falling due within one year:		
Amounts due from fellow subsidiary undertakings	5,699,839	5,428,378
Interest receivable from fellow subsidiary undertakings	26,517	26,283
Other debtors	8	629
	<hr/>	<hr/>
	5,726,364	5,455,290
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Amounts due from parent undertaking	31,429	31,429
Amounts due from fellow subsidiary undertakings	789	3,181
	<hr/>	<hr/>
	32,218	34,610
	<hr/>	<hr/>
	5,758,582	5,489,900
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9. CREDITORS AND ACCRUALS

	2006 £000	2005 £000
Amounts due to parent undertaking	1,599,473	1,499,957
Amounts due to fellow subsidiary undertakings	3,753,838	3,641,013
Interest payable to fellow subsidiary undertakings	16,584	16,535
Other creditors and accruals	37	45
	<hr/>	<hr/>
	5,369,932	5,157,550
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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2006 No.	2005 No.	2006 £000	2005 £000
Ordinary shares of £1 each	85,000,000	85,000,000	83,936	83,936

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

	<u>Share Capital</u>	<u>Profit & Loss Account</u>	<u>Total</u>
	£000	£000	£000
At 1 April 2005	83,936	106,471	190,407
Profit for the year	-	19,155	19,155
Dividends paid	-	(32,000)	(32,000)
At 31 March 2006	83,936	93,626	177,562

12. 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.

13. 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 2006, £632,000 (2005: £357,000) was guaranteed.

EMI GROUP FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. DIVIDENDS

	2006 £000	2005 £000
Equity dividends on ordinary shares:		
Interim paid	32,000	14,000
Final paid	-	-
	<hr/>	<hr/>
	32,000	14,000
	<hr/>	<hr/>