

EMI GROUP FINANCE PLC

DIRECTORS' REPORT

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

Results and Dividends

The Company, which operates as a finance company within the EMI Group, made a profit of £60,405,000 during the year (2001 profit: £75,776,000). An interim dividend of £58,000,000 has been paid (2001 dividend: £nil).

Directors and their Interests

The Directors during the year were as follows:

C P Ashcroft
 A J Bates (resigned 04.02.2002)
 D J T Bratchell
 R C Faxon (appointed 05.02.2002)

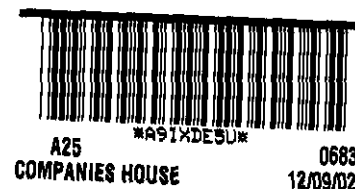
No Director had any interest in the shares of the Company at any time during the year.

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		Granted During the Year	Exercised/ Renounced/ Lapsed	31/3/02
D J T Bratchell	7,623	7,623	27,678	29,510	42,645	-	-	42,645
C P Ashcroft	-	-	72,724	77,516	21,752	-	-	21,752
R C Faxon ¹								

* 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 5 February 2002 and 31 March 2002 are shown in its annual report.



Directors' Report Continued

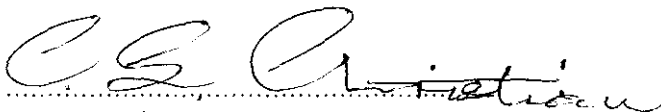
Directors' and Officers' Liability Insurance

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.



C L Christian
Secretary

Date: 11.11.02

Registered Office
4 Tenterden Street
London
W1A 2AY

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 2002 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.

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.

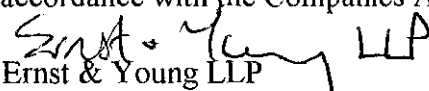
Basis of audit opinion

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 2002 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

9.9.02

EMI GROUP FINANCE PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £000	2001 £000
Administration expenses		(195)	(174)
Other operating income	2	3,877	18,428
Other operating expenses	3	(1,456)	(18)
		<hr/>	<hr/>
OPERATING PROFIT		2,226	18,236
		<hr/>	<hr/>
Interest receivable	4	262,226	284,837
Interest payable	5	(204,047)	(227,297)
		<hr/>	<hr/>
		58,179	57,540
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		60,405	75,776
Taxation	6	-	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		60,405	75,776
		<hr/>	<hr/>
Dividends paid		(58,000)	-
		<hr/>	<hr/>
TRANSFERRED TO RESERVES		2,405	75,776
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All activities are continuing.

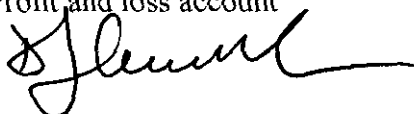
STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses in the year other than the profit of £60,405,000 (2001 profit: £75,776,000).

EMI GROUP FINANCE PLC

BALANCE SHEET - 31 MARCH 2002

	Notes	2002 £000	2001 £000
CURRENT ASSETS			
Debtors	8	4,674,656	4,515,968
Cash at bank and in hand and cash deposits		611	2,517
		<hr/>	<hr/>
		4,675,267	4,518,485
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(635,967)	(548,315)
Creditors and accruals	9	(3,760,479)	(3,658,708)
		<hr/>	<hr/>
		(4,396,446)	(4,207,023)
		<hr/>	<hr/>
NET CURRENT ASSETS		278,821	311,462
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CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to parent undertaking		(58,000)	-
Amounts owed to fellow subsidiary undertakings		(40,294)	(40,296)
Bank loans	10	(18,405)	(111,449)
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		(116,699)	(151,745)
		<hr/>	<hr/>
		162,122	159,717
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CAPITAL AND RESERVES: EQUITY			
Called up share capital	11	83,936	83,936
Profit and loss account	12	78,186	75,781
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		162,122	159,717
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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

	2002 £000	2001 £000
Exchange gain on foreign currency balances	3,877	18,428
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EMI GROUP FINANCE PLC**NOTES TO THE ACCOUNTS CONTINUED****3. OTHER OPERATING EXPENSES**

	2002 £000	2001 £000
Exchange loss on foreign currency balances	1,456	18

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

4. INTEREST RECEIVABLE

	2002 £000	2001 £000
Interest receivable on:		
Bank deposits	961	3,049
Loans to fellow subsidiary undertakings	261,133	280,653
Other	132	1,135
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	262,226	284,837
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5. INTEREST PAYABLE

	2002 £000	2001 £000
Interest payable on:		
Bank loans and overdrafts repayable within five years	28,111	30,763
Loans from fellow subsidiary undertakings	135,526	141,927
Loans from parent undertaking	34,954	54,496
Other	5,456	111
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	204,047	227,297
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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

	2002 £000	2001 £000
Amounts falling due within one year:		
Amounts due from fellow subsidiary undertakings	4,624,068	4,460,928
Interest receivable from fellow subsidiary undertakings	19,275	23,216
Other debtors	96	438
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	4,643,439	4,484,582
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Amounts falling due after more than one year:		
Amounts due from parent undertaking	30,932	31,101
Amounts due from fellow subsidiary undertakings	285	285
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	31,217	31,386
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	4,674,656	4,515,968
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EMI GROUP FINANCE PLC

NOTES TO THE ACCOUNTS CONTINUED

9. CREDITORS AND ACCRUALS

	2002 £000	2001 £000
Amounts due to parent undertaking	737,082	668,453
Amounts due to fellow subsidiary undertakings	3,011,418	2,976,551
Interest payable to fellow subsidiary undertakings	9,960	12,569
Other creditors and accruals	2,019	1,135
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	3,760,479	3,658,708
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10. BANK LOANS

	2002 £000	2001 £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	-	111,449
Between two and three years	18,405	-
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11. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2002 No.	2001 No.	2002 £000	2001 £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 & Loss Account</u>	<u>Total</u>
	£000	£000	£000
At 1 April 2001	83,936	75,781	159,717
Profit for the year	-	2,405	2,405
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At 31 March 2002	83,936	78,186	162,122
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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, 4 Tenterden Street, Hanover Square, London W1A 2AY, 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 2002, £611,000 (2001: £817,000) was guaranteed.