

EMI GROUP FINANCE PLC

DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 31 March 2001.

Results and Dividends

The Company, which operates as a finance company within the EMI Group, made a profit of £75,776,000 during the year (2000 profit: £13,170,000). The Directors do not recommend payment of a dividend (2000 dividend: £31,158,000).

Directors and their Interests

The Directors during the year and subsequently were as follows:

Mrs P L Foster Back (resigned 30.04.2000)
 C P Ashcroft
 A J Bates
 D J T Bratchell (appointed 01.05.2000)

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>		
	1/4/00 [#]	31/3/01	1/4/00 [#]	31/3/01	1/4/00 [#]	Granted During the Year	Exercised/ Renounced/ Lapsed 31/3/01
D J T Bratchell	7,623	7,623	10,909	20,759	42,645	-	42,645
C P Ashcroft	-	-	80,597	72,724	21,752	-	21,752
A J Bates ¹							

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

1 A J Bates is 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 2000 and 31 March 2001 are shown in its annual report.

Or at date of appointment if later.



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

On 28 June 2001 Ernst & Young transferred its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, known as Ernst & Young LLP. The Directors have consented to treating the appointment of Ernst & Young as the Company's auditors as extending to Ernst & Young LLP with effect from 28 June 2001.

Ernst & Young LLP has expressed its willingness to continue in office as auditors. 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: 21.4.01

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.

REPORT OF THE AUDITORS TO THE MEMBERS OF EMI GROUP FINANCE PLC

We have audited the accounts on pages 5 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the Company's Directors are responsible for the preparation of the accounts. This includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the United Kingdom Listing Authority and by our profession's ethical guidance. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud, other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

21/9/01

EMI GROUP FINANCE PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2001**

	Notes	2001 £000	2000 £000
Administration expenses		(174)	(250)
Other operating income	2	18,428	30
Other operating expenses	3	(18)	(29,591)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)		18,236	(29,811)
		<hr/>	<hr/>
Interest receivable	4	284,837	239,512
Interest payable	5	(227,297)	(196,531)
		<hr/>	<hr/>
		57,540	42,981
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		75,776	13,170
		<hr/>	<hr/>
Taxation	6	-	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		75,776	13,170
		<hr/>	<hr/>
Dividends		-	(31,158)
		<hr/>	<hr/>
TRANSFERRED TO/(FROM) RESERVES		75,776	(17,988)
		<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 £75,776,000 (2000 profit: £13,170,000).

EMI GROUP FINANCE PLC

BALANCE SHEET - 31 MARCH 2001

	Notes	2001 £000	2000 £000
CURRENT ASSETS			
Debtors	8	4,515,968	3,897,270
Cash at bank and in hand and cash deposits		2,517	39,120
		<hr/>	<hr/>
		4,518,485	3,936,390
		<hr/>	<hr/>
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(548,315)	(439,079)
Creditors and accruals	9	(3,658,708)	(3,343,110)
		<hr/>	<hr/>
		(4,207,023)	(3,782,189)
		<hr/>	<hr/>
NET CURRENT ASSETS		<hr/>	<hr/>
		311,462	154,201
		<hr/>	<hr/>
CREDITORS:			
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to fellow subsidiary undertakings		(40,296)	(36,556)
Accruals and deferred income		-	(338)
Bank loans	10	(111,449)	(33,366)
		<hr/>	<hr/>
		(151,745)	(70,260)
		<hr/>	<hr/>
		159,717	83,941
		<hr/>	<hr/>
CAPITAL AND RESERVES: EQUITY			
Called up share capital	11	83,936	83,936
Profit and loss account	12	75,781	5
		<hr/>	<hr/>
) Director(s)		159,717	83,941
)		<hr/>	<hr/>
)			

21.4.01

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

	2001 £000	2000 £000
Exchange gain on foreign currency balances	18,428	1
Other income	-	29
	<hr/>	<hr/>
	18,428	30
	<hr/>	<hr/>

EMI GROUP FINANCE PLC

NOTES TO THE ACCOUNTS CONTINUED

3. OTHER OPERATING EXPENSES

	2001 £000	2000 £000
Exchange loss on foreign currency balances	18	29,591

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

4. INTEREST RECEIVABLE

	2001 £000	2000 £000
Interest receivable on:		
Bank deposits	3,049	15,223
Loans to fellow subsidiary undertakings	280,653	224,289
Other	1,135	-
	<hr/>	<hr/>
	284,837	239,512
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5. INTEREST PAYABLE

	2001 £000	2000 £000
Interest payable on:		
Bank loans and overdrafts repayable within five years	30,763	27,941
Loans from fellow subsidiary undertakings	141,927	113,779
Loans from parent undertaking	54,496	54,811
Other	111	-
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	227,297	196,531
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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

	2001 £000	2000 £000
Amounts falling due within one year:		
Amounts due from fellow subsidiary undertakings	4,460,928	3,843,240
Interest receivable from fellow subsidiary undertakings	23,216	21,950
Other debtors	438	541
	<hr/>	<hr/>
	4,484,582	3,865,731
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Amounts falling due after more than one year:		
Amounts due from parent undertaking	31,101	31,254
Amounts due from fellow subsidiary undertakings	285	285
	<hr/>	<hr/>
	31,386	31,539
	<hr/>	<hr/>
	4,515,968	3,897,270
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EMI GROUP FINANCE PLC

NOTES TO THE ACCOUNTS CONTINUED

9. CREDITORS AND ACCRUALS

	2001 £000	2000 £000
Amounts due to parent undertaking	668,453	1,228,712
Amounts due to fellow subsidiary undertakings	2,976,551	2,103,142
Interest payable to fellow subsidiary undertakings	12,569	9,874
Other creditors and accruals	1,135	1,382
	<hr/>	<hr/>
	3,658,708	3,343,110
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10. BANK LOANS

	2001 £000	2000 £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	33,366
	<hr/>	<hr/>

11. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2001 No.	2000 No.	2001 £000	2000 £000
Ordinary shares of £1 each	85,000,000	85,000,000	83,936	83,936
	<hr/>	<hr/>	<hr/>	<hr/>

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 2000	83,936	5	83,941
Profit for the year	-	75,776	75,776
	<hr/>	<hr/>	<hr/>
At 31 March 2001	83,936	75,781	159,717
	<hr/>	<hr/>	<hr/>

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 2001, £817,000 (2000: £2,619,000) was guaranteed.