

THORN EMI FINANCE PLC

DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 31 March 1996.

Results and Dividends

The Company, which operates as a finance company within the THORN EMI plc Group, made a profit of £29,597,000 during the year (1995 profit:£20,621,000). The Directors do not recommend payment of a dividend.

Directors and their Interests

The Directors during the year were as follows:

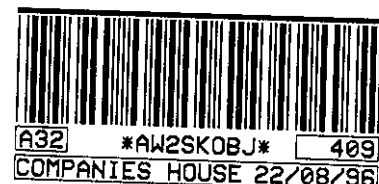
Mrs P L Foster Back
S P Duffy
S G Young

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 THORN EMI plc, the ultimate parent undertaking, at the year end were as follows:

	<u>Ordinary Shares</u>		<u>Options*</u>			
	1/4/95	31/3/96	1/4/95	Granted During the Year	Exercised	31/3/96
Mrs P L Foster Back	-	-	14,495	5,000	-	19,495
S P Duffy	3,024	3,038	165,542	29,301	-	194,843
S G Young	1,444	1,444	67,556	5,750	-	73,306

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



Directors' Report Continued

Directors' and Officers' Liability Insurance


The ultimate parent undertaking, THORN EMI plc, has maintained insurance to cover Directors' and Officers' liability as permitted by Section 310(3) of the Companies Act 1985.

Auditors

Ernst & Young have expressed their 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.



.....
M R Cox
Secretary

Date:

30/7/96

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 THORN EMI 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. 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 1996 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
Ernst & Young
Chartered Accountants
Registered Auditor
London

15 August 1996

THORN EMI FINANCE PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996**

	Notes	1996 £000	1995 £000
Administrative expenses		(356)	(521)
Other operating income	2	21,097	7,908
Other operating expenses	3	(16,852)	(3,348)
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OPERATING PROFIT/(LOSS)		3,889	4,039
		<hr/>	<hr/>
Interest receivable	4	166,136	84,137
Interest payable	5	(140,418)	(67,555)
		<hr/>	<hr/>
		25,718	16,582
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		29,607	20,621
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Taxation	6	(10)	-
		<hr/>	<hr/>
PROFIT FOR THE YEAR		29,597	20,621
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STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses in the period other than the retained profits of £29,597,000 (1995 profit: £20,621,000).

THORN EMI FINANCE PLC

BALANCE SHEET - 31 MARCH 1996

	Notes	1996 £000	1995 £000
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	1,573,886	1,645,369
Debtors: amounts falling due after more than one year	8	99,894	367,196
Cash at bank and in hand		56	351
		<hr/>	<hr/>
		1,673,836	2,012,916
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CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(160,114)	(147,707)
Creditors and accruals	9	(1,197,107)	(1,151,740)
		<hr/>	<hr/>
		(1,357,221)	(1,299,447)
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NET CURRENT ASSETS			
		316,615	713,469
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to fellow subsidiary undertakings		(1,633)	(356,708)
Bank loans	10	(149,673)	(221,049)
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		(151,306)	(577,757)
		<hr/>	<hr/>
		165,309	135,712
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CAPITAL AND RESERVES			
Called up share capital	11	83,936	83,936
Profit and loss account	12	81,373	51,776
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		165,309	135,712
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Philippe Foster Back
P.L. FOSTER BACK)
S.G. YOUNG)

Director(s)

30/7/96

THORN EMI 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 applicable accounting standards.

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

In accordance with FRS 1, a cashflow statement is not required because the parent undertaking has included a consolidated cashflow statement in its group accounts.

2. OTHER OPERATING INCOME	1996	1995
	£000	£000
Exchange profit on foreign currency balances	21,097	7,908
	_____	_____
3. OTHER OPERATING EXPENSES	1996	1995
	£000	£000
Exchange loss on foreign currency balances	16,852	3,348
	_____	_____

THORN EMI FINANCE PLC

NOTES TO THE ACCOUNTS

4. INTEREST RECEIVABLE	1996	1995
	£000	£000
Interest receivable on:		
Bank deposits	41,724	16,535
Loans to parent undertaking	51,389	20,289
Loans to fellow subsidiary undertakings	73,023	47,313
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	166,136	84,137
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5. INTEREST PAYABLE	1996	1995
	£000	£000
Interest payable on:		
Bank loans and overdrafts repayable within five years	61,717	28,670
Bank loans repayable after five years	-	8
Loans from fellow subsidiary undertakings	61,535	38,311
Loans from parent undertaking	17,166	566
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	140,418	67,555
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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, THORN EMI 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. The £10,000 tax charge in the profit and loss account relates to overseas withholding tax, which is not covered by the above indemnity.

7. DIRECTORS' EMOLUMENTS

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

THORN EMI FINANCE PLC

NOTES TO THE ACCOUNTS

8. DEBTORS	1996	1995
	£000	£000
Amounts falling due within one year:		
Amounts owed by parent undertaking	595,557	780,429
Amounts owed by fellow subsidiary undertakings	965,129	854,813
Interest owed by parent undertaking	2,320	2,397
Interest owed by fellow subsidiary undertakings	4,780	2,318
Taxation	75	-
Other debtors	6,025	5,412
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	1,573,886	1,645,369
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Amounts falling due after more than one year:		
Amounts owed by parent undertaking	94,481	8,555
Amounts owed by fellow subsidiary undertakings	5,413	358,641
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	99,894	367,196
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9. CREDITORS AND ACCRUALS	1996	1995
	£000	£000
Amounts falling due within one year:		
Amounts owed to parent undertaking	2,620	161,512
Amounts owed to fellow subsidiary undertakings	1,186,280	985,846
Interest owed to fellow subsidiary undertakings	4,372	3,219
Other creditors and accruals	3,835	1,163
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	1,197,107	1,151,740
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THORN EMI FINANCE PLC

NOTES TO THE ACCOUNTS

10. BORROWINGS	1996 £000	1995 £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	52,288	-
Between two and five years	97,385	174,753
After five years (due 31 March 2002)	-	46,296
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	149,673	221,049
	<hr/>	<hr/>

11. SHARE CAPITAL	Authorised		Allotted, called up and fully paid	
	1996 No.	1995 No.	1996 £000	1995 £000
Ordinary shares of £1 each	85,000,000	85,000,000	83,936	83,936
	<hr/>	<hr/>	<hr/>	<hr/>

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

	<u>Share Capital</u>	<u>Profit & Loss Reserve</u>	<u>Total</u>
	£000	£000	£000
At 1 April 1995	83,936	51,776	135,712
Retained profits for the year	-	29,597	29,597
	<hr/>	<hr/>	<hr/>
At 31 March 1996	83,936	81,373	165,309
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THORN EMI FINANCE PLC

NOTES TO THE ACCOUNTS

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 THORN EMI plc, which is the ultimate parent undertaking registered in England and Wales. Copies of THORN EMI plc's accounts can be obtained from THORN EMI 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 THORN EMI plc UK Group companies. Such guarantee is limited to the amount of cash deposited by the Company with the banks. At 31 March 1996, £56,000 (1995: £351,000) was guaranteed.