

EMI GROUP FINANCE PLC

(formerly THORN EMI Finance plc)

DIRECTORS' REPORT

The Directors present their report and the accounts for the year ended 31 March 1997.

Results and Dividends

The Company, which operates as a finance company within the EMI Group, made a profit of £16,592,000 during the year (1996 profit:£29,597,000). The Directors propose a dividend of £90,000,000.

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

	<u>Ordinary Shares</u>		<u>Options*</u>			
	1/4/96	31/3/97	1/4/96	Granted # During the Year	Exercised/ Renounced	31/3/97
Mrs P L Foster Back	-	480	19,495	30,321	19,495	30,321
S P Duffy	3,038	23,418	194,843	47,625	154,750	87,718
S G Young	1,444	32,634	73,306	10,287	59,906	23,687

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

Includes adjustments on demerger .



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.

Change of Name

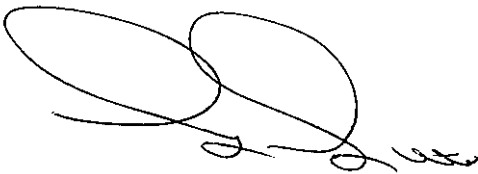
The name of the Company was changed on 19 August 1996 from THORN EMI Finance plc to EMI Group Finance plc.

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.



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G Gitter
Secretary

Date: 11.9.97

Registered Office
4 Tenterden Street
London
W1A 2AY

EMI GROUP FINANCE PLC

(formerly THORN EMI Finance plc)

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 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. 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 1997 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

18 September 1997

EMI GROUP FINANCE PLC

(formerly THORN EMI Finance plc)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 £000	1996 £000
Administration expenses		(419)	(356)
Other operating income	2	10,344	21,097
Other operating expenses	3	(9,680)	(16,852)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)		245	3,889
		<hr/>	<hr/>
Interest receivable	4	153,388	166,136
Interest payable	5	(137,041)	(140,418)
		<hr/>	<hr/>
		16,347	25,718
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,592	29,607
Taxation	6	-	(10)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16,592	29,597
		<hr/>	<hr/>
Dividends		(90,000)	-
		<hr/>	<hr/>
TRANSFERRED TO/(FROM) RESERVES		(73,408)	29,597
		<hr/>	<hr/>

STATEMENT OF RECOGNISED GAINS AND LOSSES


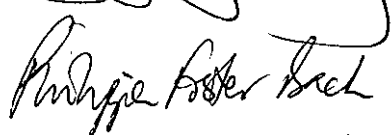
There are no recognised gains or losses in the period other than the retained profit of £16,592,000 (1996 profit: £29,597,000).

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BALANCE SHEET - 31 MARCH 1997

	Notes	1997 £000	1996 £000
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	1,975,030	1,573,886
Debtors: amounts falling due after more than one year	8	32,319	99,894
Cash at bank and in hand		46	56
		<hr/>	<hr/>
		2,007,395	1,673,836
		<hr/>	<hr/>
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(196,829)	(160,114)
Creditors and accruals	9	(1,587,636)	(1,197,107)
		<hr/>	<hr/>
		(1,784,465)	(1,357,221)
		<hr/>	<hr/>
NET CURRENT ASSETS			
		222,930	316,615
		<hr/>	<hr/>
CREDITORS:			
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to fellow subsidiary undertakings		(5,429)	(1,633)
Bank loans	10	(125,600)	(149,673)
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		(131,029)	(151,306)
		<hr/>	<hr/>
		91,901	165,309
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	83,936	83,936
Profit and loss account	12	7,965	81,373
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		91,901	165,309
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) Director(s)
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11.9.97

EMI GROUP FINANCE PLC

(formerly 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

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

	1997 £000	1996 £000
Exchange profit on foreign currency balances	10,344	21,097
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3. OTHER OPERATING EXPENSES

	1997 £000	1996 £000
Exchange loss on foreign currency balances	9,680	16,852
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Audit fees are paid by the parent undertaking EMI Group plc.

EMI GROUP FINANCE PLC

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NOTES TO THE ACCOUNTS

4. INTEREST RECEIVABLE

	1997 £000	1996 £000
Interest receivable on:		
Bank deposits	39,418	41,724
Loans to parent undertaking	58,744	51,389
Loans to fellow subsidiary undertakings	55,226	73,023
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	153,388	166,136
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5. INTEREST PAYABLE

	1997 £000	1996 £000
Interest payable on:		
Bank loans and overdrafts repayable within five years	50,451	61,717
Loans from fellow subsidiary undertakings	84,737	61,535
Loans from parent undertaking	1,853	17,166
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	137,041	140,418
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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, 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

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

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NOTES TO THE ACCOUNTS

8. DEBTORS

	1997 £000	1996 £000
Amounts falling due within one year:		
Amounts owed by parent undertaking	1,424,768	595,557
Amounts owed by fellow subsidiary undertakings	543,000	965,129
Interest owed by parent undertaking	3,209	2,320
Interest owed by fellow subsidiary undertakings	2,617	4,780
Taxation	-	75
Other debtors	1,436	6,025
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	1,975,030	1,573,886
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Amounts owed by parent undertaking	32,034	94,481
Amounts owed by fellow subsidiary undertakings	285	5,413
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	32,319	99,894
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9. CREDITORS AND ACCRUALS

	1997 £000	1996 £000
Amounts falling due within one year:		
Amounts owed to parent undertaking	40,053	2,620
Amounts owed to fellow subsidiary undertakings	1,453,722	1,186,280
Interest owed to fellow subsidiary undertakings	2,933	4,372
Dividends payable	90,000	-
Other creditors and accruals	917	3,835
Taxation	11	-
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	1,587,636	1,197,107
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NOTES TO THE ACCOUNTS

10. BORROWINGS

	1997 £000	1996 £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	125,600	97,385
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	125,600	149,673
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11. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1997 No.	1996 No.	1997 £000	1996 £000
Ordinary shares of £1 each	85,000,000	85,000,000	83,936	83,936
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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 1996	83,936	81,373	165,309
Profit for the year	-	16,592	16,592
Dividends	-	(90,000)	(90,000)
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At 31 March 1997	83,936	7,965	91,901
	<hr/>	<hr/>	<hr/>

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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 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 1997, £46,000 (1996: £56,000) was guaranteed.