

Company Number: 610095

# **Waterstone's Booksellers Limited**

Report and Accounts

53 weeks ended 30 April 2005



**COMPANY INFORMATION**

**DIRECTORS**

S D Carney  
S Dormer  
D S Gilbert (resigned 22 October 2004)  
B F McLaughlin  
L J Miles  
D Pogrand (resigned 19 May 2005)  
D L Roche (resigned 26 August 2005)  
J R Samols (appointed 9 May 2005)  
N J M Williams

**SECRETARY**

E Marriner

**REGISTERED OFFICE**

Capital Court  
Capital Interchange Way  
Brentford  
Middlesex  
TW8 0EX

**AUDITORS**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **DIRECTORS' REPORT**

The Directors submit their Report and the Accounts for the 53 weeks ended 30 April 2005. The comparative period is the 52 weeks ended 24 April 2004.

### **Principal activities, review and future developments**

During the period under review, the Company operated as a bookseller through a chain of general bookshops in the United Kingdom. The Company continues to trade successfully and it is intended that the Company will continue its existing business for the foreseeable future.

### **Results and dividend**

The profit for the 53 weeks ended 30 April 2005 was £14,888,000 (2004: £13,842,000). A dividend of £15,000,000 (2004: £20,000,000) was paid after the financial period under review.

### **Directorate**

The names of the Directors as at the date of this Report and the changes made following the year end are shown on page 1.

None of the Directors had any interests in the shares of the Company. Directors' interests in the Company's ultimate parent undertaking, HMV Group plc, are as follows:

	<b>Ordinary Shares</b>		<b>Share Incentive Plan</b>		<b>Options over Ordinary Shares</b>				
	<b>At 30 April 2005</b>	<b>At 24 April 2004</b>	<b>At 30 April 2005</b>	<b>At 24 April 2004</b>	<b>At 30 April 2005</b>	<b>Granted during the year</b>	<b>Lapsed during the year</b>	<b>Exercised during the year</b>	<b>At 24 April 2004</b>
S Carney	-	-	-	-	<b>328,143</b>	57,594	-	-	270,549
S Dormer	-	-	<b>127</b>	124	<b>260,387</b>	48,734	-	21,351	233,004
L Miles	-	-	<b>4,593</b>	3,240	<b>260,390</b>	45,991	-	21,351	235,750
D Pogrud	-	-	<b>4,593</b>	3,240	<b>170,314</b>	43,881	78,676	21,351	226,460
D Roche	-	-	<b>4,593</b>	3,240	<b>359,070</b>	68,459	-	39,147	329,758
N Williams	-	-	-	-	<b>115,542</b>	52,658	-	-	62,884

Mr McLaughlin is a director of HMV Group plc and his interests are disclosed in the financial statements of that company.

### **Employment policies**

The Company is a decentralised organisation with the aim of employing and developing the best people, putting them in the right positions with a significant level of delegated authority and responsibility, and supporting them with the infrastructure and technology required to perform at the highest levels and at the lowest costs with the quickest response time.

Responsibility for employment matters therefore rests primarily with each business operation under the general guidance of central policy and procedure guidelines. The Company is committed to the maintenance of a work environment free of discrimination on the grounds of gender, nationality, ethnic or racial origin, sexual orientation, non-job related disability, or marital status.

The Company gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

In order to promote employee involvement in the Company, regular meetings are held between local management and employees to allow a free flow of information and ideas.

**DIRECTORS' REPORT (continued)**

**Supplier payment policy**

The Company does not impose standard payment terms on its suppliers but agrees specific terms with each. It is the Company's policy to pay its suppliers in accordance with the terms that have been agreed. The number of days' purchases outstanding at 30 April 2005 is calculated as 59 days (2004: 67 days).

**Charitable contributions**

During the period, the Company made charitable contributions of £2,000 (2004: £7,000) in the UK.

**Auditors**

Pursuant to Section 379A of the Companies Act 1985, elective resolutions have been passed dispensing with the requirement to appoint auditors annually and to dispense with the requirement to hold annual general meetings. Therefore Ernst & Young LLP are deemed to continue as auditors of the Company.

By order of the Board



E Marriner  
Secretary  
14 September 2005

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF WATERSTONE'S BOOKSELLERS LIMITED**

We have audited the Company's financial statements for the 53 weeks ended 30 April 2005, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 23. 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 preparing the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

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 whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

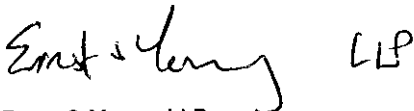
**Basis of audit opinion**

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 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 of the state of affairs of the Company as at 30 April 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

 LLP

Ernst & Young LLP  
Registered Auditor  
London  
14 September 2005

**WATERSTONE'S BOOKSELLERS LIMITED**  
**Company number 610095**

**Profit and loss account**

For the:

		<b>53 weeks ended 30 April 2005</b>	<b>52 weeks ended 24 April 2004</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Turnover	2	<b>283,966</b>	270,464
Cost of sales		<b>(249,657)</b>	(236,165)
Gross profit		<b>34,309</b>	34,299
Administrative expenses		<b>(16,435)</b>	(16,667)
Other operating income and expenses	4	<b>113</b>	136
Operating profit	2, 3	<b>17,987</b>	17,768
Interest receivable	7	<b>3,756</b>	3,101
Profit on ordinary activities before taxation		<b>21,743</b>	20,869
Tax on profit on ordinary activities	8	<b>(6,855)</b>	(7,027)
Profit on ordinary activities after taxation		<b>14,888</b>	13,842
Dividend	9	<b>(15,000)</b>	(20,000)
Transfer from reserves	18	<b>(112)</b>	(6,158)

The profit for the financial period arises solely from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalent.

There are no recognised gains or losses in the period other than the loss attributable to the shareholders of the Company stated above.

**WATERSTONE'S BOOKSELLERS LIMITED**  
**Company number 610095**

**Balance sheet**

As at:

		30 April 2005 £000	24 April 2004 £000
	Notes		
<b>Fixed assets</b>			
Tangible assets	10	48,143	42,355
Investments	11	20,000	20,000
		<b>68,143</b>	<b>62,355</b>
<b>Current assets</b>			
Stock	12	32,875	34,790
Debtors	13	90,912	89,323
Cash at bank and in hand		13,113	17,467
		<b>136,900</b>	<b>141,580</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(131,139)</b>	<b>(128,843)</b>
<b>Net current assets</b>		<b>5,761</b>	<b>12,737</b>
<b>Total assets less current liabilities</b>		<b>73,904</b>	<b>75,092</b>
Provisions for liabilities and charges	16	(63)	(1,279)
		<b>73,841</b>	<b>73,813</b>
<b>Capital and reserves</b>			
Called up share capital	17	71,014	71,014
Profit and loss reserve	18	2,827	2,799
<b>Total shareholders' funds (equity)</b>	19	<b>73,841</b>	<b>73,813</b>

These financial statements on pages 6 to 17 were approved by the Board of Directors on 14 September 2005 and were signed on its behalf by:



B F McLaughlin  
 Director



## **Notes to the financial statements**

### **I. Accounting policies**

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#### **Basis of preparation**

The financial statements of the Company are made up to the Saturday on or immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 53 weeks ended 30 April 2005, whilst the comparative period covered the 52 weeks ended 24 April 2004.

They are prepared under the historical cost convention and in accordance with applicable accounting standards and specifically in accordance with the following accounting policies. The Company is exempt from preparing group financial statements as it is itself a subsidiary undertaking under S228 of the Companies Act 1985. These financial statements present information about the Company as an individual undertaking and not about its Group.

#### **Cash Flow statement**

Under Financial Reporting Standard (FRS) 1 (revised) 'Cash Flow Statement', Waterstone's Booksellers Limited is exempt from the requirement to prepare a cash flow statement as the Company is a wholly owned subsidiary undertaking of HMV Group plc, whose financial statements include a consolidated cash flow statement in accordance with FRS 1 (revised).

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling either at period end rates or, where there are related foreign exchange contracts, at contract rates. The resulting foreign exchange differences are dealt with in the determination of profit for the period.

#### **Related party transactions**

The Company has taken advantage of the exemption in FRS 8, 'Related Party Disclosures', not to disclose related party transactions between wholly owned fellow subsidiary undertakings.

#### **Turnover**

Turnover represents the value of goods and services supplied, less discounts given. Turnover excludes value added tax ("VAT") and similar sales-related taxes.

#### **Advertising costs**

Advertising costs are expensed as incurred.

#### **Tangible fixed assets**

The capitalised cost of tangible fixed assets includes only those costs that are directly attributable to bringing an asset to its working condition for its intended use.

Depreciation of tangible fixed assets is calculated on cost at rates estimated to write off the cost, less the estimated residual value of the relevant assets, by equal annual amounts over their estimated useful lives.

The annual rates used are:

Short-term leasehold property	Period of the lease
Plant, fixtures, fittings and vehicles	10 - 33 $\frac{1}{3}$ % or the period of the lease

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**Notes to the financial statements (continued)**

**1. Accounting policies (continued)**

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**Leased assets**

In respect of property operating leases, benefits received and receivable as an incentive to sign a lease are spread on a straight line basis over the shorter of the lease term and the period to the date of the first rent review. All other operating lease payments are charged directly to the profit and loss account in the financial period to which the payments relate.

**Stock**

Stock, which represents finished goods and goods for resale, is stated at the lower of cost and net realisable value on a first-in, first-out basis.

**Goodwill**

Goodwill in respect of acquisitions made prior to 25 April 1998 has been written off directly against reserves. As allowed by FRS 10's transitional arrangements, the Company has not applied the new accounting policy to goodwill already written off against reserves in previous years. The goodwill has been eliminated as a matter of accounting policy and would be charged to the profit and loss account on the subsequent disposal of the business to which it relates. No goodwill has arisen since 25 April 1998.

**Pensions**

HMV Group plc operates both defined benefit and defined contribution schemes.

For the defined benefit schemes, pension costs are charged to the profit and loss account so as to spread the cost of the pensions over the working lives of the employees. Valuation surpluses or deficits are amortised over the expected remaining working lives within the Group of the relevant employees (estimated to be eleven years in respect of the United Kingdom). The amortisation of valuation surpluses is restricted to an amount equal to the regular pension cost.

For the defined contribution schemes, contributions are charged in the profit and loss account as they become payable in accordance with the scheme rules.

**Deferred taxation**

The charge for taxation is based on the profits for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**Deferred bonus scheme**

The cost of awards made under the deferred annual bonus component of a long-term incentive plan is charged to the profit and loss account based on an assessment of the probability of the performance conditions being met. The charge is allocated on a straight-line basis over the performance period of the scheme. The corresponding credit entry is taken to the profit and loss reserve in accordance with UITF 17.

**WATERSTONE'S BOOKSELLERS LIMITED**  
**Company number 610095**

**Notes to the financial statements (continued)**

**2. Segmental analyses**

In the opinion of the Directors, the Company only operates in one business segment - retailing. All turnover and operating profit arises in the UK

Turnover analysed by destination is not materially different from turnover analysed by origin.

**3. Operating profit**

	2005	2004
	£000	£000
Operating profit is stated after charging:		
Auditors' remuneration:		
Fees as auditors	55	46
Fees for non-audit services	2	9
Depreciation and other amounts written off fixed assets	8,831	10,270
Operating lease rentals (land and buildings)	28,350	24,512

**4. Other operating income and expenses**

	2005	2004
	£000	£000
Royalties and management fees	113	136

**5. Directors' emoluments**

	2005	2004
	£000	£000
Emoluments	1,853	1,270
Amounts (excluding shares) receivable under long-term incentive schemes	95	94
Pension contributions	24	12
	1,972	1,376

Brian McLaughlin was paid by HMV Group plc for his services to the Group as a whole. His 2004 annual bonus included the sum of £150,000 in recognition of the additional role of Managing Director of Waterstone's Booksellers Limited. This amount is not included in the figures stated above.

Retirement benefits are accruing to all of the Directors under defined benefit pension schemes. In addition, the Company contributes to a separate money purchase plan in respect of five of the Directors (2004: four).

Five of the Directors exercised options over Ordinary Shares in the parent company, HMV Group plc. Six of the Directors are entitled to receive shares in HMV Group plc under a long-term incentive scheme.

The amounts in respect of the highest paid Director were as follows:

	2005	2004
	£000	£000
Aggregate emoluments	668	249
Pension contributions	-	8
	668	257

**WATERSTONE'S BOOKSELLERS LIMITED**  
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**Notes to the financial statements (continued)**

**5. Directors' emoluments (continued)**

The pension entitlements of the highest paid Director were as follows:

	2005	2004
	£000	£000
Accumulated total accrued pension	-	29

The highest paid Director exercised options over shares in the parent company, HMV Group plc, during the financial year.

**6. Employee costs**

The aggregate payroll costs, including Directors' emoluments, were as follows:

	2005	2004
	£000	£000
Wages and salaries	35,471	33,617
Social security costs	2,835	2,710
Other pension costs	932	847
	<b>39,238</b>	<b>37,174</b>

The average number of people employed by the Company during the period was 2,667 (2004: 2,646). All staff were engaged in retailing.

**7. Interest receivable**

	2005	2004
	£000	£000
On bank deposits	36	-
From parent and fellow subsidiary undertakings	3,720	3,101
	<b>3,756</b>	<b>3,101</b>

**8. Tax on profit on ordinary activities**

	2005	2004
	£000	£000
UK corporation tax, current period at 30.0% (2004: 30.0%)	6,626	7,219
UK corporation tax, prior period	-	-
Double tax relief	-	-
	<b>6,626</b>	<b>7,219</b>
Overseas tax, current period	-	-
Overseas tax, prior period	-	(22)
Total current tax	<b>6,626</b>	<b>7,197</b>
Deferred tax (note 15)	<b>229</b>	<b>(170)</b>
Tax on profit on ordinary activities	<b>6,855</b>	<b>7,027</b>

The tax charge for the period was £6,855,000 (2004: £7,027,000). This reflects a tax rate on ordinary activities before exceptional items of 31.5% (2004: 33.7%).

**WATERSTONE'S BOOKSELLERS LIMITED**  
**Company number 610095**

**Notes to the financial statements (continued)**

**8. Tax on profit and ordinary activities (continued)**

The total current tax charge is reconciled with the standard rate of UK corporation tax as follows:

	2005 £000	2004 £000
Profit before taxation	21,743	20,869
Corporation tax at UK statutory rate of 30.0%	6,523	6,261
Effects of:		
Permanent disallowables	321	262
Timing differences	(218)	696
Prior period overprovision	-	(22)
Total current tax charge	6,626	7,197

There are no significant factors that are expected to materially affect future tax charges.

**9. Dividends**

	2005 £000	2004 £000
Equity – Ordinary		
Interim: 21.12p per £1 share (2004: 28.16p)	15,000	20,000

**10. Tangible fixed assets**

	Plant, fixtures, fittings and vehicles £000
<b>Cost:</b>	
At 24 April 2004	105,280
Additions	15,511
Disposals	(7,963)
<b>At 30 April 2005</b>	<b>112,828</b>
<b>Depreciation:</b>	
At 24 April 2004	62,925
Provided during the period	8,831
Disposals	(7,071)
<b>At 30 April 2005</b>	<b>64,685</b>
<b>Net book value:</b>	<b>48,143</b>
<b>At 30 April 2005</b>	
At 24 April 2004	42,355

**WATERSTONE'S BOOKSELLERS LIMITED**  
**Company number 610095**

**Notes to the financial statements (continued)**

**11. Fixed asset investments**

	Shares in subsidiary undertaking £000
<b>At 30 April 2005 and 24 April 2004</b>	<b>20,000</b>

The Company's principal subsidiary undertaking, which is 100% directly owned, is as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Fine Recordings Club Limited	England	Non-trading

In the opinion of the Directors, the aggregate value of the assets of the Company, consisting of shares in the Company's subsidiary, is not less than the aggregate of the amounts at which those assets are stated in the balance sheet.

**12. Stock**

Stock primarily comprise finished goods and goods for resale. The replacement cost of stock is considered to be not materially different from the balance sheet value.

**13. Debtors**

	2005 £000	2004 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	1,371	1,520
Amounts owed by parent and fellow subsidiary undertakings	70,860	70,986
Deferred tax (note 15)	24	13
Other debtors	3,212	2,430
Prepayments and accrued income	13,472	12,161
	<b>88,939</b>	<b>87,110</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax (note 15)	1,973	2,213
	<b>90,912</b>	<b>89,323</b>

Although amounts owed by parent and fellow subsidiary undertakings are repayable on demand and hence are included in debtors falling due within one year, in the ordinary course of business repayment within this timescale is not anticipated.

**14. Creditors: amounts falling due within one year**

	2005 £000	2004 £000
Trade creditors	24,839	28,027
Amounts owed to parent and fellow subsidiary undertakings	57,700	53,493
Amounts owed to subsidiary undertakings	20,000	20,000
Corporation tax	7,378	8,092
Other creditors, including taxation and social security	13,080	12,374
Accruals and deferred income	8,142	6,857
	<b>131,139</b>	<b>128,843</b>

Although amounts due to parent and fellow subsidiary undertakings are repayable on demand and hence are included in creditors falling due within one year, in the ordinary course of business repayment within this timescale is not anticipated.

**WATERSTONE'S BOOKSELLERS LIMITED**  
**Company number 610095**

**Notes to the financial statements (continued)**

**15. Deferred tax**

	2005	2004
	£000	£000
<b>Deferred tax asset</b>		
Excess of accumulated tax allowances over depreciation provided against tangible fixed assets	1,973	2,213
Other timing differences	24	13
	<b>1,997</b>	<b>2,226</b>
Movements during the year:		
Opening balance	2,226	2,056
(Debited) credited to tax on ordinary activities	(229)	170
Other movements	-	-
<b>Closing balance</b>	<b>1,997</b>	<b>2,226</b>

There are no unprovided deferred tax liabilities as at 30 April 2005 or 24 April 2004.

**16. Provisions for liabilities and charges**

	Restructuring and store closures £000
At 24 April 2004	1,279
Provisions utilised	(1,216)
<b>At 30 April 2005</b>	<b>63</b>

**17. Share capital**

	2005	2004
	No. & £000	No. & £000
Authorised:		
Ordinary shares of £1 each	121,014	121,014
Allotted, called up and fully paid:		
Ordinary shares of £1	71,014	71,014

**18. Profit and loss reserve**

	2005
	£000
At 24 April 2004	2,799
Profit for the period	(112)
UITF 17 accrual for share-based bonus scheme	140
<b>At 30 April 2005</b>	<b>2,827</b>

The cumulative amount of goodwill eliminated against the profit and loss account at 30 April 2005 is £197,933,000 (2004: £197,933,000).

**WATERSTONE'S BOOKSELLERS LIMITED**  
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**Notes to the financial statements (continued)**

**19. Reconciliation of movement in shareholders' funds**

	2005 £000
Opening shareholders' funds	73,813
Profit for the period	14,888
Dividend	(15,000)
UITF 17 accrual for share-based bonus scheme	140
Closing shareholders' funds	<b>73,841</b>

**20. Commitments**

The amount of capital commitments at the end of the financial year for which no provision has been made was £1,162,000 (2004: £2,092,000).

The Company has annual commitments under non-cancellable operating leases that expire as follows:

	Land and Buildings	
	2005 £000	2004 £000
Within one year	860	8
Between two and five years inclusive	4,350	4,007
In over five years	25,873	26,463
	<b>31,083</b>	<b>30,478</b>

**21. Contingent liabilities**

There were the following contingent liabilities at 30 April 2005:

- (i) HMV Group plc has a syndicated bank Senior Facility Agreement, which at 30 April 2005 consisted of a £260 million multi-currency revolving credit facility. The borrowings under the Senior Facility Agreement are secured by the Guarantors, which include Waterstone's Booksellers Limited. Security comprising first ranking fixed and floating charges in favour of the lenders under the Facility Agreement has been granted over all assets and undertakings of the Guarantors.
- (ii) As principal in an agency relationship with certain subsidiary and fellow subsidiary undertakings, the Company has agreed to indemnify each of these undertakings against liabilities that may arise under the agency agreements.

**22. Pensions**

Waterstone's employees are members of a number of pension schemes. The main scheme is the HMV Group Pension Scheme (the "Scheme" – established with effect from July 1998). Up to 31 May 2003, employees were also members of the EMI Group Pension Fund ("the Fund").

The majority of employees are members of the Scheme, which is based in the UK and has both defined benefit and defined contribution sections – the Pension Benefit Section and the Pension Saver Section. However, the defined benefit section of the Scheme was largely closed to new joiners in 1998 and subsequent joiners may join the defined contribution section of the Scheme.



**Notes to the financial statements (continued)**

**22. Pensions (continued)**

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The transitional implementation rules of FRS 17 introduced certain transitional balance sheet disclosures. However, on the basis that the Pension Benefit Section of the Scheme is a multi-employer scheme and that the Company is unable to identify its share of the underlying assets and liabilities on a reasonable and consistent basis, it has taken advantage of the exemption in FRS 17 and will account for both schemes on a defined contribution basis until the arrangement ceases. Accordingly, no transitional balance sheet or profit and loss account disclosures are required at 30 April 2005.

Relevant additional details of the Scheme are disclosed in the financial statements of HMV Group plc.

The total pension cost for the Company for the period ended 30 April 2005 was £932,000 (2004: £847,000).

**23. Ultimate parent undertaking**

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The immediate and ultimate parent undertaking of the Company for which Group financial statements are drawn up and of which the Company is a member is HMV Group plc. Copies of these financial statements can be obtained from the Company Secretary, HMV Group plc, Shelley House, 2-4 York Road, Maidenhead, Berkshire, SL6 1SR.