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COMPANIES FORM No. 155(6)b

**Declaration by the directors
of a holding company in
relation to assistance for the
acquisition of shares**

155(6)b

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block lettering

Note
Please read the notes
on page 3 before
completing this form.

* insert full name
of company

§ insert name(s) and
address(es) of all
the directors

† delete as
appropriate

§ delete whichever
is inappropriate

Pursuant to section 155(6) of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number

610095

Name of company

* Waterstone's Booksellers Limited

*/We § The persons listed on attachment 1 (by signing this or a duplicate
form)

[~~the sole director~~] [all the directors]† of the above company (hereinafter called 'this company') do
solemnly and sincerely declare that:

The business of this company is:

(a) ~~that of a recognised bank licensed institution within the meaning of the Banking Act 1979~~

(b) ~~that of a person authorised under section 8 or 4 of the Insurance Companies Act 1982 to carry on
insurance business in the United Kingdom~~

(c) something other than the above§

This company is [the] [a] holding company of* Fine Recordings Club Limited (Company No. 2368576) ("Subco")

proposing to give financial assistance in connection with the acquisition of shares

in [this company] [the holding company of this company]†

Presenter's name address and
reference (if any) :

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA
639 London/City
EMR/610104

For official Use
General Section

Post room



The assistance is for the purpose of ~~that acquisition~~ [reducing or discharging a liability incurred for the purpose of that acquisition].† (note 1)

Please do not
write in this
margin ,

Please complete
legibly, preferably
in black type, or
bold block
lettering

The number and class of the shares acquired or to be acquired is: 250,000,000
ordinary £1 shares

The assistance is to be given to: (note 2) HMV Media Group plc (Company No. 3412290)
("Newco")

The assistance will take the form of:

Please see attachment 2

The person who ~~has acquired~~ [will acquire]† the shares is:
Newco

† delete as
appropriate

The principal terms on which the assistance will be given are:

Please see attachment 3

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is NIL

The amount of cash to be transferred to the person assisted is £ NIL

The value of any asset to be transferred to the person assisted is £ NIL

Please do not
write in this
margin

The date on which the assistance is to be given is the date hereof or within 8 weeks 19

Please complete
legibly, preferably
in black type, or
bold block lettering

~~X~~/We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ~~X~~/We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

* delete either (a) or
(b) as appropriate

(b) ~~It is intended to commence the winding up of this company within 12 months of that date and I/we have formed the opinion that this company will be able to pay its debts in full within 12 months of the commencement of the winding up.*~~ (note 3)

And ~~X~~/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at WATERSTONE'S, CAPITAL COURT,
CAPITAL INTERCHANGE WAY,
MIDDLESEX, TW8 0EX
the 18th day of MAY
one thousand nine hundred and NINETEEN

Declarants to sign below

before me

JOANNA HEALEY
A Commissioner for Oaths or Notary Public or Justice of
the Peace or a Solicitor having the powers conferred on
a Commissioner for Oaths.

S. S. [Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF4 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

**Attachment 1 to Form 155(6)b - WATERSTONE'S BOOKSELLERS
LIMITED
Company Number 610095**

1. Alan James Giles, Managing Director, "Tanglewood", Crowsley Road, Shiplake, Henley-on-Thames, Oxon, RG9 3LE
2. Simon Anthony Jacobs, Organisation Development, Director, 125 Brackenbury Road, London W6 OBQ
3. Ian Kevin Newman, IT Director, The Garth, 6 Greenhill Road, Farnham, Surrey, GU9 8JW
4. Shaw William Warnock, Property Director, 58 Kensington Gardens Square, London W2 4BA
5. Fiona Anne Murray Wood, Finance Director, 27 Roehampton Lane, London SW15 5LS
6. Brian James Landers, Project Director, 16 Briarbank Road, Ealing, London W13 OHH
7. Martin Christopher Lee, Marketing Director, 6 Lavrell Cottages, Sidington, Cirencester, Glos, G17 6HE
8. Brian George Worrall, Operations Director, "Apple House", 11a Sedgewell Road, Sonning Common, S. Oxon RG4 9TA
9. Maxine Croome, Falcon House, Hellidon Road, Priors Marston, Warwickshire, CV23 8RN

**Attachment 2 to Form 155(6)b - WATERSTONE'S BOOKSELLERS
LIMITED
Company Number 610095**

The execution and delivery by Subco of:-

- (a) an indenture or indentures to be entered into between, inter alia, Newco, Subco and The Chase Manhattan Bank (the "**Trustee**") as amended, varied, or supplemented from time to time, (the "**Indentures**") pursuant to which Newco would issue subordinated notes due 2008 (the "**Notes**") and in connection therewith, an agreement or agreements to indemnify the Chase Manhattan Bank, as book-entry depositary of the Notes, in respect of withholding tax liabilities (the "**Additional Amounts Agreements**"), a purchase agreement with the Initial Purchasers (as defined therein) containing certain representations, warranties, covenants and indemnities (the "**Purchase Agreement**") and an agreement or agreements with the Initial Purchasers (as defined therein) containing undertakings and indemnities in relation to the registration of the Notes with the Securities and Exchange Commission (the "**Registration Rights Agreements**") and pursuant to each of which Subco would guarantee the prompt performance by Newco of the High Yield Guaranteed Obligations (as defined below);
- (b) a debenture to be entered into between Subco and the Trustee (as amended, varied or supplemented from time to time) pursuant to which Subco would covenant to pay and discharge the High Yield Guaranteed Obligations on the due date and create fixed and floating charges over substantially all its assets and undertaking by way of security for the same (together with any security supplemental thereto and any perfection of such security, the "**High Yield Debenture**");
- (c) a deed supplemental to a debenture dated 28 March 1998 between Subco and EMI Group plc ("**EMI**") (for itself and as trustee for EMI Group Finance plc) (the "**EMI Debenture**") conforming certain provisions of the EMI Debenture including the further assurance covenant to the High Yield Debenture (the "**EMI Amendment Deed**").

Attachment 3 to Form 155(6)b - WATERSTONE'S BOOKSELLERS LIMITED
Company Number 610095

1. By executing the Indentures, the Additional Amounts Agreements, the Purchase Agreement and the Registration Rights Agreements Subco will:
 - (a) guarantee as principal or obligor and not merely as surety the payment of all sums payable under or in connection with the Indentures as and when the same shall become due;
 - (b) undertake that it will on demand upon a default and the payment of any sum due under or in connection with the Indentures pay such sum as if it was expressed to be the primary obligor together with interest payable thereon; and
 - (c) give an indemnity to the Trustee against any loss or liability suffered by it under the Indentures as a result of any obligation guaranteed by it being or becoming an enforceable, invalid or illegal;

(the "**High Yield Guaranteed Obligations**").
2. By executing the High Yield Debenture Subco will:
 - (a) as primary obligor and not merely a surety, covenant with the Trustee that it will pay or discharge the High Yield Guaranteed Obligations; and
 - (b) as beneficial owner, as security for the payment, discharge and performance of the High Yield Guaranteed Obligations charge in favour of the Trustee substantially all its assets and undertaking by way of fixed and floating charges.
3. By executing the EMI Amendment Deed Subco will as primary obligor and not merely as surety, covenant with EMI (as trustee for itself and EMI Finance) in the same terms, mutatis mutandis, as it will covenant in favour of the Trustee pursuant to the High Yield Debenture.

PRIVATE AND CONFIDENTIAL

The Directors
Waterstone's Booksellers Limited
Audrey House
Ely Place
London
EC1N 6SN

18 May 1998

Ref JD/ST/28

Dear Sirs

REPORT OF THE AUDITORS TO THE DIRECTORS OF WATERSTONE'S BOOKSELLERS LIMITED (THE "COMPANY")

We have examined the attached statutory declaration of the directors dated 18 May 1998 in connection with the proposed financial assistance to be given by Fine Recordings Club Limited, a subsidiary of the Company, for the purchase of the Company's entire issued share capital (250,000,000 ordinary shares of £1 each).

BASIS OF OPINION

We have enquired into the state of affairs of the Company so far as necessary for us to review the bases for the statutory declaration.

OPINION

We are not aware of anything to indicate that the opinion expressed by the directors in the attached declaration as to any of the matters mentioned in section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully

Ernst & Young

COMPANIES HOUSE 23/05/98