

No 236 8576

Report and Financial Statements

Fine Recordings Club Limited

53 weeks ended 29 April 2000



Fine Recordings Club Limited

Registered No. 2368576

DIRECTORS

Mr A J Giles

Mrs M Harris (appointed 1 June 2000)

Mr D A Kneale (appointed 21 August 1999)

Mr S W Warnock (resigned 30 October 1999)

Mrs F A M Wood (resigned 31 May 2000)

Dr B G Worrall (appointed 1 June 2000)

SECRETARY

Mr G M Smith (resigned 31 March 2000)

Mrs D Tomblin (appointed 1 April 2000)

AUDITORS

Ernst & Young

Becket House

1 Lambeth Palace Road

London SE1 7EU

REGISTERED OFFICE

Capital Court

Capital Interchange Way

Brentford

Middlesex

TW8 0EX

Fine Recordings Club Limited

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the 53 weeks ended 29 April 2000.

DIVIDENDS

No dividend was paid during the period and the Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company did not trade during the period under review, or the prior period and thus a profit and loss account is not presented.

DIRECTORS AND THEIR INTERESTS

The names of the Directors are shown on page 1.

The Directors have no interests in the shares of the Company. The beneficial interests of Mr A J Giles and Mr D A Kneale in the shares of the ultimate parent undertaking, HMV Media Group plc, are disclosed in the accounts of that Company. The beneficial interests of all other Directors in the shares of the ultimate parent undertaking are disclosed in the accounts of the immediate parent undertaking, Waterstone's Booksellers Limited.

YEAR 2000 COMPLIANCE

Following a comprehensive programme of preparation undertaken by the Company, the Year 2000 date change caused no disruption to our operations. The total costs of preparation were not significant to the Company.

EMPLOYMENT POLICIES

The Company does not currently have any employees.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be put to the members at the Annual General Meeting.

On behalf of the board



M. HARRIS
Director

17 August 2000

STATEMENT OF THE 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 judgments 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Fine Recordings Club Limited

REPORT OF THE AUDITORS

to the members of Waterstone's Booksellers Limited.

We have audited the financial statements on pages 5 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and auditors

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

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 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 29 April 2000 and of its result for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

12 August 2000

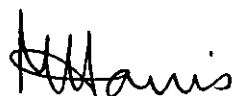
Fine Recordings Club Limited

BALANCE SHEET

at period end

	<i>Notes</i>	<i>29 April 2000 £000</i>	<i>24 April 1999 £000</i>
CURRENT ASSETS			
Debtors	4	19,920	19,931
Cash at bank and in hand		80	69
NET CURRENT ASSETS		<u>20,000</u>	<u>20,000</u>
TOTAL ASSETS		<u>20,000</u>	<u>20,000</u>
CAPITAL AND RESERVES			
Called up share capital	5	20,000	20,000
Profit and loss account		-	-
EQUITY SHAREHOLDERS' FUNDS	6	<u>20,000</u>	<u>20,000</u>

These financial statements were approved by the board of Directors on 17 August 2000 and were signed on its behalf by:



M. HARRIS

Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The accounts of the Company are made up to the Saturday immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 53 weeks ended 29 April 2000, whilst the comparative period covered the 52 weeks ended 24 April 1999. They are prepared under the historical cost convention and in accordance with applicable accounting standards and specifically in accordance with the following accounting policies.

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 the result for the period.

Deferred taxation

Deferred taxation is calculated using the liability method in respect of timing differences arising primarily from the difference between the accounting and tax treatments of depreciation. Provision is made where timing differences are expected to reverse without replacement in the foreseeable future. Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Cash flow statement

Under Financial Reporting Standard (FRS) 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and a consolidated cash flow statement is prepared by the ultimate parent undertaking.

Related party transactions

The Company has taken advantage of the exemption under FRS 8 - Related party disclosures not to disclose related party transactions between wholly owned Group undertakings.

NOTES TO THE FINANCIAL STATEMENTS

2. PROFIT AND LOSS ACCOUNT

The Company has not prepared a profit and loss account as it did not trade during the period under review or the prior period.

Audit fees for the 53 weeks ended 29 April 2000 and the 52 weeks ended 24 April 1999 have been met by the immediate parent undertaking.

3. DIRECTORS' EMOLUMENTS AND STAFF COSTS

The directors did not receive any emoluments for their services (1999 – nil). The company has no employees.

4. DEBTORS

	<i>29 April 2000 £000</i>	<i>24 April 1999 £000</i>
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	<u>19,920</u>	<u>19,931</u>

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

5. SHARE CAPITAL

	<i>29 April 2000 No. & £000</i>	<i>24 April 1999 No. & £000</i>
Authorised:		
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>53 weeks to 29 April 2000 £000</i>	<i>52 weeks to 24 April 1999 £000</i>
Opening shareholders' funds	20,000	20,000
Retained result for the period	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>20,000</u>	<u>20,000</u>

NOTES TO THE FINANCIAL STATEMENTS

7. CONTINGENT LIABILITIES

There were the following contingent liabilities at 29 April 2000:

As part of the acquisition of the businesses of HMV Group, Dillons and Waterstone's, HMV Media Group plc entered into the Senior Facility Agreement (the 'Agreement') to secure various bank facilities (the 'Senior Facilities') totaling £423.6m. The full details of the Agreement are disclosed in the accounts of HMV Media Group plc. However, its effect on Fine Recordings Club Limited is as follows:

Fine Recordings Club Limited has granted security over its assets, including English law fixed charges over certain specified properties and bank accounts, assignment of rights in respect of certain specified properties, insurance, debts, bank accounts, specified agreements and shares and a floating charge over all its other undertakings and assets.

HMV Media Group plc has further entered into an agreement with EMI whereby EMI has made available a £50.0m working capital facility (the 'EMI Facility'). The EMI Facility, ranks *pari passu* with the Senior Facilities. In addition, Senior Subordinated Notes were issued by HMV Media Group plc on 22 May 1998 and are secured under the same terms as the Senior Facilities and the EMI Facility but are subordinated to those facilities.

8. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Waterstone's Booksellers Limited, registered in England and Wales. The ultimate parent undertaking is HMV Media Group plc, a company registered in England and Wales.

The smallest and largest group of undertakings into which these accounts are consolidated is HMV Media Group plc. A copy of HMV Media Group plc's accounts can be obtained from:

Company Secretary
Shelley House
2-4 York Road
Maidenhead
Berkshire
SL6 1SR