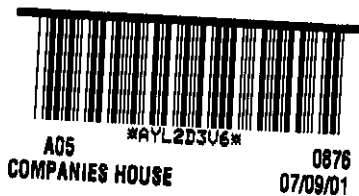


# **Fine Recordings Club Limited**

## **Report and Accounts**

**Fifty-two weeks ended April 28, 2001**



# **FINE RECORDINGS CLUB LIMITED**

---

## **COMPANY INFORMATION**

### **DIRECTORS**

P G Howell (appointed February 12, 2001)

D L Tomblin (appointed February 12, 2001)

M Harris (appointed May 31, 2000, resigned June 4, 2001)

D A Kneale (resigned February 28, 2001)

F A M Wood (resigned May 31, 2000)

B G Worrall (appointed May 31, 2000, resigned February 12, 2001)

### **SECRETARY**

P G Howell (appointed June 4, 2001)

D L Tomblin (resigned June 4, 2001)

### **AUDITORS**

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

### **SOLICITORS**

Rowe & Maw

20 Blackfriars Lane

London EC4V 6HD

### **REGISTERED OFFICE**

Shelley House

2-4 York Road

Maidenhead

Berkshire SL6 1SR

### **REGISTERED NUMBER**

2368576

# FINE RECORDINGS CLUB LIMITED

## DIRECTOR'S REPORT

The Directors present their financial statements for the fifty-two weeks ended April 28, 2001.

### Dividends

The Directors recommend that no dividend be paid for the period ended April 28, 2001 (2000: £Nil).

### Principal Activity, Review of the Business and Future Developments

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 interests of the Directors in the share capital of the parent undertaking, HMV Media Group plc, are as follows:

	Ordinary Shares		Junior Preference Shares		Options over Ordinary Shares	
	At April 29, 2000 <sup>1</sup>	At April 28, 2001	At April 29, 2000 <sup>1</sup>	At April 28, 2001	At April 29, 2000 <sup>1</sup>	At April 28, 2001
M Harris	12,000	12,000	-	-	15,609	15,609
D L Tomblin	10,000	10,000	-	-	13,315	13,315
P G Howell	-	-	-	-	-	8,000

<sup>1</sup> or date of appointment

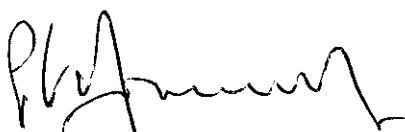
### Employment Policies

The Company does not currently have any employees.

### Auditors

On June 28, 2001 Ernst and Young, the Company's auditors, transferred its entire business to Ernst and Young LLP, a Limited Liability Partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst and Young as extending to Ernst and Young LLP with effect from June 28, 2001. A resolution to reappoint Ernst and Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board



P G Howell  
Secretary  
August 21, 2001

## **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 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.

# **FINE RECORDINGS CLUB LIMITED**

---

## **REPORT OF THE AUDITORS**

to the members of Fine Recordings Club Limited.

We have audited the financial statements on pages 5 to 7, 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 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 April 28, 2001 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

August 21, 2001

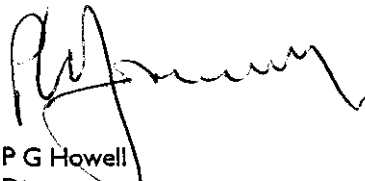
# FINE RECORDINGS CLUB LIMITED

## Balance Sheet

at period end:

		April 28, 2001	April 29, 2000
	Notes	£000	£000
<b>Current Assets</b>			
Debtors	4	19,893	19,920
Cash in bank and in hand		107	80
<b>Net Current Assets</b>		<b>20,000</b>	<b>20,000</b>
<b>Total Assets</b>		<b>20,000</b>	<b>20,000</b>
<b>Capital and Reserves</b>			
Called up share capital	5	20,000	20,000
Profit and loss account		-	-
<b>Equity Shareholders' Funds</b>	6	<b>20,000</b>	<b>20,000</b>

These financial statements were approved by the Board of Directors on August 21, 2001 and were signed on its behalf by:



P G Howell  
Director

# **FINE RECORDINGS CLUB LIMITED**

## **Notes to the Financial Statements**

### **1. Accounting Policies**

#### **Basis of preparation**

The financial statements of the Company are made up to the Saturday immediately preceding April 30 each year. Consequently, the financial statements for the current period cover the fifty-two weeks ended April 28, 2001, whilst the comparative period covered the fifty-three weeks ended April 29, 2000. 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 profit (loss) for the period.

#### **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.

### **2. Profit and Loss Account**

Audit fees for the fifty-two weeks ended April 28, 2001 and the fifty-three weeks ended April 29, 2000, have been met by the immediate parent undertaking.

### **3. Directors' Emoluments and Staff Costs**

The Directors did not receive any emoluments for their services (2000: £Nil). The company has no employees.

### **4. Debtors**

	2001	2000
	£000	£000
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	19,893	19,920

### **5. Share Capital**

	2001	2000
	No. & £000	No. & £000
Authorised:		
Ordinary shares of £1 each	20,000	20,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	20,000	20,000

# FINE RECORDINGS CLUB LIMITED

## Notes to the Financial Statements continued

### 6. Reconciliation of Movements in Shareholders' Funds

	2001	2000
	£000	£000
Opening shareholders' funds	20,000	20,000
Retained for the period	-	-
Closing shareholders' funds	20,000	20,000

### 7. Contingent Liabilities

There were the following contingent liabilities at April 28, 2001:

- (i) 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') totalling £405.7 million. The full details of the Agreement are disclosed in the financial statements 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 £50.0 million 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 May 22, 1998 and are secured under the same terms as the Senior Facilities and the EMI Facility but are subordinated to those facilities.

- (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 which may arise under the agency agreements.

### 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 financial statements are consolidated is HMV Media Group plc. A copy of HMV Media Group plc's financial statements can be obtained from:

Company Secretary  
HMV Media Group plc  
Shelley House  
2-4 York Road  
Maidenhead  
Berkshire  
SL6 1SR