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Fine Recordings Club Limited

Report and Accounts

52 weeks ended 27 April 2002



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FINE RECORDINGS CLUB LIMITED

COMPANY INFORMATION

DIRECTORS

G Howell
N Bright (appointed 9 November 2001)
A Giles (appointed 9 November 2001)
B McLaughlin (appointed 9 November 2001)
D Tomblin (appointed 4 June 2001, resigned 12 July 2002)
M Harris (resigned 4 June 2001)

SECRETARY

G Howell (appointed 4 June 2001)
D Tomblin (resigned 4 June 2001)

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

SOLICITORS

Mayer, Brown, Rowe & Maw
11 Pilgrim Street
London EC4V 6RW

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 52 weeks ended 27 April 2002.

Dividends

The Directors recommend that no dividend be paid for the period ended 27 April 2002 (2001: £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 Group plc, are as follows:

	Ordinary Shares		Junior Preference Shares		Options over Ordinary Shares			
	At 28 April 2001 ¹	At 27 April 2002	At 28 April 2001 ¹	At 27 April 2002	At 28 April 2001 ¹	Lapsed during the year	Granted during the year	At 27 April 2002
G Howell	-	-	-	-	8,000	8,000	15,000	15,000
N Bright	100,000	100,000	-	-	44,610	-	27,000	71,610
A Giles	201,400	201,400	23,600	23,600	88,676	-	30,000	118,676
B McLaughlin	50,560	50,560	9,440	9,440	56,963	-	73,037	130,000
D Tomblin	10,000	10,000	-	-	6,019	-	9,000	15,019

¹ or date of appointment

On 8 May 2002 each Junior Preference Share converted into approximately 0.86 Ordinary Shares and a bonus issue of 4.33776 shares was made to each Ordinary Shareholder, in conjunction with the Listing of the parent undertaking, HMV Group plc, on the London Stock Exchange on 15 May 2002.

Employment Policies

The Company does not currently have any employees.

Auditors

On 28 June 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 28 June 2001. A resolution to reappoint Ernst and Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



G Howell
Secretary

4 October 2002

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINE RECORDINGS CLUB LIMITED

We have audited the company's financial statements for the 52 weeks ended 27 April 2002 which comprise the Balance Sheet, and the related notes 1 to 7. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 the implications for our report if we become aware of any apparent misstatements within it.

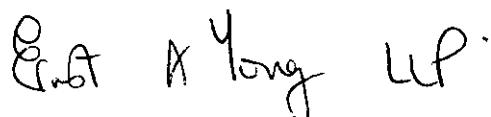
Basis of audit opinion

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 judgements 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 27 April 2002 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
4 October 2002

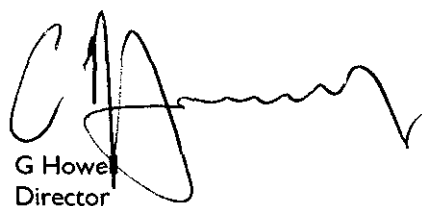
FINE RECORDINGS CLUB LIMITED

Balance Sheet

at period end:

		27 April	28 April
		2002	2001
	Notes	£000	£000
Current Assets			
Debtors	4	19,875	19,893
Cash in bank and in hand		125	107
Net Current Assets		20,000	20,000
Total Assets		20,000	20,000
Capital and Reserves			
Called up share capital	5	20,000	20,000
Profit and loss account		-	-
Equity Shareholders' Funds	6	20,000	20,000

These financial statements were approved by the Board of Directors on 4 October 2002 and were signed on its behalf by:



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 30 April each year. Consequently, the financial statements for the current period cover the 52 weeks ended 27 April 2002, whilst the comparative period covered the 52 weeks ended 28 April 2001. 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 52 weeks ended 27 April 2002 and the 52 weeks ended 28 April 2001, have been met by the immediate parent undertaking.

3. Directors' Emoluments and Staff Costs

The Directors did not receive any emoluments for their services (2001: £Nil). The company has no employees.

4. Debtors

	2002	2001
	£000	£000
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	19,875	19,893

5. Share Capital

	2002	2001
	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

	2002	2001
	£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 27 April 2002:

- (i) As part of the acquisition of the businesses of HMV Group, Dillons and Waterstone's, HMV Group plc entered into a Senior Facility Agreement (the 'Agreement') to secure various bank facilities (the 'Senior Facilities') totalling £392.0 million. The full details of the Agreement are disclosed in the financial statements of HMV Group plc. However, its effect on Fine Recordings Club Limited is as follows:

Fine Recordings Club Limited 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 Group plc further entered into an agreement with EMI whereby EMI made available to HMV Group plc 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 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.

The Senior Facility Agreement and Senior Subordinated Notes were repaid on 15 May 2002 on the flotation of HMV Group plc on the London Stock Exchange. The EMI Facility was cancelled on 15 May 2002. Full details of the post balance sheet event are disclosed in the financial statements of HMV Group plc.

- (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.

8. Ultimate Parent Undertaking

The immediate parent undertaking is Waterstone's Booksellers Limited, registered in England and Wales. The ultimate parent undertaking is HMV 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 Group plc. A copy of HMV Group plc's financial statements can be obtained from: the Company Secretary, HMV Group plc, Shelley House, 2-4 York Road, Maidenhead, Berkshire, SL6 1SR

9. Post Balance Sheet Event

The Senior Facility Agreement and Senior Subordinated Notes were repaid on 15 May 2002 on the flotation of HMV Group plc on the London Stock Exchange. The EMI Facility was cancelled on 15 May 2002. Full details of the post balance sheet event are disclosed in the financial statements of HMV Group plc.