

# Notes to the financial statements

## 1. Authorisation of financial statements and statement of compliance with IFRS

The Group and Company financial statements of HMV Group plc for the period ended 25 April 2009 were authorised for issue by the Board of Directors on 29 June 2009, and the balance sheets were signed on the Board's behalf by Simon Fox and Neil Bright. HMV Group plc is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are traded on the London Stock Exchange.

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and the Company are set out below.

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

## 2. Accounting policies

### Basis of preparation

The consolidated financial statements of the Company and its subsidiaries are made up to the Saturday on or immediately preceding 30 April each year. Consequently, the financial statements for the current period cover the 52 weeks ended 25 April 2009, whilst the comparative period covered the 52 weeks ended 26 April 2008. The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below.

The financial statements are presented in Pounds Sterling and are rounded to the nearest tenth of a million except where otherwise indicated. They are prepared on the historical cost basis, except for certain financial instruments, share-based payments and pensions that have been measured at fair value.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

### Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill, the measurement of defined benefit pension obligations, the measurement of impairment of property, plant and equipment, the impairment of the investment in joint ventures and the measurement of the deferred tax asset. The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see Note 16). Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate (see Note 33). Measurement of the impairment of property, plant and equipment requires the estimation of the assets' recoverable amount and selection of a suitable discount rate (see Note 15). Measurement of the deferred tax asset requires an assessment of the likely timing and level of future taxable profits (see Note 11).

For the Company, key areas of estimation uncertainty are those listed above for the Group and the measurement and impairment of investments in subsidiaries and joint ventures (see Notes 17 and 18).

### Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during a period are included from the date that effective control passed or up to the effective date of disposal, as appropriate.

## 2. Accounting policies continued

### Interests in joint ventures

A joint venture is a contractual arrangement with other parties to undertake an economic activity that is subject to joint control. The Group recognises its interest in the joint venture company (a jointly controlled entity) using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value. The Group income statement reflects the share of the jointly controlled entity's results after tax. The Group statement of recognised income and expense reflects the Group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

Any goodwill arising on the acquisition of a jointly controlled entity, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the entity's identifiable assets, liabilities and contingent liabilities, is included in the carrying value of the jointly controlled entity and is not amortised.

The accounting reference date of the jointly controlled entity is 31 July therefore additional financial statements are prepared to the Group's balance sheet date for consolidation purposes. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group. The Group ceases to use the equity method on the date from which it no longer has joint control over, or significant influence in, the joint venture.

### Investments in subsidiaries

In its separate financial statements, the Company recognises its investments in subsidiaries at cost less impairments booked. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

### Revenue

Revenue represents the value of goods supplied, less discounts given, and is recognised when goods are delivered and title has passed. It also includes commission earned on ticket sales and similar activities. Revenue excludes value added tax (VAT) and similar sales-related taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate. Dividend income is recognised when the right to receive payment is established. Rental income from sublet properties is recognised on a straight-line basis over the period of the sublease.

### 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 at period end rates. The resulting foreign exchange differences are dealt with in the determination of profit (loss) for the period.

On consolidation, average exchange rates are used to translate the results of overseas companies and businesses, and the assets and liabilities of overseas companies and businesses are translated into Sterling at period-end rates. Differences on translation are recognised as a separate equity reserve, which was set to zero on transition to IFRS. On disposal of an overseas company or business, the cumulative exchange differences for that entity are recognised in the income statement as part of the profit or loss on disposal.

### Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items recognised in arriving at operating profit include (but are not limited to) those costs associated with integrating a newly acquired business, impairment losses, reversal of impairments and costs associated with restructuring the business.

### Goodwill

On transition to IFRS, the Group utilised the exemption available in IFRS 1 whereby IFRS 3 Business Combinations has not been applied retrospectively to past business combinations. Goodwill arising on acquisitions prior to 25 April 1998 was set off directly against reserves. This goodwill has not been reinstated on the balance sheet on the transition to IFRS. Furthermore, it will not be transferred to the income statement if the subsidiary is disposed of or if the investment in the subsidiary becomes impaired. On transition to IFRS, this goodwill was frozen at its carrying value on the date of transition, 25 April 2004, subject to impairment testing at that date. Positive goodwill arising on acquisitions since the Group's transition to IFRS is also capitalised, classified as an asset on the balance sheet and is not amortised. Goodwill is calculated as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. All capitalised goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

## 2. Accounting policies continued

### Property, plant and equipment

The capitalised cost of property, plant and equipment includes only those costs that are directly attributable to bringing an asset to its working condition for its intended use.

Depreciation of property, plant and equipment 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:

Leasehold improvements	Shorter of useful life and period of the lease
Plant, equipment and vehicles	10 to 33 $\frac{1}{3}$ %

The carrying values of property, plant and equipment are reviewed for material impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

### Leased assets

In respect of property operating leases, benefits received and receivable as an incentive to sign a lease, such as rent-free periods, premiums payable and capital contributions, are spread on a straight-line basis over the lease term. All other operating lease payments are charged directly to the income statement on a straight-line basis over the lease term. The Group has a number of lease agreements in which the rent payable is contingent on revenue, which is expensed in the period in which it is incurred.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits of ownership of the leased assets, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

### Intangible assets

Intangible assets are valued at cost and amortised over their useful life unless the asset can be demonstrated to have an indefinite life. Intangible assets with finite lives are reviewed for impairment if there is any indication that the carrying value may not be recoverable. Intangible assets with an indefinite useful life are tested for impairment annually or more frequently if events indicate that the carrying value may be impaired.

### Impairment of assets

The Group assesses at each reporting date whether there are indicators that an asset may be impaired. Assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets (cash-generating units). If any indicator of impairment exists, or when annual impairment testing is required, the Group makes an estimate of the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash inflows expected to be derived from the asset. Where the asset does not generate cash inflows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

If there is an indication at the reporting date that previously recognised impairment losses no longer exist or may have decreased, the recoverable amount is again estimated. To the extent that the recoverable amount has increased, the previously recognised impairment loss is reversed. An impairment loss in respect of goodwill is not reversed.

### Inventories

Inventories are stated at the lower of cost and net realisable value on a first-in, first-out basis. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

### Taxation

**Current tax** Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

**Deferred tax** Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 2. Accounting policies continued

Deferred tax liabilities are not recognised for temporary differences associated with investments in subsidiaries, branches, and joint ventures as the Group has determined that undistributed profits will not be distributed in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and are not discounted.

Taxation is charged or credited directly to equity if it relates to items that are themselves charged or credited directly to equity, otherwise it is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits less bank overdrafts that are payable on demand.

### Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

### Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects the risks specific to the liability.

### Pension costs

The Group operates both defined benefit and defined contribution pension schemes, the funds of which are held in separate, trustee administered funds.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net retirement benefit obligation recognised in the balance sheet represents the present value of the liabilities of the defined benefit scheme as reduced by the market value of the defined benefit scheme assets.

Actuarial gains and losses are recognised directly in equity in full in the period in which they occur and are presented in the statement of recognised income and expense. Other income and expenses associated with the defined benefit scheme are recognised in the income statement.

The defined benefit scheme provides benefits to a number of Group companies. There is no agreement or policy for allocating a share of the defined benefit obligation to each participating entity. Consequently, the Company, as sponsoring employer of the defined benefit scheme, recognises the net pension obligation for the scheme. The other participating members of the scheme account for their relevant pension costs on a defined contribution basis.

Contributions to the defined contribution scheme are charged in the income statement as they become payable in accordance with the rules of the scheme.

### Share-based payments

The cost of equity-settled transactions with employees granted on or after 7 November 2002, which had not vested by 1 January 2005, is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market performance conditions, and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. No expense is recognised for awards that do not ultimately vest.

### Treasury Shares

HMV Group plc shares held by the Group's Employee Benefit Trust are classified in shareholders' equity as 'other reserve – own shares' and are recognised at cost. No gain or loss is recognised in the financial statements on the purchase, sale, issue or cancellation of equity shares.

### Derivative financial instruments

The Group may from time to time use derivative financial instruments for hedging purposes, including forward foreign exchange contracts. The Group does not enter into derivative financial instruments for speculative purposes.

Derivative financial instruments are stated at their fair value. The fair value of forward foreign exchange contracts is their quoted market value at the balance sheet date, being the present value of the quoted forward price.

## 2. Accounting policies continued

### Hedge accounting

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when hedged transactions affect profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is then transferred to the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

### Customer loyalty schemes

The fair value of loyalty points awarded is deferred until the awards are redeemed, after adjustment for the number of points expected never to be redeemed. Fair value is determined by reference to the value for which the points can be redeemed.

### New accounting standards

The Group and the Company have adopted the following new accounting standards, amendments to accounting standards and interpretations, which are either mandatory for the first time for the financial year ending 25 April 2009 or have been adopted early as appropriate.

- IFRS 8 Operating Segments, effective for periods beginning on or after 1 January 2009. This new accounting standard had no effect on reported income or net assets and liabilities. The required disclosures based on information presented to the Board are given in Note 3. There have been no changes to the reportable segments as a result of this accounting standard.

The following have been adopted but have no material impact on the Group or Company:

- IFRIC 12 Service Concession Arrangements, effective for periods beginning on or after 1 January 2008, subject to endorsement in the EU.

The Group has not adopted early the requirements of the following accounting standards and interpretations, which have an effective date (shown in brackets) after the date of these financial statements:

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction, effective for periods beginning on or after 1 January 2008.
- Amendments to IFRS 1 and IAS 27 Cost of an investment in a subsidiary, joint-controlled entity or associate (1 January 2009)
- Amendment to IFRS 2 Share-based Payment vesting conditions and cancellations (1 January 2009)
- IFRS 3 (R) Business Combinations (revised 2008) (1 July 2009)
- Amendment to IFRS 7 Improving disclosures about financial instruments (1 January 2009)
- IAS 1 Presentation of Financial Statements (revised 2007) (1 January 2009)
- IAS 23 Borrowing Costs (1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (1 July 2009)
- IAS 32 and IAS 1 Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation (1 January 2009)
- IAS 39 Eligible Hedged Items (1 January 2009)
- Amendments to IFRIC 9 and IAS 39 Embedded Derivatives (June 2009)
- Amendment to IAS 39 and IFRS 7 Reclassification of Financial Assets (1 July 2008)
- Amendment to IAS 39 and IFRS 7 Reclassification of Financial Assets: effective date and transition (1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (1 October 2008)
- IFRIC 17 Distribution of Non-cash Assets to Owners (1 July 2009)
- IFRIC 18 Transfer of Assets from Customers (1 July 2009)
- Improvements to IFRS (Various effective dates)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements.

The effective dates stated are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism.

### 3. Segmental information

For both management and financial reporting purposes the Group is organised into three operating businesses – HMV UK & Ireland, HMV International, comprising HMV Canada, HMV Hong Kong and HMV Singapore, and Waterstone's.

HMV is the pre-recorded music, video and electronic games retailing division that primarily trades under the HMV brand.

Waterstone's is the book retailing division of HMV Group, primarily trading under the Waterstone's brand. Segment information about these businesses is presented below. Finance costs, finance income and income taxes are managed on a Group basis.

The following tables present revenue (all from third parties), profit, employee numbers and certain asset information regarding the Group's reportable segments, for the periods ended 25 April 2009 and 26 April 2008.

	52 weeks ended 25 April 2009				
	HMV UK & Ireland £m	HMV International £m	Total HMV £m	Waterstone's £m	Total operations £m
Segment revenue	1,154.6	253.8	1,408.4	548.3	1,956.7
Segment trading profit before exceptional items	53.7	6.4	60.1	10.0	70.1
Operating exceptional items:					
Store closure costs	-	-	-	(1.6)	(1.6)
Impairment charge	(2.1)	(2.2)	(4.3)	-	(4.3)
Reversal of impairment charge	0.9	-	0.9	-	0.9
Restructuring costs	-	-	-	(2.3)	(2.3)
Defined benefit pension scheme past service credit	3.5	-	3.5	2.1	5.6
	2.3	(2.2)	0.1	(1.8)	(1.7)
Segment operating profit	56.0	4.2	60.2	8.2	68.4
Share of post-tax profits of joint venture					0.2
Net finance costs					(7.3)
Profit before taxation					61.3
Taxation					(17.1)
Profit for the period					44.2
Average employees (number)	6,020	2,404	8,424	5,377	13,801
Assets	233.8	53.7	287.5	270.7	558.2
Unallocated assets					58.3
Total assets					616.5
Depreciation	22.0	4.2	26.2	16.3	42.5

Unallocated assets include balances relating to cash, taxation and investment in joint venture, which are managed on a Group basis.

### 3. Segmental information continued

	52 weeks ended 26 April 2008						
	Continuing operations					Discontinued operation	
	HMV UK & Ireland £m	HMV International £m	Total HMV £m	Waterstone's £m	Total £m	HMV Japan £m	Total operations £m
Segment revenue	1,079.0	231.6	1,310.6	564.3	1,874.9	61.2	1,936.1
Segment trading profit before exceptional items	41.4	8.5	49.9	16.3	66.2	0.1	66.3
Operating exceptional items:							
Store closure costs	–	–	–	(4.6)	(4.6)	–	(4.6)
Segment operating profit	41.4	8.5	49.9	11.7	61.6	0.1	61.7
Net finance costs					(9.6)	(0.2)	(9.8)
Profit before taxation					52.0	(0.1)	51.9
Taxation					(14.7)	–	(14.7)
Profit after tax on disposal of discontinued operation					–	51.8	51.8
Profit for the period					37.3	51.7	89.0
Average employees (number)	5,576	2,354	7,930	5,211	13,141	477*	13,618
Assets	205.5	48.2	253.7	266.0	519.7	–	519.7
Unallocated assets							25.8
Total assets							545.5
Depreciation	20.3	3.6	23.9	16.4	40.3	1.6	41.9

Unallocated assets include balances relating to cash and taxation.

\* HMV Japan was owned by the Group for four months of the year under review and average employee numbers have been pro-rated accordingly. The average for those four months was 1,431 employees.

**3. Segmental information continued**

The following tables present revenue and certain asset information regarding the Group's geographic locations for the periods ended 25 April 2009 and 26 April 2008.

	52 weeks ended 25 April 2009				
	United Kingdom £m	Rest of Europe £m	Asia £m	Canada £m	Total £m
Segment revenue from third party customers	1,616.1	86.8	32.5	221.3	1,956.7
Non-current assets	217.5	5.5	2.7	10.4	236.1
Unallocated non-current assets					40.8
Total non-current assets					276.9

	52 weeks ended 26 April 2008				
	United Kingdom £m	Rest of Europe £m	Asia £m	Canada £m	Total £m
Segment revenue	1,564.2	79.1	91.0	201.8	1,936.1
Non-current assets	205.3	5.1	2.4	10.6	223.4
Unallocated non-current assets					20.6
Total non-current assets					244.0

Non-current assets for this purpose consist of property, plant and equipment, intangible assets, investment in a joint venture and trade and other receivables.

**4. Revenue**

Revenue disclosed in the consolidated income statement is analysed as follows:

	2009 £m	2008 £m
Sale of goods – continuing operations	1,956.7	1,874.9
Sale of goods – discontinued operation	–	61.2
Sale of goods	1,956.7	1,936.1
Financial revenue (Note 10)	1.2	1.6
Total revenue	1,957.9	1,937.7

## 5. Group operating profit

	2009 £m	2008 £m
Total Group operating profit is stated after charging (crediting):		
Depreciation of property, plant and equipment	42.5	41.9
Impairment of property, plant and equipment	4.3	–
Reversal of impairment of property, plant and equipment	(0.9)	–
Amortisation of intangible assets	0.1	–
Cost of inventories recognised as expense	1,276.3	1,267.8
Write down of inventories	3.4	4.7
Operating lease rentals		
– Minimum rentals	154.5	148.3
– Contingent rentals	3.6	5.9
– Sublease rentals	(3.8)	(3.1)
Net operating lease rentals	154.3	151.1

The Group leases stores under non-cancellable operating lease agreements that are generally subject to periodic rent review. These agreements provide for either or both minimum rentals and percentage rentals based on sales performance.

## 6. Fees to auditors

	2009 £m	2008 £m
Audit of the Group financial statements	0.2	0.2
Other fees to auditors:		
Local statutory audits for subsidiaries	0.2	0.2
Other services pursuant to legislation	0.1	–
Tax services	0.1	0.2
Services relating to corporate finance transactions	0.3	0.1
	0.9	0.7

## 7. Exceptional items (before taxation)

	2009 £m	2008 £m
<b>Continuing operations</b>		
Recognised in arriving at operating profit:		
Acquisition of Ottakar's: Store closure costs	(1.6)	(4.6)
Impairment of property, plant and equipment	(4.3)	–
Reversal of impairment of property, plant and equipment	0.9	–
Restructuring costs	(2.3)	–
Defined benefit pension scheme past service credit	5.6	–
Total exceptional items – continuing operations	(1.7)	(4.6)
<b>Discontinued operation</b>		
Gain on disposal of HMV Japan	–	52.7
Total exceptional items	(1.7)	48.1

**7. Exceptional items continued**

Included within cost of sales are exceptional costs of £1.6m (2008: £4.6m) in connection with the review of the combined Waterstone's store portfolio and associated store closures following the acquisition of Ottakar's, £4.3m (2008: £nil) of impairment of certain assets, partially offset by a £0.9m (2008: £nil) reversal of previous asset impairments, based on current market trading conditions in HMV UK and HMV Canada and store restructuring costs of £2.3m (2008: £nil) as a result of the implementation of the Waterstone's book hub. A tax credit of £2.0m (2008: £1.1m) arose in respect of these costs. Partially offsetting these charges is an exceptional credit totalling £5.6m (£2.8m within cost of sales and £2.8m within administrative expenses), which represents a past service credit as a result of changes to the Group's defined benefit pension scheme with effect from 1 November 2008. A tax charge of £1.5m (2008: £nil) arose in respect of this credit.

During the previous period the Group disposed of its HMV Japan business, giving rise to a profit on disposal after costs of £52.7m and a tax charge of £0.9m. See Note 12 for further details.

**8. Directors' emoluments**

	<b>2009</b>	2008
	<b>£m</b>	£m
Directors' emoluments	<b>1.6</b>	2.7
Number of Directors accruing benefits under defined benefit pension schemes	<b>3</b>	3

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 24 to 34.

**9. Employee costs**

	<b>2009</b>	2008
	<b>£m</b>	£m
Employee costs, including Executive Directors' emoluments:		
Wages and salaries	<b>214.5</b>	211.0
Social security costs	<b>16.9</b>	16.3
Other pension costs (see Note 33)	<b>5.1</b>	5.3
	<b>236.5</b>	232.6

The average monthly number of employees during the period is disclosed in Note 3.

## 10. Net finance costs

	2009 £m	2008 £m
Finance revenue		
Bank interest receivable	0.9	1.2
Other interest receivable	0.3	0.4
Total finance revenue	1.2	1.6
Finance costs		
Bank loans and overdrafts	7.5	10.9
Amortisation of deferred financing fees	0.5	0.2
Other finance expense – pensions (see Note 33)	0.5	0.1
Total finance costs	8.5	11.2
Net finance costs	7.3	9.6

Included within the total net finance costs are net non-cash charges totalling £1.0m (2008: £0.3m). These comprise the amortisation of deferred financing fees and other finance costs relating to pensions.

In addition to the above in 2008 a net finance charge of £0.2m was included in the result of the discontinued operation (see Note 12).

## 11. Taxation

Group	2009 £m	2008 £m
Taxation recognised in the income statement:		
United Kingdom, current year:		
Corporation tax – continuing operations	16.2	13.8
Corporation tax – discontinued operation	–	0.9
Over provision in prior periods	(1.0)	(3.3)
	15.2	11.4
Overseas tax, current year:		
Corporation tax – continuing operations	1.3	2.5
Under provision in prior periods	–	0.4
Total current tax	16.5	14.3
Deferred tax:		
United Kingdom	1.2	1.4
Overseas – continuing operations	(0.6)	(0.1)
Total deferred tax	0.6	1.3
Total taxation expense in the income statement	17.1	15.6

**11. Taxation continued**

The tax expense in the income statement is disclosed as follows:

	2009 £m	2008 £m
Income tax expense on continuing operations	17.1	14.7
Income tax expense on discontinued operations	–	0.9
Total taxation expense in the income statement	17.1	15.6

The effective tax rate on continuing operations before exceptional items is 28% (2008: 28%). The tax expense in the current year includes a net credit of £0.5m (2008: £1.1m) in relation to the exceptional items from continuing operations of £1.7m (2008: £4.6m). 2008 also included a charge of £0.9m in relation to the profit on disposal of HMV Japan, details of which can be found in Note 12.

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

	2009 £m	2008 £m
Profit from continuing operations before tax	61.3	52.0
Less: share of post-tax profits of joint venture	(0.2)	–
Loss from discontinued operation before tax	–	(0.1)
Gain on disposal of discontinued operation	–	52.7
Profit before taxation	61.1	104.6
Corporation tax at UK average statutory rate of 28% (2008: 29.83%)	17.1	31.2
Effects of:		
Income not taxable/permanent disallowables	1.1	1.5
Overseas income taxed at different rates	(1.0)	(1.1)
Permanent disallowables on exceptional items – continuing operations	0.1	0.3
Permanent disallowables on exceptional items – discontinued operation	–	(14.9)
Net prior period over provision	(1.0)	(2.9)
Temporary differences relating to prior periods	0.8	0.4
Deferred tax rate change	–	1.1
Total tax charge	17.1	15.6

Key factors affecting the tax charge are:

- (i) The tax charge is reduced by the release of prior year provisions relating to UK tax returns.
- (ii) The tax charge is increased by non-deductible expenses including non-qualifying depreciation.

Tax relating to items charged or credited directly to equity in the Group is as follows:

	2009 £m	2008 £m
Deferred tax relating to defined benefit pension schemes	(3.1)	2.6
Deferred tax relating to share-based payments	(1.6)	(0.3)
Current tax on forward foreign exchange contracts	(1.0)	(0.1)
Tax (credit) charge in the statement of recognised income and expense	(5.7)	2.2

## 11. Taxation continued

The deferred tax included in the Group balance sheet is as follows:

	2009 £m	2008 £m
<b>Deferred tax liability</b>		
Other temporary differences	(0.1)	(0.1)
	<b>(0.1)</b>	<b>(0.1)</b>
<b>Deferred tax asset</b>		
Accelerated depreciation for tax purposes	14.8	13.6
Other temporary differences	2.2	1.0
Defined benefit pension scheme obligations	5.8	4.5
Share-based payments	3.3	1.5
	<b>26.1</b>	<b>20.6</b>

The deferred tax asset on the balance sheet is largely in respect of UK and Canadian temporary differences.

### Unrecognised tax losses

There are no capital losses available for offset against the Group's future capital gains.

### Deferred tax in the income statement

The deferred tax included in the Group income statement is as follows:

	2009 £m	2008 £m
Accelerated depreciation for tax purposes	(1.2)	(0.5)
Tax losses	–	1.9
Other	0.2	1.0
Share-based payments	(0.2)	(0.7)
Defined benefit pension scheme obligations	1.8	(0.4)
	<b>0.6</b>	<b>1.3</b>

### Company

Tax relating to items charged or credited directly to equity in the Company is as follows:

	2009 £m	2008 £m
Deferred tax relating to defined benefit pension schemes	(3.1)	2.6
Deferred tax relating to share-based payments	(0.9)	(0.3)
Tax (credit) charge in the statement of recognised income and expense	<b>(4.0)</b>	<b>2.3</b>

**11. Taxation continued**

The deferred tax included in the balance sheet of the Company is as follows:

	2009 £m	2008 £m
<b>Deferred tax asset</b>		
Other temporary differences	2.3	0.9
Defined benefit pension scheme obligations	5.8	4.5
Share-based payments	1.7	0.8
	<b>9.8</b>	<b>6.2</b>

**12. Discontinued operation**

There are no discontinued operations in the current period. In the prior period, on 25 August 2007 the Group announced the completion of the sale of its HVM Japan business for Yen17bn (£70.6m) on a debt and cash free basis. Its results for the prior period to the date of disposal are presented in this Annual Report as a discontinued operation.

Profit and cash flows for the prior period from the discontinued operation are as follows:

	2009 £m	2008 £m
Revenue	–	61.2
Cost of sales	–	(58.4)
Gross profit	–	2.8
Administrative expenses	–	(2.7)
Operating profit	–	0.1
Finance costs	–	(0.2)
Loss before tax from a discontinued operation	–	(0.1)
Exceptional gain on disposal of a discontinued operation	–	52.7
Tax expense	–	(0.9)
Profit after tax for the period from discontinued operation	–	51.7

The tax expense is analysed as follows:

On loss on ordinary activities	–	–
On the gain on disposal	–	(0.9)
	–	(0.9)

The exceptional gain on disposal in the prior period was calculated as follows:

	2008 £m
Net cash consideration received	52.4
Net liabilities disposed of	0.2
Foreign exchange recycled from the translation reserve	0.1
	<b>52.7</b>

## 12. Discontinued operation continued

Cash flows for discontinued operation were as follows:

	2009 £m	2008 £m
Operating cash flows	-	0.6
Investing cash flows	-	(0.8)
Financing cash flows	-	(0.2)
Net cash flows excluding disposal proceeds	-	(0.4)
Cash inflow on sale:		
		2008 £m
Gross consideration received		70.6
Cash disposed of with the business		8.2
Debt disposed of with the business		(21.7)
		57.1
Transaction costs incurred		(4.7)
Net cash consideration received		52.4
Net liabilities sold comprised the following assets and liabilities:		
		Total £m
Property, plant and equipment		13.5
Inventory		21.5
Trade and other receivables		15.4
Taxation		6.3
Cash		8.2
		64.9
Trade and other payables		(43.4)
Debt		(21.7)
		(0.2)
Total net liabilities sold		(0.2)

## 13. Earnings per share

The following reflects the income and share numbers data used in the basic and diluted earnings per share calculations:

	2009 £m	2008 £m
Profit attributable to shareholders	44.2	89.0
Discontinued operation trading after tax	-	0.1
Profit on disposal of discontinued operation after tax	-	(51.8)
Profit from continuing operations	44.2	37.3
Exceptional items, less tax thereon (see Note 7)	1.2	3.5
Adjusted profit from continuing operations	45.4	40.8

**13. Earnings per share continued**

	<b>2009 Number Million</b>	2008 Number Million
Weighted average number of Ordinary Shares – Basic	<b>408.5</b>	402.0
Dilutive share options	<b>4.9</b>	1.7
Weighted average number of Ordinary Shares – Diluted	<b>413.4</b>	403.7

Earnings per Ordinary Share is calculated as follows:

	<b>2009 Pence</b>	2008 Pence
<b>Total operations</b>		
Basic	<b>10.8</b>	22.1
Adjusted	<b>11.1</b>	10.1
Basic diluted	<b>10.7</b>	22.0
Adjusted diluted	<b>11.0</b>	10.0
<b>Continuing operations</b>		
Basic	<b>10.8</b>	9.2
Adjusted	<b>11.1</b>	10.1
Basic diluted	<b>10.7</b>	9.2
Adjusted diluted	<b>11.0</b>	10.1
<b>Discontinued operation</b>		
Basic	–	12.9
Basic diluted	–	12.8

The adjusted earnings per Ordinary Share is shown in order to highlight the underlying performance of the Group.

The weighted average number of shares excludes shares held by an Employee Benefit Trust and has been adjusted for the issue of shares during the period. The diluted earnings per share calculations reflect the weighted average dilutive effect of employee share awards outstanding during the year of 4.9m (2008: 1.7m). At the year end 1.6m anti-dilutive share awards were in issue (2008: 5.1m).

In the prior period, earnings per share for the discontinued operation was derived from the profit attributable to shareholders of the parent from discontinued operations of £51.7m, divided by the weighted average number of Ordinary Shares for both basic and diluted amounts as per the table above.

**14. Dividends paid and proposed**

	<b>2009 £m</b>	2008 £m
Ordinary final dividend of 5.6p per share for 2008 (2007: 5.6p)	<b>22.5</b>	22.5
Ordinary interim dividend of 1.8p per share for 2009 (2008: 1.8p)	<b>7.2</b>	7.3
	<b>29.7</b>	29.8

The Directors have proposed a final dividend of 5.6p per share (2008: 5.6p), which, in line with the requirements of IAS 10 Events after the Balance Sheet Date, has not been recognised within these results. This results in a full year dividend for 2009 of 7.4p (2008: 7.4p).

The proposed final dividend for 2009 of £23.7m (2008: £22.6m), subject to approval by shareholders at the Annual General Meeting, will be paid on 13 October 2009 to shareholders on the Register at the close of business on 4 September 2009. Shares will be quoted ex-dividend from 2 September 2009.

## 15. Property, plant and equipment

<b>Group</b>	Leasehold improvements £m	Plant, equipment and vehicles £m	Total £m
Cost at 28 April 2007	11.8	430.7	442.5
Currency retranslation	–	8.2	8.2
Disposals	–	(10.7)	(10.7)
Additions	0.4	36.4	36.8
Disposal of business	–	(46.6)	(46.6)
Cost at 26 April 2008	12.2	418.0	430.2
Currency retranslation	2.7	12.5	15.2
Disposals	–	(5.1)	(5.1)
Additions	0.7	56.9	57.6
<b>Cost at 25 April 2009</b>	<b>15.6</b>	<b>482.3</b>	<b>497.9</b>
Depreciation and impairment at 28 April 2007	5.9	267.4	273.3
Currency retranslation	–	6.0	6.0
Charge for period	0.6	41.3	41.9
Disposals	–	(7.3)	(7.3)
Disposal of business	–	(33.1)	(33.1)
Depreciation and impairment at 26 April 2008	6.5	274.3	280.8
Currency retranslation	2.7	10.2	12.9
Charge for period	0.9	41.6	42.5
Impairment loss	–	4.3	4.3
Reversal of previous impairment	–	(0.9)	(0.9)
Disposals	–	(3.6)	(3.6)
<b>Depreciation and impairment at 25 April 2009</b>	<b>10.1</b>	<b>325.9</b>	<b>336.0</b>
<b>Net book value at 25 April 2009</b>	<b>5.5</b>	<b>156.4</b>	<b>161.9</b>
Net book value at 26 April 2008	5.7	143.7	149.4
Net book value at 28 April 2007	5.9	163.3	169.2

At 25 April 2009, the Group's property, plant and equipment has been written down by £4.3m (2008: £nil) and a £0.9m impairment charge recorded in previous years has been reversed, following an impairment review of the carrying value of certain retail assets based on prevailing market trading conditions. The recoverable amounts of assets were determined from value in use calculations that incorporated seven-year cash flow estimates discounted at an appropriate pre-tax discount rate of 10%. The cash flows reflected management's best estimates of revenue, margin and operating costs over the forecast period.

The carrying value of plant, equipment and vehicles held under finance leases at 25 April 2009 was £6.7m (2008: £0.7m), of which £6.1m (2008: £0.7m) is included within additions during the year. Leased assets are pledged as security for the related finance lease.

**15. Property, plant and equipment continued**

<b>Company</b>	Leasehold improvements £m	Plant, equipment and vehicles £m	Total £m
Cost at 28 April 2007	–	2.8	2.8
Disposals	–	(0.8)	(0.8)
<b>Cost at 25 April 2009 and 26 April 2008</b>	<b>–</b>	<b>2.0</b>	<b>2.0</b>
Depreciation at 28 April 2007	–	2.4	2.4
Charge for period	–	0.1	0.1
Disposals	–	(0.8)	(0.8)
Depreciation at 26 April 2008	–	1.7	1.7
Charge for period	–	0.1	0.1
<b>Depreciation at 25 April 2009</b>	<b>–</b>	<b>1.8</b>	<b>1.8</b>
<b>Net book value at 25 April 2009</b>	<b>–</b>	<b>0.2</b>	<b>0.2</b>
Net book value at 26 April 2008	–	0.3	0.3
Net book value at 28 April 2007	–	0.4	0.4

**16. Intangible assets**

<b>Group</b>	Trademarks £m	Goodwill £m	Total £m
Cost at 28 April 2007	2.0	71.0	73.0
Additions	0.1	–	0.1
<b>Cost at 25 April 2009 and 26 April 2008</b>	<b>2.1</b>	<b>71.0</b>	<b>73.1</b>
Amortisation at 26 April 2008 and 28 April 2007	–	–	–
Charge for period	0.1	–	0.1
<b>Amortisation at 25 April 2009</b>	<b>0.1</b>	<b>–</b>	<b>0.1</b>
<b>Net book value at 25 April 2009</b>	<b>2.0</b>	<b>71.0</b>	<b>73.0</b>
Net book value at 26 April 2008	2.1	71.0	73.1
Net book value at 28 April 2007	2.0	71.0	73.0

Intangible assets include the various trademark registrations and applications for the acronym 'HMV' and the dog and trumpet trademark. They are considered to have an indefinite life as they can be renewed at minimal costs and therefore no amortisation has been charged. Non-amortisation is supported by an annual impairment review.

During the prior year various trademarks and domain names pertaining to the Fopp brand were purchased for £0.1m. These are considered to have a useful life of 10 years and amortisation is being charged over this period.

Goodwill of £71.0m arising on the purchase of Ottakar's plc on 3 July 2006 has been capitalised. The carrying value of the goodwill is subject to an annual impairment review so as to ensure that the carrying amount is not greater than the recoverable amount. The recoverable amount is determined from a value in use calculation with regard to the portfolio of stores acquired. The value in use incorporates cash flow projections based on budgets approved by senior management over a five year period. Cash flows beyond the five years have been extrapolated using a 1% growth rate (2008: 1%). This rate does not exceed the average long-term growth rate for the relevant market. The pre-tax discount rate applied to cash flow projections is 10% (2008: 10%) based on an adjusted WACC for the Group. On the basis of the impairment review undertaken, no impairment of the capitalised goodwill was required. The calculation of value in use is sensitive to assumptions made with respect to sales forecasts, gross margin and discount rates. To illustrate, the recoverable amount would reduce to a value equal to the carrying amount if sales reduce 7%, gross margin rate reduces by 3% or the discount rate increases by 3%.

The Company had no intangible assets.

## 17. Investments in subsidiaries and joint venture

### Subsidiary undertakings

Company	Cost £m	Provision £m	Net book value £m
At 28 April 2007	794.2	(130.0)	664.2
Impairment charge	–	(6.9)	(6.9)
Share-based payment award under IFRIC 11 (see Note 29)	1.8	–	1.8
Disposal	(1.4)	–	(1.4)
At 26 April 2008	794.6	(136.9)	657.7
Share-based payment award under IFRIC 11 (see Note 29)	1.4	–	1.4
<b>At 25 April 2009</b>	<b>796.0</b>	<b>(136.9)</b>	<b>659.1</b>

On 25 August 2007 the Group disposed of its HMV Japan business. This comprised the Company's investment in HMV Japan KK, various trademarks and a Group subsidiary company, HMV Retail Ltd, which included the HMV Japan branch. Details of the disposal are disclosed in Note 12.

An impairment charge was made during the previous year against the carrying value of investments in various Group subsidiaries.

The following information relates to those subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group. All subsidiaries are 100% owned.

Name of undertaking	Country of incorporation
Fopp Entertainments Limited	England and Wales
Get Closer Limited	England and Wales
HMV Canada Inc	Canada
HMV Guernsey Limited	Guernsey
HMV Hong Kong Limited	Hong Kong
HMV (IP) Limited	England and Wales
HMV Ireland Limited <sup>1</sup>	Ireland
HMV Music Limited	England and Wales
HMV Overseas Limited (formerly Ottakar's Limited) <sup>1</sup>	England and Wales
HMV Singapore Pte Limited	Singapore
HMV USA LP <sup>1</sup>	USA
Rustico Holdings Limited	Ireland
Waterstone's Academic Bookstores Limited <sup>1</sup>	England and Wales
Waterstone's Booksellers Amsterdam BV	Netherlands
Waterstone's Booksellers Belgium SA	Belgium
Waterstone's Booksellers Ireland Limited <sup>1</sup>	Ireland
Waterstone's Booksellers Limited	England and Wales

1. Not directly held by the Company.

All subsidiaries listed above are included in the consolidation. The principal activity of all subsidiaries in the HMV Group is the retailing of music, video and electronic games or books.

**17. Investments in subsidiaries and joint venture continued****Joint venture**

During the year the Company entered into a joint venture operation in Mean Fiddler Group Limited, further details of which are given in Note 18. The Company's investment in the joint venture is as follows:

	2009 £m
Cost of investment, satisfied by cash	12.8
Professional fees incurred	1.7
Investment in joint venture	14.5
Loan note issued	5.5
Total cash investment	20.0

**18. Investments accounted for using the equity method****Group**

During the year the Group entered into a joint venture operation through a 50% equity interest in Mean Fiddler Group Limited. The principal activity of the company, which is incorporated in England and Wales, is the operation of live music and entertainment venues in the UK. The Group accounts for its interest in Mean Fiddler Group Limited using the equity method.

The Group's investment in the joint venture is summarised as follows:

	2009 £m
Cost of investment, satisfied by cash	12.8
Professional fees incurred	1.7
Share of joint venture's profit	0.2
Investment accounted for using the equity method	14.7

In addition, the Group paid a further £5.5m in cash in return for a loan note granted by the joint venture, which converts to ordinary shares if not redeemed by 20 July 2009, subject to further extension (see Note 19). This brings the Group's total cash investment in the joint venture to £20.0m.

Further consideration of up to £3.3m is payable or refundable based on an assessment of the joint venture's EBITDA for the year to October 2009. No adjustment has been made to the cost of investment as at 25 April 2009 as payment or receipt of this contingent consideration is not considered to be probable at the balance sheet date.

The Group's share of the joint venture's balance sheet at 25 April 2009 and result for the period are shown below. The fair values are expected to be finalised prior to publication of the Group's Interim Financial Statements for the period to 24 October 2009. The Group has paid an amount in excess of the fair value of the net assets based on the expected future profitability and cash generation of the business as well as a number of synergy benefits.

	As at 25 April 2009 £m
<b>Share of joint venture's balance sheet</b>	
Non-current assets	10.0
Current assets	2.6
Share of gross assets	12.6
Share of current liabilities	(8.5)
Share of net assets	4.1

## 18. Investments accounted for using the equity method continued

	2009 £m
<b>Share of joint venture's results</b>	
Revenue	<b>2.4</b>
Cost of sales	<b>(1.1)</b>
Administrative expenses	<b>(1.0)</b>
Profit before taxation	<b>0.3</b>
Taxation	<b>(0.1)</b>
Profit for the period	<b>0.2</b>

## 19. Trade and other receivables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current				
Other receivables	<b>1.2</b>	0.9	–	–
	<b>1.2</b>	0.9	–	–
Current				
Trade receivables	<b>9.9</b>	8.2	–	–
Amounts owed by subsidiary undertakings	–	–	<b>69.0</b>	28.3
Amounts owed by joint venture	<b>5.5</b>	–	<b>5.5</b>	–
Other receivables	<b>10.1</b>	9.5	–	–
Prepayments and accrued income	<b>46.1</b>	41.2	<b>0.9</b>	0.1
	<b>71.6</b>	58.9	<b>75.4</b>	28.4

The carrying value of trade and other receivables approximates to fair value.

Group trade receivables are stated net of a provision for impairment of £0.6m (2008: £1.2m). Credit risk is limited as the Group has minimal levels of trade receivables due to the nature of its retailing business. See Note 26 for further discussion of credit risk. Trade and other receivables are non-interest bearing and are generally on 30 day terms.

The Company has no trade receivables and no provisions for impairment of any financial assets.

## 20. Inventories

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

**21. Cash and short-term deposits**

	<b>Group 2009 £m</b>	Group 2008 £m	<b>Company 2009 £m</b>	Company 2008 £m
Cash at bank and in hand	<b>52.1</b>	35.0	<b>15.8</b>	4.1
Short-term deposits	<b>0.6</b>	0.5	–	–
	<b>52.7</b>	35.5	<b>15.8</b>	4.1

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash balances are deposited through the year with counter parties that have a strong credit rating, with an agreed limit for each counterparty, so as to limit the risk of loss arising from a failure. Counterparties include AAA-rated liquidity funds, as well as banks.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	<b>Group 2009 £m</b>	Group 2008 £m	<b>Company 2009 £m</b>	Company 2008 £m
Cash at bank and in hand	<b>52.1</b>	35.0	<b>15.8</b>	4.1
Short-term deposits	<b>0.6</b>	0.5	–	–
Bank overdrafts	<b>(7.2)</b>	–	<b>(30.0)</b>	(88.9)
	<b>45.5</b>	35.5	<b>(14.2)</b>	(84.8)

**22. Trade and other payables**

	<b>Group 2009 £m</b>	Group 2008 £m	<b>Company 2009 £m</b>	Company 2008 £m
Current				
Trade payables	<b>235.7</b>	237.2	–	–
Amounts owed to subsidiary undertakings	–	–	<b>192.6</b>	111.4
Other payables	<b>91.9</b>	89.4	<b>6.1</b>	7.1
Accruals and deferred income	<b>87.9</b>	82.9	<b>2.3</b>	2.5
	<b>415.5</b>	409.5	<b>201.0</b>	121.0

The carrying value of trade and other payables approximates to fair value. Trade payables are not interest-bearing and are generally settled on 30–60 day terms. Other payables and accruals are not interest-bearing.

### 23. Interest-bearing loans and borrowings

	<b>Group 2009 £m</b>	Group 2008 £m	<b>Company 2009 £m</b>	Company 2008 £m
Finance leases – non-current	<b>5.0</b>	0.5	–	–
Finance leases – current	<b>1.0</b>	0.2	–	–
Current borrowings	<b>45.1</b>	34.8	<b>45.1</b>	34.8
Bank overdrafts	<b>7.2</b>	–	<b>30.0</b>	88.9
Current loans and borrowings	<b>53.3</b>	35.0	<b>75.1</b>	123.7
Total external loans and borrowings	<b>58.3</b>	35.5	<b>75.1</b>	123.7
Loans from subsidiary undertakings	–	–	<b>192.4</b>	88.1
Total loans and borrowings	<b>58.3</b>	35.5	<b>267.5</b>	211.8

Current borrowings fall due within one year of the balance sheet date. They reflect amounts drawn down from the Group's multi-currency revolving credit facility (see Note 26) and the short-term element of finance leases. Bank overdrafts are repayable on demand. The maturity of non-current finance leases is shown in Note 35.

Interest-bearing loans and borrowings analysed by currency are as follows:

	<b>Group 2009 £m</b>	Group 2008 £m	<b>Company 2009 £m</b>	Company 2008 £m
Sterling – revolving credit facility	<b>45.1</b>	34.8	<b>45.1</b>	34.8
– overdraft	<b>6.6</b>	–	<b>30.0</b>	88.9
– finance leases	<b>6.0</b>	0.7	–	–
Canadian Dollars – overdraft	<b>0.6</b>	–	–	–
External loans and borrowings	<b>58.3</b>	35.5	<b>75.1</b>	123.7
Sterling – loans from subsidiary undertakings	–	–	<b>154.1</b>	88.1
Euro – loans from subsidiary undertakings	–	–	<b>38.3</b>	–
Total loans and borrowings	<b>58.3</b>	35.5	<b>267.5</b>	211.8

All loans and borrowings of the Group and Company as at 25 April 2009 and 26 April 2008 bear interest at variable rates. The rates are set in advance for periods ranging from overnight to six months by reference to a relevant benchmark rate.

**24. Provisions**

<b>Group</b>	Total £m
At 26 April 2008:	
Current	3.5
Non-current	0.2
	3.7
Currency retranslation	0.1
Provisions utilised	(2.9)
Charged during the year	3.9
<b>At 25 April 2009</b>	<b>4.8</b>
Analysed as:	
Current	<b>4.6</b>
Non-current	<b>0.2</b>
	<b>4.8</b>

Provisions almost entirely consist of amounts in respect of store closures and restructuring. The utilisation of provisions in the current year largely reflects store closures and the rental costs, net of sublet income, of previously closed stores. Of the £3.9m provision created in the year £1.6m (2008: £4.6m) was in respect of store closures in the combined Waterstone's store portfolio following the acquisition of Ottakar's and £2.3m (2008: £nil) was in respect of store restructuring costs as a result of the implementation of the Waterstone's book hub. The remaining provisions are expected to be largely utilised in the next two years.

The Company did not have any provisions at either 25 April 2009 or 26 April 2008.

**25. Derivatives and financial instruments****Currency derivatives**

The Group uses derivative instruments in order to manage foreign currency exchange risk arising on expected future purchases of internationally sourced products in the Group's subsidiaries. In all cases the implementation of these derivative instruments has been negotiated to match expected purchases and qualify for hedge accounting. The fair value of cash flow hedges in place at 25 April 2009 is £0.1m asset (2008: £0.4m liability), which has been recognised in the hedging reserve.

**Interest rate hedging**

Based on its current debt levels, the Group moves to a net cash position during its third quarter and therefore interest rate exposure is limited. Consequently, no interest rate hedging instruments have been utilised. Interest rate exposures continue to be monitored in accordance with the Group's treasury policies.

## 25. Derivatives and financial instruments continued

### Fair values

The fair values of each category of the Group's financial instruments and their carrying values in the Group's balance sheet, excluding trade and other receivables and trade and other payables, are as follows:

	25 April 2009		26 April 2008	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<b>Financial assets</b>				
Cash and short-term deposits	52.7	52.7	35.5	35.5
Foreign exchange forward contracts	0.1	0.1	–	–
<b>Financial liabilities</b>				
Short-term borrowings	(45.1)	(46.0)	(34.8)	(35.0)
Foreign exchange forward contracts	–	–	(0.4)	(0.4)
Bank overdrafts	(7.2)	(7.2)	–	–
Finance leases	(6.0)	(6.0)	(0.7)	(0.7)

The fair values of each category of the Company's financial instruments and their carrying values in the Company's balance sheet, excluding trade and other receivables and trade and other payables, are as follows:

	25 April 2009		26 April 2008	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<b>Financial assets</b>				
Cash and short-term deposits	15.8	15.8	4.1	4.1
Foreign exchange forward contracts	0.1	0.1	–	–
<b>Financial liabilities</b>				
Short-term borrowings	(45.1)	(46.0)	(34.8)	(35.0)
Foreign exchange forward contracts	(0.1)	(0.1)	–	–
Bank overdrafts	(30.0)	(30.0)	(88.9)	(88.9)

The fair value of cash and short-term deposits and overdrafts is based on the carrying amount as a result of their short maturity. The fair value of borrowings is based on the carrying amount, adjusted for unamortised deferred financing fees, as a result of their short maturity. The fair value of finance lease obligations represents the present value of minimum lease payments (Note 35).

For both the Group and the Company the carrying value of trade receivables, other receivables, trade payables and other payables equates to the fair value. The fair value of foreign exchange forward contracts is determined using foreign exchange spot rates prevailing at the balance sheet date.

The total notional amount of outstanding foreign currency contracts to which the Group and Company were committed at the balance sheet date is as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Commercial activities:				
Euro	4.6	8.2	4.6	7.2
US Dollar	1.3	0.9	1.3	0.9
	5.9	9.1	5.9	8.1

**26. Financial risk factors**

The Company's and Group's business exposes it to certain limited financial risks, such as liquidity risk, interest rate risk, credit risk and foreign exchange risk. The Group's Treasury department is principally responsible for managing these risks using policies approved by the Board.

**Liquidity risk**

The Company's and Group's strategy to managing liquidity risk is to ensure that the Company and Group has sufficient funds and facilities available to satisfy its current requirements. Liquidity forecasts are prepared on a regular basis to ensure the optimal use of facilities and although covenant compliance is tested every six months, forecast compliance is reviewed on a monthly basis. Longer term projections are also made to assess strategic funding requirements.

During the period under review, the Company secured a £220m multi-currency revolving credit facility, with a final maturity date of 9 October 2011, which replaced the previous facility. The facility amortises by £20m on 1 January 2010 and a further £20m on 1 January 2011. The Group also has some locally arranged bank facilities, which do not have a fixed maturity date but are reviewed annually.

	<b>Total available at</b>	
	<b>26 April 2009 £m</b>	28 April 2008 £m
Multi-currency revolving credit facility	<b>220.0</b>	260.0
Local facilities	<b>5.2</b>	2.5
<b>Total</b>	<b>225.2</b>	262.5

Fees totalling £1.1m incurred in arranging the new facility have been deferred and are being amortised over the three year term of the facility to October 2011.

Reflecting current credit markets, interest on the new facility is payable at a rate equal to LIBOR plus a margin of 2.50% compared with a margin of 1.75% on the previous facility. There are no changes to banking covenants associated with the new facility.

Of the £220.0m (2008: £260.0m) revolving credit facility, £46.0m (2008: £35.0m) had been drawdown at 25 April 2009. Analysis of the availability of undrawn committed facilities available to the Group is shown below:

	<b>2009 £m</b>	2008 £m
Expiring within one year	<b>20.7</b>	32.5
Expiring in more than one year but not more than two years	<b>20.0</b>	195.0
Expiring between two and five years	<b>134.0</b>	–
<b>Total</b>	<b>174.7</b>	227.5

Analysis of the maturity profile of the Group's financial liabilities at 25 April 2009 is shown below:

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	<b>Total £m</b>
Bank overdrafts	7.2	–	–	–	–	7.2
Current borrowings	–	45.1	–	–	–	45.1
Finance lease	–	–	1.0	3.1	1.9	6.0
Trade and other payables	–	415.5	–	–	–	415.5
<b>At 25 April 2009</b>	<b>7.2</b>	<b>460.6</b>	<b>1.0</b>	<b>3.1</b>	<b>1.9</b>	<b>473.8</b>
Bank overdrafts	–	–	–	–	–	–
Current borrowings	–	34.8	–	–	–	34.8
Finance lease	–	–	0.2	0.5	–	0.7
Trade and other payables	–	409.5	–	–	–	409.5
<b>At 26 April 2008</b>	<b>–</b>	<b>444.3</b>	<b>0.2</b>	<b>0.5</b>	<b>–</b>	<b>445.0</b>

## 26. Financial risk factors continued

Analysis of the maturity profile of the Company's financial liabilities at 25 April 2009 is shown below:

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Bank overdrafts	30.0	–	–	–	–	30.0
Current borrowings	–	45.1	–	–	–	45.1
Finance lease	–	–	–	–	–	–
Trade and other payables	–	201.0	–	–	–	201.0
<b>At 25 April 2009</b>	<b>30.0</b>	<b>246.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>276.1</b>
Bank overdrafts	88.9	–	–	–	–	88.9
Current borrowings	–	34.8	–	–	–	34.8
Finance lease	–	–	–	–	–	–
Trade and other payables	–	121.0	–	–	–	121.0
At 26 April 2008	88.9	155.8	–	–	–	244.7

### Security

The borrowings under both the previous and the new Facility Agreement are secured by the Guarantors that comprise HMV Group plc and any wholly-owned subsidiaries of the Company who accede to the Facility Agreement as guarantors. As a condition of the Agreement, the aggregate gross assets, revenue and earnings before interest and tax of the Guarantors must comprise not less than 70% of the total gross assets, revenue and earnings before tax and interest of the Company and its subsidiaries. The Guarantors currently comprise HMV Group plc, HMV Music Limited, Waterstone's Booksellers Limited, HMV (IP) Limited, HMV UK Limited, HMV Ireland Limited, Waterstone's Booksellers Ireland Limited and HMV Guernsey Limited. The Company has granted security comprising first-ranking, fixed and floating charges over all the assets and undertakings of the Guarantors.

Under their banking arrangements, overdraft and cash balances of the Company and of certain subsidiaries are pooled or offset and cross-guaranteed. Such pooling and offset arrangements are reflected in the Group balance sheet as appropriate.

### Interest rate risk

The Company and Group is exposed to interest rate risk from its borrowings and cash deposits. However, without core longer term borrowings (as is currently the position) the strong seasonality to its trading patterns provides that, with the onset of peak trading in December, the Group moves into a net cash position for around three months before reverting to a net debt position until the following December. As both debt and cash deposits attract a floating rate of interest, this seasonality provides a natural hedge against interest rate risk. The net exposure is monitored on a regular basis, with consideration given to the supplemental use of interest rate hedging instruments.

### Credit risk

The Group's credit risk arises from its cash and cash equivalents, deposits, and outstanding receivables.

The Group deposits cash balances with counterparties that have a strong credit rating, with an agreed limit for each counterparty, so as to limit the risk of loss arising from a failure. Counterparties include banks forming the Group's syndicated banking facility.

Trade and other receivables are regularly monitored and are limited in size due to the nature of the Group's business as a retailer dealing predominantly in cash and cash equivalents. Allowances are made for doubtful debts based on the age of the debt and the customer's financial circumstances.

The Company does not have any trade receivables.

**26. Financial risk factors continued****Foreign exchange risk**

The Company and Group are exposed to foreign exchange risk from its investing, financing and operating activities.

Forward foreign exchange contracts are used to hedge the foreign exchange risk of imports where volumes are significant. However, the Group's operating businesses generally source the majority of their products from suppliers within their country of operation and so the foreign exchange exposure is limited. No speculative positions are entered into by the Group. Details of foreign currency contracts outstanding at the balance sheet date are given in Note 25.

The Group is also exposed to foreign currency translation risk through its investment in overseas subsidiaries, which is partially offset by foreign currency translation risk in local debt. Generally, the Group does not hedge any net translation exposure of overseas earnings, although it may in certain circumstances implement hedges to secure short-term financial objectives.

**Sensitivity analysis**

The following sensitivity analysis illustrates the sensitivity to changes in market variables of the Group's and Company's financial instruments and show the impact on profit and shareholders' funds.

**Interest rate sensitivity**

Based on the Group's net debt position at the year end, a 100 basis points movement in interest rates would affect the Group's profit before tax and shareholders' equity by approximately £0.1m (2008: £0.2m). The impact on the Company would have been £0.6m (2008: £1.2m).

**Foreign exchange rate sensitivity**

The Group maintains stores in Canada, Europe and Asia. Based on the performance of the overseas businesses in the year to April 2009, a 10% change in the value of local currencies against Sterling would affect the Group's profit before tax by £1.4m (2008: £1.6m) and the shareholders' equity by £4.7m (2008: £4.1m).

There would not have been any impact on the Company.

**27. Additional cash flow information**

Movements in the Group's net debt position are as follows:

	At 26 April 2008 £m	Cash flow £m	Other non-cash changes <sup>1</sup> £m	Exchange movements £m	At 25 April 2009 £m
Cash and short-term deposits	35.5	8.0	–	9.2	<b>52.7</b>
Bank overdrafts	–	(7.2)	–	–	<b>(7.2)</b>
Cash and cash equivalents	35.5	0.8	–	9.2	<b>45.5</b>
Loans and borrowings – non-current	(0.5)	–	(4.5)	–	<b>(5.0)</b>
Loans and borrowings – current	(35.0)	(9.1)	(2.0)	–	<b>(46.1)</b>
Total loans and borrowings	(35.5)	(9.1)	(6.5)	–	<b>(51.1)</b>
Net debt	–	(8.3)	(6.5)	9.2	<b>(5.6)</b>

	At 28 April 2007 £m	Cash flow £m	Other non-cash changes <sup>1</sup> £m	Exchange movements £m	At 26 April 2008 £m
Cash and short-term deposits	77.9	(48.7)	–	6.3	35.5
Bank overdrafts	(4.0)	4.0	–	–	–
Cash and cash equivalents	73.9	(44.7)	–	6.3	35.5
Loans and borrowings – non-current	(0.8)	0.3	–	–	(0.5)
Loans and borrowings – current	(203.3)	168.0	(0.2)	0.5	(35.0)
Total loans and borrowings	(204.1)	168.3	(0.2)	0.5	(35.5)
Net debt	(130.2)	123.6	(0.2)	6.8	–

1. Represents finance lease funding obtained and issue costs incurred in connection with the raising of debt. The issue costs have been offset against the relevant debt instrument.

## 27. Additional cash flow information continued

Movements in the Company's net debt position are as follows:

	At 26 April 2008 £m	Cash flow £m	Other non-cash changes <sup>1</sup> £m	Exchange movements £m	At 25 April 2009 £m
Cash and short-term deposits	4.1	11.7	–	–	<b>15.8</b>
Bank overdrafts	(88.9)	58.9	–	–	<b>(30.0)</b>
Cash and cash equivalents	(84.8)	70.6	–	–	<b>(14.2)</b>
Loans and borrowings – non-current	–	–	–	–	–
Loans and borrowings – current	(34.8)	(9.9)	(0.4)	–	<b>(45.1)</b>
Total loans and borrowings	(34.8)	(9.9)	(0.4)	–	<b>(45.1)</b>
Net debt	(119.6)	60.7	(0.4)	–	<b>(59.3)</b>

	At 28 April 2007 £m	Cash flow £m	Other non-cash changes <sup>1</sup> £m	Exchange movements £m	At 26 April 2008 £m
Cash and short-term deposits	–	4.1	–	–	4.1
Bank overdrafts	(7.3)	(81.6)	–	–	(88.9)
Cash and cash equivalents	(7.3)	(77.5)	–	–	(84.8)
Loans and borrowings – non-current	–	–	–	–	–
Loans and borrowings – current	(176.6)	142.0	(0.2)	–	(34.8)
Total loans and borrowings	(176.6)	142.0	(0.2)	–	(34.8)
Net debt	(183.9)	64.5	(0.2)	–	(119.6)

1. Represents issue costs incurred in connection with the raising of debt. The issue costs have been offset against the relevant debt instrument.

## 28. Share capital

Group and Company	2009 Number	2008 Number	2009 £m	2008 £m
<b>Authorised</b>				
Ordinary Shares of 1p each	<b>518,590,111</b>	518,590,111	<b>5.2</b>	5.2

Group and Company	Number	£m
<b>Allotted, called up and fully paid Ordinary Shares of 1p each</b>		
At 28 April 2007	402,737,033	4.0
Issued on exercise of share options	633,461	–
At 26 April 2008	403,370,494	4.0
Issue of new shares for cash	20,168,524	0.2
Issued on exercise of share options	48,039	–
<b>At 25 April 2009</b>	<b>423,587,057</b>	<b>4.2</b>

During the period 48,039 (2008: 633,461) Ordinary Shares were issued in the Company to satisfy options exercised under the Company's share option schemes, for which consideration of £nil (2008: £0.1m) was received. A further 20,168,524 (2008: nil) Ordinary Shares were issued in the Company via a Placing Agreement for cash consideration, net of issue costs, of £24.0m (2008: £nil).

**28. Share capital continued**

In the event of a winding-up of the Company or other return of capital, the assets available for distribution to shareholders would be applied in the following order after payment of all debts and liabilities:

- (i) Repaying pari passu the amounts subscribed (1p per share) for the Ordinary Shares.
- (ii) Distributing pari passu any balance among the holders of the Ordinary Shares.

**Capital management**

The capital of HMV Group plc is the total equity on the Group's balance sheet. The objective of the Group's capital management is to grow its retailing business and deliver improving returns for its shareholders. The management of the Group's capital is performed by the Board of Directors, taking into account economic conditions and strategic requirements. The Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. During the year, 20,168,524 new shares were issued to raise funds for strategic initiatives, as discussed on page 17. No changes were made to dividend policy, which is currently to declare two payments each year, one at the Half Year of approximately 25% of the total expected dividend and the second at the Full Year (paid in October). There are no externally imposed capital requirements.

**29. Share-based payments****Equity-settled share option plan**

The Company has a number of share option schemes under which options to subscribe for the Company's Ordinary Shares have been granted to certain Directors and management, details of which are given in the Directors' Remuneration Report on page 32. Options were granted at the five-day average of the market value of the Company's shares on the date of grant. The options can normally only be exercised after three years and are subject to the achievement of earnings per share targets imposed at the date of grant. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the option vests or before vested options are exercised.

The charge for share options in respect of employee services during the period ended 25 April 2009 was £nil (2008: £nil).

The movements in the number of share options during the year are detailed in the table below. The options outstanding at 25 April 2009 had a weighted average exercise price of 167p (2008: 203p) and a weighted average remaining contractual life of 3.1 years (2008: 5.7 years). The weighted average share price at the date of exercise for share options exercised during the period was 131p (2008: 122p).

Group	2009 Options Number	2009 Weighted average exercise price Pence	2008 Options Number	2008 Weighted average exercise price Pence
Outstanding at beginning of period	5,221,834	203	12,974,872	198
Exercised during the period	(48,039)	19	(633,461)	19
Lapsed during the period	(3,534,214)	223	(7,119,577)	210
Outstanding at end of the period <sup>1</sup>	1,639,581	167	5,221,834	203
Exercisable at end of the period	1,639,581	167	2,501,384	161

1. Included within this balance are options over 1,639,581 (2008: 2,501,384) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

Group	2009 Options outstanding Number	2009 Weighted average remaining contractual life Years	2008 Options outstanding Number	2008 Weighted average remaining contractual life Years
<b>1998 Senior Executive Share Option Scheme</b>				
Exercise price 18.73p	–	–	96,078	3.4
<b>2002 Executive Share Option Scheme</b>				
Exercise price 167p	1,639,581	3.1	2,405,306	4.1
Exercise price 242p	–	–	2,720,450	7.2
	<b>1,639,581</b>	<b>3.1</b>	5,221,834	5.7

## 29. Share-based payments continued

<b>Company</b>	<b>2009 Options Number</b>	<b>2009 Weighted average exercise price Pence</b>	<b>2008 Options Number</b>	<b>2008 Weighted average exercise price Pence</b>
Outstanding at beginning of period	<b>1,285,754</b>	<b>207</b>	4,008,709	159
Exercised during the period	–	–	(633,461)	19
Lapsed during the period	<b>(684,199)</b>	<b>242</b>	(2,268,250)	178
Transfer from other Group companies	–	–	178,756	235
Outstanding at end of the period <sup>1</sup>	<b>601,555</b>	<b>167</b>	1,285,754	207
Exercisable at end of the period	<b>601,555</b>	<b>167</b>	601,555	167

1. Included within this balance are options over 601,555 (2008: 601,555) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

<b>Company</b>	<b>2009 Options outstanding Number</b>	<b>2009 Weighted average remaining contractual life Years</b>	<b>2008 Options outstanding Number</b>	<b>2008 Weighted average remaining contractual life Years</b>
<b>2002 Executive Share Option Scheme</b>				
Exercise price 167p	<b>601,555</b>	<b>3.1</b>	601,555	4.1
Exercise price 242p	–	–	684,199	7.2
	<b>601,555</b>	<b>3.1</b>	1,285,754	5.7

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes model. There were no grants of share options during the period under review or the prior period.

### Equity-settled deferred annual bonus

As part of the HMV Group plc Incentive Plan for Senior Executives (HIPS), as discussed more fully in the Directors' Remuneration Report on page 25, the Company makes deferred awards to certain Directors and senior management. These awards are made in shares and the number of shares awarded is determined by reference to the market value of shares at the time the award is made, not when it is paid. The deferred award normally vests following the third anniversary of the end of the financial year in which the award is made, subject to the performance of the individual.

The charge in respect of deferred awards during the period ended 25 April 2009 was £0.4m (2008: £0.2m).

The number and weighted average fair values of, and movements in, deferred share awards during the year are as follows:

<b>Group</b>	<b>2009 Share awards Number</b>	<b>2009 Weighted average fair value Pence</b>	<b>2008 Share awards Number</b>	<b>2008 Weighted average fair value Pence</b>
Outstanding at beginning of period	<b>532,692</b>	<b>203</b>	1,052,872	207
Granted during the period	<b>910,579</b>	<b>108</b>	21,986	115
Vested during the period	<b>(133,593)</b>	<b>242</b>	(157,531)	226
Forfeited during the period	<b>(28,294)</b>	<b>108</b>	(196,974)	165
Lapsed during the period	<b>(143,904)</b>	<b>242</b>	(187,661)	237
Outstanding at end of the period	<b>1,137,480</b>	<b>120</b>	532,692	203

**29. Share-based payments continued**

<b>Company</b>	<b>2009 Share awards Number</b>	<b>2009 Weighted average fair value Pence</b>	<b>2008 Share awards Number</b>	<b>2008 Weighted average fair value Pence</b>
Outstanding at beginning of period	<b>177,200</b>	<b>226</b>	368,777	232
Granted during the period	<b>389,336</b>	<b>108</b>	–	–
Vested during the period	<b>(46,796)</b>	<b>242</b>	(42,580)	237
Lapsed during the period	<b>(92,945)</b>	<b>242</b>	(148,997)	237
Outstanding at end of the period	<b>426,795</b>	<b>120</b>	177,200	226

Of the outstanding balance, the assessment of performance conditions at 25 April 2009 will result in 156,177 (2008: 143,904) share awards lapsing after the period end (Company: 9,365, 2008: 92,945), whilst a further 77,032 (2008: 133,593) share awards will vest (Company: 28,094, 2008: 46,796). The vesting awards will be settled by shares held in an Employee Benefit Trust (see Note 31) and will be transferred to employees in July 2009.

**Equity-settled Performance Share Plan (PSP)**

Under the PSP the Executive Directors and certain employees are granted an award of shares, which vest after three years provided that preset performance criteria, set by the Remuneration Committee, are met. The number of shares awarded is determined by reference to the market value of shares and the fair value of the award is adjusted for expected dividend income during the vesting period. The charge in respect of the PSP during the year ended 25 April 2009 was £1.3m (2008: £2.4m).

The number and weighted average fair values of, and movements in, PSP awards during the year are as follows:

<b>Group</b>	<b>2009 Share awards Number</b>	<b>2009 Weighted average fair value Pence</b>	<b>2008 Share awards Number</b>	<b>2008 Weighted average fair value Pence</b>
Outstanding at beginning of period	<b>11,362,008</b>	<b>131</b>	4,661,594	162
Granted during the period	<b>4,166,712</b>	<b>108</b>	7,821,277	115
Vested during the period	<b>(20,214)</b>	<b>162</b>	(65,770)	162
Lapsed during the period	<b>(665,450)</b>	<b>130</b>	(1,055,093)	148
Outstanding at end of the period	<b>14,843,056</b>	<b>125</b>	11,362,008	131

<b>Company</b>	<b>2009 Share awards Number</b>	<b>2009 Weighted average fair value Pence</b>	<b>2008 Share awards Number</b>	<b>2008 Weighted average fair value Pence</b>
Outstanding at beginning of period	<b>4,836,783</b>	<b>127</b>	1,237,249	162
Granted during the period	<b>1,628,946</b>	<b>108</b>	3,546,189	115
Transfer from other Group companies	<b>17,063</b>	<b>162</b>	62,751	162
Lapsed during the period	<b>(200,770)</b>	<b>130</b>	(9,406)	162
Outstanding at end of the period	<b>6,282,022</b>	<b>122</b>	4,836,783	127

## 29. Share-based payments continued

### Share Incentive Plan

The HMV Group plc Share Incentive Plan (the 'SIP'), as discussed more fully in the Director's Remuneration Report on page 27, provides share-based incentives to eligible employees. Under the SIP, employees may acquire Ordinary Shares in three ways. Firstly, the Company can use the SIP as part of its broad incentive arrangements by awarding free shares to employees; in this regard an award of 120 free shares was made to every eligible employee on the Initial Public Offering in May 2002. There have not been any further awards of free shares and there are no plans to award further free shares to any employees. Secondly, the Company may invite UK employees to purchase Ordinary Shares, known as Partnership Shares, and thirdly, the Company may, if it wishes, agree to match the shares purchased with additional shares, known as Matching Shares. The Company has matched on a one-for-one basis since the inception of the SIP.

The charge in respect of the SIP during the year ended 25 April 2009 was £0.4m (2008: £0.4m).

## 30. Reconciliation of movements in equity

Group	Equity share capital £m	Own shares £m	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total £m
At 28 April 2007	323.0	(2.5)	–	2.2	0.3	(336.2)	(13.2)
Total recognised income and expense for the period	–	–	(0.4)	5.4	–	94.1	99.1
Ordinary dividend	–	–	–	–	–	(29.8)	(29.8)
Issue of equity shares	0.1	–	–	–	–	–	0.1
Share-based payment awards	–	0.5	–	–	–	(0.5)	–
Charge for share-based payments	–	–	–	–	–	2.6	2.6
At 26 April 2008	323.1	(2.0)	(0.4)	7.6	0.3	(269.8)	58.8
Total recognised income and expense for the period	–	–	0.5	6.4	–	38.9	45.8
Ordinary dividend	–	–	–	–	–	(29.7)	(29.7)
Issue of equity shares	24.7	–	–	–	–	–	24.7
Share issue costs	(0.7)	–	–	–	–	–	(0.7)
Purchase of own shares (see Note 31)	–	(1.0)	–	–	–	–	(1.0)
Share-based payment awards	–	0.3	–	–	–	(0.3)	–
Charge for share-based payments	–	–	–	–	–	1.7	1.7
<b>At 25 April 2009</b>	<b>347.1</b>	<b>(2.7)</b>	<b>0.1</b>	<b>14.0</b>	<b>0.3</b>	<b>(259.2)</b>	<b>99.6</b>

The cumulative amount of goodwill eliminated against retained earnings at 25 April 2009 is £645.5m (2008: £645.5m).

**30. Reconciliation of movements in equity continued**

<b>Company</b>	Equity share capital £m	Own shares £m	Capital reserve £m	Retained earnings £m	Total £m
At 28 April 2007	323.0	(2.5)	0.3	103.9	424.7
Total recognised income and expense for the period	–	–	–	38.5	38.5
Ordinary dividend	–	–	–	(29.8)	(29.8)
Issue of equity shares	0.1	–	–	–	0.1
Share-based payment award	–	0.5	–	(0.5)	–
Charge for share based payments	–	–	–	0.8	0.8
Share-based payment award under IFRIC 11	–	–	–	1.8	1.8
At 26 April 2008	323.1	(2.0)	0.3	114.7	436.1
Total recognised income and expense for the period	–	–	–	44.6	44.6
Ordinary dividend	–	–	–	(29.7)	(29.7)
Issue of equity shares	24.7	–	–	–	24.7
Share issue costs	(0.7)	–	–	–	(0.7)
Purchase of own shares (see Note 31)	–	(1.0)	–	–	(1.0)
Share-based payment award	–	0.3	–	(0.3)	–
Charge for share-based payments	–	–	–	0.3	0.3
Share-based payment award under IFRIC 11	–	–	–	1.4	1.4
<b>At 25 April 2009</b>	<b>347.1</b>	<b>(2.7)</b>	<b>0.3</b>	<b>131.0</b>	<b>475.7</b>

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The profit for the period after taxation, dealt with in the accounts of the Company is £51.6m (2008: £33.1m).

**Equity share capital**

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising 1p Ordinary Shares. At 25 April 2009, equity share capital included share premium of £342.9m (2008: £319.1m).

**Other reserve – own shares**

The own shares reserve represents the Company's shares that are held by an Employee Benefit Trust. Further details on this reserve can be found in Note 31.

**Hedging reserve**

The hedging reserve is used to record changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows.

**Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

**Capital reserve**

The capital reserve is utilised on cancellation of shares. No shares have been cancelled by the Company in the current or previous period.

### 31. Other reserve – own shares

<b>Group and Company</b>	Number of shares	Cost £m
Ordinary Shares:		
Balance at 28 April 2007	1,249,873	2.5
Shares vested	(223,301)	(0.5)
Balance at 26 April 2008	1,026,572	2.0
Shares vested	(153,807)	(0.3)
Shares purchased	900,000	1.0
<b>Balance at 25 April 2009</b>	<b>1,772,765</b>	<b>2.7</b>

The own shares deducted from shareholders' equity represent the Company's shares held by an Employee Benefit Trust ('the Trust'). At 25 April 2009, the Trust held 1,772,765 (2008: 1,026,572) shares with a nominal value of £17,728 (2008: £10,266) and a market value of £2.6m (2008: £1.3m). This shareholding represented 0.3% (2008: 0.3%) of the total shares of the Company. The Trust has waived any entitlement to the receipt of dividends in respect of all of its holding of the Company's Ordinary Shares. The Trust's waiver of dividends may be revoked or varied at any time. All shares held by the Trust have been financed by loans from the Company, which at 25 April 2009 amounted to £2.4m (2008: £1.8m).

The Trust holds shares to satisfy vested awards of the deferred annual bonus element of the HMV Group Incentive Plan for Senior Executives ('HIPS') and the Performance Share Plan (see Note 29). During the period, 153,807 shares were released to employees to satisfy the vesting of awards. It is expected that a further 77,032 shares will vest and be transferred to employees in July 2009.

The Group also has UK and Overseas Trusts which hold the Company's shares in connection with the HMV Group plc Share Incentive Plan, details of which are provided in the Directors' Remuneration Report on page 27. At 25 April 2009, the UK and Overseas Trusts held 3,520,679 shares (2008: 3,331,471) with a nominal value of £35,207 (2008: £33,315). The shares within these Trusts are not held as own shares by the Group or the Company as neither has de facto control over the shares.

### 32. Contingent liabilities

The management of HMV Group is not aware of any legal or arbitration proceedings pending or threatened against any member of HMV Group which may result in any liabilities significantly in excess of provisions in the financial statements. HMV Group plc has given a parent guarantee to support local borrowing facilities, details of which are given in Note 26.

### 33. Pension arrangements

HMV Group employees are members of a number of pension schemes. The main scheme that covers employees in the United Kingdom is the HMV Group Pension Scheme (the 'Scheme' – established with effect from July 1998). The Scheme has two sections – the Pension Benefit Section and the Pension Saver Section. There is also a small defined benefit pension arrangement in Ireland, which is included in the Group amounts disclosed below, but is not included in the Company amounts.

#### Pension Benefit Section

The Pension Benefit Section is of the defined benefit type and is an Inland Revenue exempt approved scheme for the purpose of the Income and Corporation Taxes Act 1988. It is contracted out of SERPS.

A valuation is undertaken on at least a triennial basis by a qualified actuary. The most recently completed actuarial valuation was as at 30 June 2007 and was based on an assumed investment return of 5.0% to 6.75% a year, salary increases of 3.0% a year, and annual pension increases of 2.5% to 3.0%, and used the projected unit method. The result of the valuation was a level of asset cover of 94%, representing a funding deficit of £5.1m, which is being funded by three special contributions of £2.17m on 31 October 2008, 1 May 2009 and 1 May 2010. The valuation reflected a number of changes to the Scheme effective from 1 November 2008, as follows:

- future increases to pensionable salaries are capped at the lower of RPI and 5% pa;
- pension increases in respect of service from 1 November 2008 are capped at the lower of RPI and 2.5% pa;
- regular funding rates increased to 21.2% of pensionable pay from 19.9% previously. The increased regular funding is being met through higher member contributions, with the previous rate of 5.0% of pensionable pay increasing from 1 November 2008 to 6.5% for non-executive members and 10.0% for executive members, with the Group's contribution rate moving from 14.9% of pensionable pay to 14.7% for non-executive members and 22.5% for executive members;
- the Company has agreed to settle directly the administrative costs of the Scheme.

**33. Pension arrangements continued**

The curtailment of the Scheme due to the cap on pensionable salary, resulted in a £5.6m past service cost credit which has been recognised in the income statement as an exceptional item (see Note 7). The next actuarial review will take place no later than 30 June 2010.

The Pension Benefit Section was generally closed to new members with effect from 1 January 2002, with the exception of 543 members who transferred into the Scheme on 31 May 2003 from the EMI Group Pension Fund as a result of the Group's flotation on the London Stock Exchange. Actual employer contributions to the Pension Benefit Section for the year ended 25 April 2009 were £2.5m (2008: £2.6m) excluding the special contribution noted above of £2.17m. The total employer contributions to the defined benefit plans for the financial year commencing on 26 April 2009 are expected to be £2.5m.

**Pension Saver Section**

The Pension Saver Section is of the defined contribution type and is open to all permanent and temporary staff of the Group aged between 18 and 64 years. Members can choose to pay from 2% to 5% of pensionable pay. The Group matches the amount paid by the member up to a maximum of 5% of pensionable pay. Members have a choice of ways to invest their and the Group's contributions in an individual fund to buy pension benefits of their choice. Actual employer contributions to the Pension Saver Section for the year ended 25 April 2009 were £1.1m (2008: £0.9m). In addition, employer contributions to similar pension arrangements in HMV's international businesses totalled £0.6m (2008: £0.5m)

**Defined benefit pensions**

Amounts reflected in the financial statements in respect of the defined benefit pension scheme are determined with the advice of independent qualified actuaries, Watson Wyatt LLP, on the basis of annual valuations using the projected unit funding method. Scheme assets are stated at their market value at the respective balance sheet dates. The major assumptions used in the calculations are as follows:

	<b>As at 25 April 2009 % per annum</b>	As at 26 April 2008 % per annum
Rate of price inflation	<b>3.6</b>	3.5
Rate of salary increase	<b>3.6</b>	5.0
Rate of increase for pensions in payment	<b>3.4</b>	3.3
Rate used to discount scheme liabilities	<b>6.5</b>	6.2
Expected rate of return on equities	<b>8.2</b>	8.1
Expected rate of return on bonds	<b>6.2</b>	6.2
Expected rate of return on index-linked bonds	<b>4.6</b>	4.6

The expected rate of return on Scheme assets are based on external historical and forecast market information.

The post-retirement mortality assumptions used as at both 25 April 2009 and 26 April 2008 are in line with the actuarial funding valuation as at 30 June 2007. They reflect the pensioner mortality 00 series tables rated up one year and based on year of use with allowance for medium cohort improvements applying from 2000 subject to a minimum of 1% per annum. These bases imply the following life expectancies:

<b>Life expectancy (years)</b>	<b>2009 At age 65 for someone currently aged 65</b>	<b>2009 At age 65 for someone currently aged 50</b>	2008 At age 65 for someone currently aged 65	2008 At age 65 for someone currently aged 50
Male	<b>21.4</b>	<b>22.9</b>	21.3	23.1
Female	<b>23.8</b>	<b>25.3</b>	23.6	25.5

Other non-financial assumptions are also consistent with those used in the actuarial valuation of the Scheme as at 30 June 2007.

### 33. Pension arrangements continued

#### Group

On the basis of the above assumptions, the amounts charged or credited to the consolidated income statement and consolidated statement of recognised income and expense for the period ended 25 April 2009 are set out below:

	2009 £m	2008 £m
<b>Recognised in the income statement</b>		
Current service cost	<b>(3.4)</b>	(3.9)
Past service credit	<b>5.6</b>	–
Total recognised in arriving at operating profit	<b>2.2</b>	(3.9)
<b>Finance charge</b>		
Interest on pension scheme liabilities	<b>(6.3)</b>	(5.9)
Expected rate of return on assets in the pension scheme	<b>5.8</b>	5.8
Net charge to other finance expense	<b>(0.5)</b>	(0.1)
Total income statement credit (charge) before deduction for taxation	<b>1.7</b>	(4.0)
<b>Taken to the consolidated statement of recognised income and expense</b>		
Actual return on scheme assets	<b>(12.2)</b>	–
Less: expected return on scheme assets	<b>(5.8)</b>	(5.8)
	<b>(18.0)</b>	(5.8)
Other actuarial gains and losses	<b>7.0</b>	13.1
Actuarial (loss) gain recognised in the consolidated statement of recognised income and expense	<b>(11.0)</b>	7.3
The assets and liabilities of the Scheme at the end of the period were:		
	As at 25 April 2009 £m	As at 26 April 2008 £m
Equities	<b>39.7</b>	44.6
Bonds	<b>19.4</b>	20.7
Index-linked bonds	<b>18.8</b>	20.3
Other	<b>1.1</b>	0.7
Total market value of assets	<b>79.0</b>	86.3
Actuarial value of scheme liabilities	<b>(100.0)</b>	(102.6)
Deficit in the Scheme	<b>(21.0)</b>	(16.3)
Deferred tax	<b>5.8</b>	4.5
Net pension liability	<b>(15.2)</b>	(11.8)

The pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

**33. Pension arrangements continued**

Changes in the fair value of the assets are analysed as follows:

	2009 £m	2008 £m
Total market value of assets at the beginning of the period	<b>86.3</b>	86.9
Employer contributions	<b>4.6</b>	2.6
Employee contributions	<b>0.9</b>	0.9
Benefits paid	<b>(1.1)</b>	(4.6)
Expected return on plan assets	<b>5.8</b>	5.8
Actuarial loss	<b>(18.0)</b>	(5.8)
Foreign exchange gain	<b>0.5</b>	0.5
Total market value of assets at the end of the period	<b>79.0</b>	86.3

Changes in the present value of the Scheme liabilities are analysed as follows:

	2009 £m	2008 £m
Defined benefit pension obligations at the beginning of the period	<b>(102.6)</b>	(109.1)
Current service cost	<b>(3.4)</b>	(3.9)
Past service credit	<b>5.6</b>	–
Interest on pension scheme liabilities	<b>(6.3)</b>	(5.9)
Employee contributions	<b>(0.9)</b>	(0.9)
Benefits paid	<b>1.1</b>	4.6
Actuarial gain	<b>7.0</b>	13.1
Foreign exchange loss	<b>(0.5)</b>	(0.5)
Defined benefit pension obligations at the end of the period	<b>(100.0)</b>	(102.6)

<b>History of experience gains and losses</b>	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	<b>79.0</b>	86.3	86.9	75.5	55.6
Present value of defined benefit obligation	<b>(100.0)</b>	(102.6)	(109.1)	(100.5)	(85.6)
Deficit in the Scheme	<b>(21.0)</b>	(16.3)	(22.2)	(25.0)	(30.0)
Experience adjustments arising on scheme liabilities	<b>0.1</b>	6.6	–	–	(2.2)
Other actuarial changes	<b>6.9</b>	6.5	1.3	(6.5)	(12.5)
Experience adjustments arising on scheme assets	<b>(18.0)</b>	(5.8)	(1.3)	8.7	(0.4)

The cumulative amount of actuarial gains and losses recognised since 25 April 2004 in the Group statement of recognised income and expense is £(16.6)m (2008: £(5.6)m). The Directors are unable to determine how much of the Scheme deficit of £17.4m, recognised on transition to IFRS and taken directly to equity in the Group, is attributable to actuarial gains and losses since inception of the Scheme. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group statement of recognised income and expense before 25 April 2004.

### 33. Pension arrangements continued

#### Company

The Company, as sponsoring employer of the UK defined benefit scheme, recognises the net pension obligation for the Scheme. The other participating members of the Scheme account for their relevant pension costs on a defined contribution basis. The movement during the period in the defined benefit pension Scheme deficit recognised on the Company balance sheet is as follows:

	2009 £m	2008 £m
Deficit in scheme at the beginning of the period	(15.9)	(22.0)
Contributions paid	4.6	2.5
Current service cost	(3.4)	(3.8)
Past service credit	5.6	–
Net charge to other finance expense	(0.5)	(0.1)
Actuarial (loss) gain	(11.1)	7.5
Deficit in scheme at the end of the period	(20.7)	(15.9)
Deferred tax	5.8	4.5
Net pension liability	(14.9)	(11.4)

History of experience gains and losses	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	76.4	83.2	84.1	73.0	53.9
Present value of defined benefit obligation	(97.1)	(99.1)	(106.1)	(97.8)	(83.0)
Deficit in the Scheme	(20.7)	(15.9)	(22.0)	(24.8)	(29.1)
Experience adjustments arising on scheme liabilities	–	6.9	–	–	(2.3)
Other actuarial changes	5.6	5.8	1.3	(6.7)	(12.0)
Experience adjustments arising on scheme assets	(16.7)	(5.2)	(1.3)	8.3	(0.4)

The cumulative amount of actuarial gains and losses recognised since 25 April 2004 in the Company statement of recognised income and expense is £(16.7)m (2008: £(5.6)m). The Directors are unable to determine how much of the Scheme deficit of £16.9m, recognised on transition to IFRS and taken directly to equity in the Company, is attributable to actuarial gains and losses since inception of the Scheme. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Company statement of recognised income and expenses before 25 April 2004.

### 34. Capital commitments

Group	2009 £m	2008 £m
Capital expenditure: contracted but not provided	0.8	2.7

The Company had no capital commitments contracted but not provided at either 25 April 2009 or 26 April 2008.

**35. Obligations under leases****Obligations under operating leases**

The Group operates entirely from properties in respect of which commercial operating leases have been entered into. These leases have an average remaining duration of 10 years. At the end of the period, future minimum rentals payable under non-cancellable operating leases were as follows:

<b>Group</b>	<b>Land and buildings</b>		<b>Other</b>	
	<b>2009 £m</b>	<b>2008 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>
Not later than one year	<b>166.2</b>	150.1	<b>0.4</b>	–
Between two and five years inclusive	<b>534.0</b>	494.1	<b>0.4</b>	–
After five years	<b>529.4</b>	561.2	–	–
	<b>1,229.6</b>	1,205.4	<b>0.8</b>	–

Group companies other than the parent have sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 25 April 2009 is £19.3m (2008: £24.4m).

<b>Company</b>	<b>Land and buildings</b>		<b>Other</b>	
	<b>2009 £m</b>	<b>2008 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>
Not later than one year	<b>0.2</b>	0.2	–	–
Between two and five years inclusive	<b>0.7</b>	0.8	–	–
After five years	–	0.1	–	–
	<b>0.9</b>	1.1	–	–

**Obligations under finance leases**

The Group has acquired certain plant and equipment using finance lease facilities. These leases have no terms of renewal, purchase options or escalation clauses. At the end of the period, future minimum payments under finance leases were as follows:

<b>Group</b>	<b>2009 £m</b>	<b>2008 £m</b>
Not later than one year	<b>1.2</b>	0.3
Between two and five years inclusive	<b>3.8</b>	0.5
After five years	<b>2.5</b>	–
	<b>7.5</b>	0.8
Less: finance charges allocated to future periods	<b>(1.5)</b>	(0.1)
Present value of minimum lease payments	<b>6.0</b>	0.7

The present value of minimum lease payments is analysed as follows:

	<b>2009 £m</b>	<b>2008 £m</b>
Not later than one year	<b>1.0</b>	0.2
Between two and five years inclusive	<b>3.1</b>	0.5
After five years	<b>1.9</b>	–
	<b>6.0</b>	0.7

The Company had no obligations under finance leases.

### 36. Related party transactions

During the period the Company entered into transactions in the ordinary course of business with related parties. Transactions entered into and balances outstanding at the end of the period are as follows:

	Dividends received from related parties £m	Services rendered to related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
With subsidiaries				
<b>2009</b>	<b>67.1</b>	<b>2.5</b>	<b>69.0</b>	<b>192.6</b>
2008	55.0	3.2	28.3	111.4
With joint venture				
<b>2009</b>	<b>-</b>	<b>-</b>	<b>5.5</b>	<b>-</b>
2008	-	-	-	-

Included within the amounts owed by and to subsidiaries, £6.1m (2008: £4.8m) related to intercompany trading balances and is settled monthly with no interest charge. The remaining net balance of £129.7m (2008: £88.1m) related to intercompany loans, on which interest is charged at the Bank of England base rate prevailing at the date of inception and which are repayable on demand.

During the prior year, the Company entered into a guarantee to secure the obligations of a subsidiary company, HMV Canada Inc, to a supplier, subject to a maximum amount of C\$3.5million until 31 July 2009.

At 25 April 2009 the Group had a loan note of £5.5m (2008: £nil) receivable from the joint venture, Mean Fiddler Group Limited (see Note 18).

### Remuneration of key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below:

	<b>Group 2009 £m</b>	Group 2008 £m	<b>Company 2009 £m</b>	Company 2008 £m
Short-term employee benefits	<b>1.9</b>	3.5	<b>0.9</b>	2.1
Post-employment benefits	<b>0.3</b>	0.2	<b>0.2</b>	0.2
Share-based payments	-	0.1	-	-
Termination benefits	<b>0.3</b>	1.5	-	-
	<b>2.5</b>	5.3	<b>1.1</b>	2.3

### 37. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Financial Review on pages 4 to 17. The Directors' Report also describes the Group's borrowing facilities, further information on which is detailed in the financial statements.

The Directors report that having reviewed current performance and forecast they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.