

HMV Group plc, the UK's leading retailer of music, video, games and books, today announces its interim financial results for the 26 weeks ended 23 October 2010.

HMV and Waterstone's Christmas trading to be driven by strong line-up of products, including in music Take That, Cheryl Cole, JLS, Westlife; in video *Toy Story 3*, *Sex and the City 2*, *Eclipse* and *Shrek 4*; in games Kinect for Xbox360, *Call of Duty: Black Ops*, *Assassin's Creed Brotherhood*, *GTA V* and *FIFA 11*; and books from Jamie Oliver, Michael McIntyre, Sebastian Faulks, Stephen Fry, Nigella Lawson, Keith Richards and Neil MacGregor

Financial highlights

- Total sales £749.5m (2009: £797.0m), down 6.0%. Like for like sales down 11.5% (2009: 2.1%)
- HMV UK & Ireland total sales down 15.3%, including like for like sales down 16.1%
- Waterstone's total sales down 2.4%. Like for like sales down 3.2%
- Seasonal loss before tax of £41.3m (2009: loss of £24.9m)
- Loss after tax of £30.5m (2009: loss of £17.8m)
- Basic EPS loss of 7.4p (2009: loss of 4.2p)
- Dividend policy reviewed. Interim dividend 0.9p per share (2009: 1.8p)
- Underlying net debt of £151.6m (2009: £88.1m)
- Announced disposal of HMV store at 360 Oxford Street for £13.75m

Operational highlights

- Continued progress in the transformation of HMV to a broad-based entertainment brand
 - new products increased to 12% of sales (2009: 9%)
 - in Live division, successful opening of HMV Institute, Birmingham, and further new venue, the Ritz in Manchester, to open in the second half
- Good progress on turnaround at Waterstone's, including refocusing on range and local offer, and driving sales of related product

Outlook

The outcome of our full financial year will be largely determined by the next four weeks of the key Christmas trading period, which together with the final four months of our financial year, account for 60% of our full year sales. Despite more encouraging trading at the beginning of the second half, the start to the Christmas trading period has been undermined by the severe weather of the last two weeks, which has significantly affected consumer footfall and consequently makes trading patterns hard to determine at this stage.

Commenting, Chief Executive Simon Fox said:

"The increased seasonal loss reflects the tough trading conditions in HMV UK, where good progress in growing new product categories was not sufficient to offset weak entertainment markets. In Waterstone's, the recovery plan is on track, and in all businesses we are very well prepared for the important weeks ahead, with a strong line-up of offers across all product categories and a focus on delivering high quality service both in-store and online."

Enquiries

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- All enquiries on 9 December should be directed via Brunswick. A Christmas trading update will be issued on 13 January 2011.

Slides to accompany this announcement are available for viewing or download at:
<http://www.hmvgroup.com/en/investors/presentation/financial-presentations/presentations-2010.aspx>

Notes for editors

HMV Group is one of the world's leading retailers of music, video and electronic games and the leading retailer of books in the United Kingdom and Ireland in terms of total sales. As of 23 October 2010 it operated 412 HMV and 10 Fopp stores selling music, video and games in five countries and 311 Waterstone's bookstores, principally in the United Kingdom and Ireland. All of the Group's retail operations, both in the United Kingdom and internationally, are wholly owned.

During the previous financial year the Group completed the acquisition of the MAMA Group of companies, which comprise a diverse range of music-related businesses, including the operation of live music and entertainment venues, music festivals and artist management activities.

HMV Group websites

hmvgroup.com
hmv.com
tickets.hmv.com
hmv.ca
hmv.com.hk
waterstones.com

Chief Executive's Review

During the first half of our financial year we embarked on delivering the strategic plan outlined on 26 March 2010. This has principally involved continuing to evolve HMV UK & Ireland's product mix, revitalising Waterstone's core strengths as a range specialist bookseller and improving the effectiveness of our book hub, and continuing to grow in live and digital.

Market conditions in the Group's first half have been extremely difficult. As a result, we have continued to tightly manage our costs and adopt a flexible approach to our property portfolio by combining certain HMV and Waterstone's stores and taking short-lease stores to trade through our Christmas peak. In addition, subsequent to the period end, we achieved a significant £13.75m premium for the disposal of the lease on one of our stores in the West End of London. The Board has also reviewed the Group's dividend policy in light of the earnings profile of the Group and the uncertain consumer environment and has rebased the dividend accordingly.

An update on our progress on each of the three pillars of our plan, comprising a continuation of HMV's product mix evolution, growing in live and digital and a turnaround at Waterstone's, is provided below.

Continuing to evolve HMV's product mix

The changes that we have made to our business have been against the backdrop of difficult entertainment markets, particularly games, which underperformed against our expectations.

In order to compensate for the broad-based changes taking place in our traditional markets, HMV has over the last three years clearly demonstrated its ability to diversify into new and related entertainment product areas. During the first half, HMV's new product categories grew to 12% of the sales mix (2009: 9%), driven by an increased focus on technology, where our offer was broadened to include Apple's iPad tablet device. In addition, the Studio, a new purpose-designed department in which to display and merchandise entertainment-related clothing was rolled-out to all stores.

The progress of these strategic initiatives notwithstanding, our sales performance during the first half leads us to conclude that we must accelerate HMV's product mix evolution, with a particular focus on technology, where the opportunity for range expansion in high-growth products is greatest.

Growing in live and digital

HMV's evolution from a one-dimensional retailer to a broad-based entertainment brand is being driven by our increasing activities in the fast-growing live music market, following the acquisition of MAMA Group in January 2010.

Our 12 live music venues performed well during the period, reflecting increased bookings, occupancy and in-venue sales. In September, we successfully opened The HMV Institute in Birmingham, and plans are advanced for a new venue, the Ritz in Manchester, in the second half of the year. A new ticketing system is being implemented for all venues, providing the platform to grow our HMV Tickets business in line with our strategic plan.

Our established summer festivals Lovebox, Godskitchen, Global Gathering, The Great Escape and Escape into the Park, performed broadly in line with expectations. In its first year, ticket sales to the High Voltage classic rock festival underperformed, and from 2011 this event will be staged from a lower cost base. We believe the festival market offers good opportunities to build a business of greater scale, and we expect to add two further festivals in summer 2011, including one at the Cornbury Estate in Oxfordshire.

7digital, the digital media company acquired in the prior year continues to gain significant traction as a B2B supplier of digital media services, particularly to consumer electronics manufacturers. During the period, 7digital technology was embedded into Samsung's Galaxy Tab device and Pure Internet radios, enabling users to buy music tracks directly from these devices.

Chief Executive's Review (continued)

Turnaround at Waterstone's

At Waterstone's, our focus has been on improving our ability to deliver an appropriate range of books for our diverse portfolio of stores, supported by the centralised book hub which operated successfully throughout the period.

As part of our renewed focus on range, we have reviewed our stock across all genres, with 40% of core range refreshed. We have also increased the amount of space in all stores available to booksellers to mount their own merchandising initiatives, and at the same time scaled back the number of centrally planned promotions.

In the related product category, Paperchase concessions have been successfully opened in 15 stores, and in the remainder of the estate our own cards and gift stationery offer has been significantly enhanced. The range of e-reading devices in stores has been increased to include Elonex and iRiver readers alongside the next generation of Sony e-Readers. Online, we have launched a new e-book store powered by 7digital as well as a new Apple iPhone app for mobile purchasing of physical books, which will be followed by an e-reading app.

Our top 20 stores, largely in ex-Borders catchments, have been refurbished, with new branding and an improved range and environment, and across our estate sales transfers from former Borders stores are tracking in line with expectations.

Dividend

The Board has reviewed the Group's dividend policy in light of the continuing weak entertainment markets, the uncertain consumer outlook and the consequent impact on the earnings profile of the Group and has rebased the dividend accordingly. The Board is now focused on targeting a dividend cover of 2.5-3.0x on a full year basis and has declared an interim dividend of 0.9p per share (2009: 1.8p per share).

Business and financial review

These interim results are for the 26 weeks ended 23 October 2010.

Financial highlights	26 weeks ended 23 October 2010	26 weeks ended 24 October 2009
	£m	£m
Sales	749.5	797.0
Like for like sales %	(11.5)%	(2.1)%
Operating loss	(37.3)	(21.8)
Loss before tax	(41.3)	(24.9)
Loss after tax	(30.5)	(17.8)
Loss per share	(7.4)p	(4.2)p
Dividend per share	0.9p	1.8p
Underlying net debt	151.6	88.1
Free cash outflow	(79.1)	(48.3)

Underlying net debt – cash and short-term deposits less external borrowings, before unamortised deferred financing fees

Free cash flow – Cash flow from operating activities after capital expenditure and net interest

Total sales decreased by 6.0% compared with the same period last year, including a like for like decline of 11.5%. HMV UK & Ireland's total sales fell by 15.3%, including a like for like decrease of 16.1%. In Waterstone's, total sales fell by 2.4% including a like for like decline of 3.2%.

The Group generated a seasonal operating loss of £37.3m in the period (2009: £21.8m). Net finance costs increased from £3.1m to £4.0m due to higher average net debt during the period under review. This contributed to a loss before tax of £41.3m, £16.4m higher than the prior period.

Underlying net borrowings were £151.6m, £63.5m higher than last year, primarily reflecting the acquisition of MAMA Group Plc for £47.0m in January 2010, partially offset by the timing of the payment of the final dividend. Free cash outflow was £79.1m (2009: £48.3m), reflecting the adverse impact of trading on profitability and working capital timing.

The Board has declared an interim dividend of 0.9p per share (2009: 1.8p per share).

Business and financial review (continued)

Sales	26 weeks ended 23 October 2010 £m	26 weeks ended 24 October 2009 £m	Year on year growth (decline) ¹ %	Constant exchange growth (decline) ² %	Like for like sales growth (decline) ³ %
HMV UK & Ireland	399.0	470.7	(15.3)	(15.0)	(16.1)
HMV International	102.2	101.3	1.0	(9.8)	(8.9)
HMV Live	28.8	-	-	-	-
Waterstone's	219.5	225.0	(2.4)	(2.2)	(3.2)
Total HMV Group	749.5	797.0	(6.0)	(7.1)	(11.5)

Operating loss	26 weeks ended 23 October 2010 £m	26 weeks ended 24 October 2009 £m	26 weeks ended 23 October 2010 % of sales	26 weeks ended 24 October 2009 % of sales
HMV UK & Ireland	(24.3)	(6.7)	(6.1)	(1.4)
HMV International	(4.0)	(2.6)	(3.9)	(2.6)
HMV Live	1.5	-	5.4	-
Waterstone's	(9.9)	(12.9)	(4.5)	(5.7)
Share of post-tax (loss) profit of joint ventures	(0.6)	0.4	-	-
Total HMV Group	(37.3)	(21.8)	(5.0)	(2.7)

1 Year on year growth (decline) over the corresponding period last year is based on results translated at the actual exchange rates being the weighted average exchange rates for the 26 weeks ended 23 October 2010 and the 26 weeks ended 24 October 2009 respectively.

2 Constant exchange growth (decline) over the corresponding period last year is based on the weighted average exchange rates for the 26 weeks ended 24 October 2009.

3 Like for like sales growth (decline) over the corresponding period last year is based on the weighted average exchange rates for the 52 weeks ended 24 April 2010.

HMV UK & Ireland

HMV UK & Ireland total sales fell by 15.3% at statutory exchange rates, primarily due to a like for like decline of 16.1%. This sales performance contributed to an operating loss of £24.3m, £17.6m higher than last year.

The music and visual markets continued to decline in line with our expectations. In music, the physical market was down almost 10%, with HMV broadly holding share, with growth in digital resulting in an overall market decline of 4.4%. In visual, the market contracted by 8%, with extensive discounting and range extension by supermarkets leading to some share loss in HMV UK.

The most challenging market in the period was games, which declined by 12% in addition to a 30% fall in the same period last year. However, HMV held share and continued to rapidly develop its pre-played games offer, with sales up 45% in the period. Other products contributed 12% of sales, up from 9% in 2009, primarily reflecting strong growth in the technology offer, with a limited contribution from the entertainment-inspired fashion ranges, which were rolled out in September.

The business continues to adopt a flexible approach to its store estate, with a further combined HMV/Waterstone's store opened in Edinburgh Fort Kinnard, and a Waterstone's offer being incorporated in HMV Basildon. In addition, a FOPP store concession was introduced to Waterstone's Gower Street and, building on the success of the prior year, HMV will operate 22 short-lease stores through the peak period.

The operating result reflected the weak sales performance in the period combined with a 20 basis points dilution in gross margin in line with previous guidance, offset by a 4% reduction in total costs.

Business and financial review (continued)

HMV International

Total sales in HMV International fell 9.8% at constant exchange rates, including like for like sales down 8.9%. This reflects a disappointing performance in HMV Canada, where like for like sales fell 10.2% in challenging entertainment markets. Similar to the UK, sales performance was impacted by a weaker than expected games market, with the music and visual markets declining by 16% and 8% respectively. Music and visual continue to form the core product offering in Canada, although technology and related products grew to almost 7% of sales, compared with less than 5% for the same period a year ago. Conversely, the seven HMV stores in Hong Kong and Singapore achieved like for like sales growth of 2.4%, driven by success with their technology and related products offer.

The operating loss increased by £1.4m to £4.0m as a result of the total sales decline, with gross margin improving by 70 basis points and costs reduced by 1.6%.

Waterstone's

Total sales at Waterstone's declined by 2.4% at statutory exchange rates, reflecting UK performance in line with a total book market down 1.5%, inclusive of the closure of Borders, with more challenging trading in Ireland. Like for like sales for the period were down 3.2%.

The business focus through the period has been on continuing to transform the offer, primarily through an enhancement of range tailored to each local market. This activity has been achieved through effective utilisation of the book hub, which operated successfully throughout the period, including returns processing to publishers. In addition, the store offer has been complemented by investment in the top 20 Waterstone's stores, the roll-out of 15 Paperchase stationery concessions and an enhanced technology offer across the estate.

Waterstone's operating loss has decreased from £12.9m to £9.9m. This reflected an underlying gross margin rate improvement of 60 basis points, benefiting from the enhanced local offer and more selective discounting. This was offset by a comparable margin impact from the annualisation of the book hub's operating costs in the first half, with operational efficiencies on target to deliver a net £3m profit benefit for the full financial year. Costs were well managed, and in total were down 5% in the period.

Waterstone's opened one new store and one was resited, both in conjunction with HMV UK, with four stores closing.

HMV Live

The new Live division achieved sales of £28.8m in the half year and an operating profit of £1.5m. Our venues business performed strongly, with like for like sales growth at wholly owned venues up 7%, including the contribution from September of the new HMV Institute in Birmingham. HMV Tickets also continued to make good progress. The division's established festivals traded broadly in line with expectations, although the overall result was impacted by the inaugural High Voltage classic rock festival, which underperformed against expectations.

The net asset fair values exercise on acquisition of MAMA Group has now been finalised, resulting in a decrease in the fair value of the net assets acquired and consequently an increase in the goodwill capitalised of £4.6m. This principally reflected an impairment charge against the carrying value of MAMA's minority investment in the Netwerk group of artist management companies. Further details are given in Note 10 on page 20.

Investments accounted for using the equity method

The Group's investments in joint ventures and associates accounted for using the equity method include the digital media company, 7digital, together with various investments acquired with MAMA Group. In the prior period, investments also included the 50% share of the Mean Fiddler venue joint venture, prior to control being acquired through the MAMA Group acquisition. The Group's share of post tax net loss was £0.6m (2009: profit of £0.4m), with net investment in the period of £1.2m (2009: £8.1m).

Business and financial review (continued)

Net finance costs

Net finance costs increased in the period to £4.0m from £3.1m due to higher average net debt as a result of acquisitions.

Taxation

The taxation credit for the period is based on the estimated effective tax rate on profits for the full year of 28% (2009: 28%) adjusted by the £0.6m impact on the deferred tax asset of the reduction in the UK corporate income tax rate from 28% to 27% with effect from 1 April 2011.

Earnings per share

Earnings per share was a loss of 7.4p, an increase of 3.2p on the loss of 4.2p per share in the prior period.

Dividend

The Board has declared an interim dividend of 0.9p per share (2009: 1.8p).

Cash flow and net debt

	26 weeks to 23 October 2010 £m	26 weeks to 24 October 2009 £m
EBITDA	(15.6)	(1.0)
Capital expenditure	(18.8)	(16.9)
Working capital outflow	(26.9)	(15.0)
Provision spend and other	(0.2)	(2.7)
Special pension contribution	(2.2)	(2.2)
Net interest paid	(3.4)	(2.3)
Taxation	(12.0)	(8.2)
Free cash flow	(79.1)	(48.3)
Investment in joint ventures and associates	(1.2)	(8.1)
Cost of raising debt	(2.9)	-
Dividends paid	-	(23.6)
Payments to non-controlling interests	(0.4)	-
Other	-	(0.3)
Effect of exchange rate changes	(0.4)	(1.3)
Net cash outflow	(84.0)	(81.6)
Underlying opening net debt	(67.6)	(6.5)
Underlying closing net debt	(151.6)	(88.1)

EBITDA – Earnings before interest, taxation, depreciation and amortisation

Free cashflow – Cashflow from operating activities after capital expenditure and net interest

Underlying net debt – Underlying net debt is stated before unamortised deferred financing fees

Closing net debt of £151.6m was £63.5m higher than at October last year, primarily due to the acquisition of MAMA Group for £47.0m in January 2010. Underlying free cash flow of £79.1m (2009: £48.3m) reflected the adverse impact of trading on profitability and working capital timing. These effects were partly offset by a timing of payment of the final dividend.

On 22 July 2010 the Group successfully completed the refinancing of its £240m syndicated bank facility. The new facility expires in 30 September 2013, with an option to extend to 30 September 2014. Associated refinancing costs of £2.9m were capitalised and will be amortised over the life of the facility. The Group's funding also includes a £8.4m term loan acquired through MAMA Group with a final maturity of 13 November 2014.

Business and financial review (continued)

Pensions

The Group has a number of pension schemes in operation, including defined benefit arrangements for approximately 400 employees almost entirely in the United Kingdom. The most recent valuation of the Pension Benefit Section of the UK scheme as at 30 June 2007, indicated a level of asset cover of 94%, representing a funding deficit of £5.1m. This deficit has been funded by three special contributions of £2.17m all of which have been paid. The next actuarial review as at 30 June 2010 is currently under way.

Under IAS 19 'Employee Benefits', the HMV defined benefit scheme had a deficit at 23 October 2010, net of deferred tax, of £32.6m (October 2009: £25.2m, April 2010: £28.1m). The increase since April 2010 primarily reflects a reduction in the corporate bond yield (5.1% at October 2010, from 5.5% at April 2010) used to calculate the current value of scheme liabilities. This has more than offset the benefit of improved investment returns in the period.

Board developments

As announced in September 2010 Neil Bright, Group Finance Director, will cease to be a director of the Company on 17 December 2010. The Board's search for a successor is well advanced, and a further announcement is expected in due course. Martin Miles, the Group Financial Controller, will from 17 December become Acting Finance Director for an interim period.

Principal risks and uncertainties

The Board has a policy of continuous identification and review of key business risks and uncertainties, which are set out on page 46 of the Annual Report and accounts for the 52 weeks ended 24 April 2010. The Board considers that these remain the principal risks affecting the Group in respect of the current financial year and they are, in summary, as follows; highly competitive markets for the Group's products, the growth of digital entertainment, seasonality of the business, external factors such as consumer confidence in the UK economy, credit risk and liquidity risk, failure of supply, damage to the reputation or brands of the Group, reliance on a number of Information Technology systems, availability and retention of key personnel, retaining a good quality store network and the success of key initiatives.

Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Interim consolidated income statement

		26 weeks to 23 October 2010	26 weeks to 24 October 2009	52 weeks to 24 April 2010		
	Notes	Total (Unaudited) £m	Total (Unaudited) £m	Before exceptional items (Audited) £m	Exceptional items (Audited) £m	Total (Audited) £m
Revenue	4	749.5	797.0	2,016.6	-	2,016.6
Cost of sales		(748.5)	(776.4)	(1,853.6)	(2.0)	(1,855.6)
Gross profit		1.0	20.6	163.0	(2.0)	161.0
Administrative expenses		(37.7)	(42.8)	(82.9)	(3.3)	(86.2)
Trading (loss) profit	4	(36.7)	(22.2)	80.1	(5.3)	74.8
Share of post-tax (losses) profits of investments accounted for using the equity method		(0.6)	0.4	0.3	-	0.3
Operating (loss) profit		(37.3)	(21.8)	80.4	(5.3)	75.1
Finance revenue		-	0.4	0.4	-	0.4
Finance costs		(4.0)	(3.5)	(6.6)	-	(6.6)
(Loss) profit before taxation		(41.3)	(24.9)	74.2	(5.3)	68.9
Taxation	6	10.8	7.1	(20.7)	1.0	(19.7)
(Loss) profit for the period		(30.5)	(17.8)	53.5	(4.3)	49.2
Attributable to:						
Shareholders of the parent company		(31.3)	(17.8)	53.5	(4.3)	49.2
Non-controlling interests		0.8	-	-	-	-
		(30.5)	(17.8)	53.5	(4.3)	49.2
(Loss) earnings per share for the period attributable to shareholders of the parent company:						
Basic	7	(7.4)p	(4.2)p	12.7p	(1.1)p	11.6p
Diluted	7	(7.4)p	(4.2)p	12.7p	(1.1)p	11.6p
Dividend per share	8	0.9p	1.8p			7.4p

The notes on pages 15 to 22 form an integral part of the interim condensed consolidated financial statements.

See note 5 for a description of exceptional items.

Interim consolidated statement of comprehensive income

	26 weeks to 23 October 2010 (Unaudited) £m	26 weeks to 24 October 2009 (Unaudited) £m	52 weeks to 24 April 2010 (Audited) £m
(Loss) profit for the period	(30.5)	(17.8)	49.2
Foreign exchange translation differences	0.3	(1.5)	(1.1)
Tax effect	0.1	-	(0.5)
	0.4	(1.5)	(1.6)
Loss on forward foreign exchange contracts	(0.8)	(0.4)	-
Actuarial loss on defined benefit pension schemes	(6.8)	(15.4)	(19.3)
Tax effect	1.1	4.0	5.4
	(5.7)	(11.4)	(13.9)
Other comprehensive loss for the period, net of tax	(6.1)	(13.3)	(15.5)
Total comprehensive (loss) income for the period	(36.6)	(31.1)	33.7
Attributable to:			
Shareholders of the parent company	(37.4)	(31.1)	33.7
Non-controlling interests	0.8	-	-
	(36.6)	(31.1)	33.7

The notes on pages 15 to 22 form an integral part of the interim condensed consolidated financial statements.

Interim consolidated balance sheet

	Notes	23 October 2010 (Unaudited) £m	24 October 2009 (Unaudited) £m	24 April 2010 (Restated, Audited) £m
Assets				
Non-current assets				
Property, plant and equipment	9	163.8	157.9	167.0
Intangible assets		126.6	73.0	126.8
Investments accounted for using the equity method		10.8	23.2	10.3
Deferred income tax asset		30.3	28.9	30.1
Trade and other receivables		11.9	1.1	12.7
		343.4	284.1	346.9
Current assets				
Inventories		301.8	319.2	247.8
Trade and other receivables		69.5	67.7	80.7
Derivative financial instruments		-	-	0.1
Current income tax recoverable		10.1	8.9	1.8
Cash and short-term deposits	11	24.7	41.2	29.7
		406.1	437.0	360.1
Total assets		749.5	721.1	707.0
Liabilities				
Non-current liabilities				
Deferred income tax liabilities		(1.6)	(0.1)	(1.6)
Retirement benefit liabilities		(44.8)	(34.9)	(39.0)
Interest-bearing loans and borrowings	12	(11.1)	(4.7)	(11.8)
Provisions	13	(1.0)	(0.2)	(1.1)
		(58.5)	(39.9)	(53.5)
Current liabilities				
Trade and other payables		(479.3)	(502.8)	(442.8)
Current income tax payable		(6.6)	(8.0)	(20.8)
Interest-bearing loans and borrowings	12	(161.6)	(123.9)	(84.5)
Derivative financial instruments		(1.8)	(0.3)	(0.8)
Provisions	13	(2.4)	(1.9)	(4.0)
		(651.7)	(636.9)	(552.9)
Total liabilities		(710.2)	(676.8)	(606.4)
Net assets		39.3	44.3	100.6
Equity				
Equity share capital	14	347.1	347.1	347.1
Other reserve – own shares		(0.6)	(0.8)	(0.6)
Hedging reserve		(0.7)	(0.3)	0.1
Foreign currency translation reserve		13.2	12.5	12.9
Capital reserve		0.3	0.3	0.3
Retained earnings		(321.6)	(314.5)	(260.4)
Equity attributable to shareholders of the Parent Company		37.7	44.3	99.4
Non-controlling interests		1.6	-	1.2
Total equity		39.3	44.3	100.6

The balance sheet as at 24 April 2010 has been restated to reflect the finalisation of the fair value of the assets and liabilities of MAMA Group Plc (see note 10). The notes on pages 15 to 22 form an integral part of the interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity

26 weeks to 23 October 2010									
	Equity share capital £m	Own shares £m	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
As at 24 April 2010 (Restated, Audited)	347.1	(0.6)	0.1	12.9	0.3	(260.4)	99.4	1.2	100.6
(Loss) profit for the period	-	-	-	-	-	(31.3)	(31.3)	0.8	(30.5)
Other comprehensive income (loss)	-	-	(0.8)	0.3	-	(5.6)	(6.1)	-	(6.1)
Total comprehensive income (loss)	-	-	(0.8)	0.3	-	(36.9)	(37.4)	0.8	(36.6)
Ordinary dividend (note 8)	-	-	-	-	-	(23.7)	(23.7)	-	(23.7)
Share-based payments	-	-	-	-	-	0.2	0.2	-	0.2
Deferred tax on share-based payments	-	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Payments to non-controlling interests	-	-	-	-	-	-	-	(0.4)	(0.4)
As at 23 October 2010 (Unaudited)	347.1	(0.6)	(0.7)	13.2	0.3	(321.6)	37.7	1.6	39.3

26 weeks to 24 October 2009									
	Equity share capital £m	Own shares £m	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total £m
As at 25 April 2009 (Audited)	347.1	(2.7)	0.1	14.0	0.3	(259.2)	99.6	-	99.6
Loss for the period	-	-	-	-	-	(17.8)	(17.8)	-	(17.8)
Other comprehensive income (loss)	-	-	(0.4)	(1.5)	-	(11.4)	(13.3)	-	(13.3)
Total comprehensive loss	-	-	(0.4)	(1.5)	-	(29.2)	(31.1)	-	(31.1)
Ordinary dividend (note 8)	-	-	-	-	-	(23.6)	(23.6)	-	(23.6)
Vesting of share-based payment awards	-	2.2	-	-	-	(2.2)	-	-	-
Purchase of own shares	-	(0.3)	-	-	-	-	(0.3)	-	(0.3)
Share-based payments	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Deferred tax on share-based payments	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
As at 24 October 2009 (Unaudited)	347.1	(0.8)	(0.3)	12.5	0.3	(314.5)	44.3	-	44.3

Interim consolidated cash flow statement

	Notes	26 weeks to 23 October 2010 (Unaudited) £m	26 weeks to 24 October 2009 (Unaudited) £m	52 weeks to 24 April 2010 (Audited) £m
Cash flows from operating activities				
(Loss) profit before tax		(41.3)	(24.9)	68.9
Net finance costs		4.0	3.1	6.2
Share of post-tax losses (profits) of joint ventures accounted for using the equity method		0.6	(0.4)	(0.3)
Depreciation		21.6	20.8	43.4
Amortisation		0.1	-	0.1
Net impairment charges		-	-	2.0
Loss (profit) on disposal of fixed assets		0.1	-	(0.9)
Equity-settled share-based payment charge (credit)		0.2	(0.1)	(1.5)
Pension contributions less income statement charge		(1.6)	(2.0)	(2.4)
		(16.3)	(3.5)	115.5
Movement in inventories		(55.2)	(103.8)	(29.6)
Movement in trade and other receivables		12.0	3.9	(6.0)
Movement in trade and other payables		16.4	84.9	3.4
Movement in provisions		(1.7)	(2.5)	(1.8)
Cash generated from operations		(44.8)	(21.0)	81.5
Income tax paid		(12.0)	(8.2)	(15.6)
Net cash flows from operating activities		(56.8)	(29.2)	65.9
Cash flows from investing activities				
Purchase of property, plant and equipment	9	(18.8)	(16.9)	(39.9)
Proceeds from sale of property, plant and equipment		-	0.2	1.1
Interest received		-	0.4	0.4
Investments in joint ventures		(1.2)	(8.1)	(8.1)
Repayment of loan by joint venture		-	-	4.5
Payments to acquire subsidiary		-	-	(47.0)
Cash acquired with subsidiary		-	-	7.8
Net cash flows from investing activities		(20.0)	(24.4)	(81.2)
Cash flows from financing activities				
Movements in funding		79.6	76.0	35.0
Costs of raising debt		(2.9)	-	(0.2)
Purchase of own shares		-	(0.3)	(0.3)
Interest paid		(3.4)	(2.7)	(5.1)
Equity dividends paid to shareholders		-	(23.6)	(31.2)
Payments to non-controlling interests		(0.4)	-	-
Repayment of capital element of finance lease		(0.4)	(0.4)	(0.9)
Net cash flows from financing activities		72.5	49.0	(2.7)
Net decrease in cash and cash equivalents		(4.3)	(4.6)	(18.0)
Opening cash and cash equivalents		27.3	45.5	45.5
Effect of exchange rate changes		(0.4)	(1.3)	(0.2)
Closing cash and cash equivalents	11	22.6	39.6	27.3

Notes to the interim condensed consolidated financial statements

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Shelley House, 2-4 York Road, Maidenhead, Berkshire, SL6 1SR.

The Company is listed on the London Stock Exchange.

The interim condensed consolidated financial statements of the Group were approved for issue on 8 December 2010.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 24 April 2010 were approved by the Board of Directors on 29 June 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

The interim condensed consolidated financial statements for the 26 weeks ended 23 October 2010 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The interim condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 24 April 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Group's business activities, together with the factors likely to affect its future development, performance and position are discussed in the Business and Financial Review. The Group's borrowing facilities are disclosed within note 12 of the interim condensed consolidated 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 these interim condensed consolidated financial statements.

The balance sheet as at 24 April 2010 has been restated on finalisation of the fair value of the assets and liabilities acquired with MAMA Group Plc in January 2010. As a result of the completion of this process, net assets acquired have decreased by £4.6m and goodwill arising on acquisition has increased by £4.6m. There was no impact on the Group's profit. See note 10 for further details.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the 52 weeks ended 24 April 2010, as described in those annual financial statements.

The Group has additionally adopted the following new accounting standards, amendments to standards or interpretations which are mandatory for the first time for the financial year ending 30 April 2011.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions (effective 1 January 2010) clarifies the scope and accounting for group cash-settled share-based payment transactions. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009) introduces significant changes in the accounting for business combinations occurring after becoming effective. The Group has not entered into any business combinations in the period under review and therefore this standard did not have any impact on the financial position or performance of the Group. It will however affect the Group's accounting policies for any future business combinations.

IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2009) requires that a change in the ownership interest of a subsidiary is accounted for as a transaction with owners in their capacity as owners, therefore no longer giving rise to either goodwill nor a gain or loss. The changes did not have any impact on the financial position or performance of the Group.

Notes to the interim condensed consolidated financial statements (continued)

3. Accounting policies (continued)

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009) clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash assets to Owners (effective 1 July 2009) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on the financial position or performance of the Group.

Annual Improvements to IFRSs (issued in April 2009) had no impact on the financial position or performance of the Group.

The Group has not adopted early the requirements of the following accounting standards and interpretations, which have an effective date after the start of these interim financial statements.

IAS 24 Related Party Disclosures (Amendment) (effective 1 January 2011)

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)

IFRIC 14 Prepayments of a minimum funding requirement (Amendment) (effective 1 January 2011)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

Annual Improvements to IFRSs (issued in May 2010)

4. Segmental information

The following tables present certain revenue and profit information regarding the Group's reportable segments:

	26 weeks to 23 October 2010 (Unaudited)				
	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Waterstone's £m	Total £m
Segment revenue	399.0	102.2	28.8	219.5	749.5
Segment operating (loss) profit	(24.3)	(4.0)	1.5	(9.9)	(36.7)
Share of post-tax losses of associates and joint ventures not allocated to segments					(0.6)
Total operating loss					(37.3)
Net finance costs					(4.0)
Loss before taxation					(41.3)
Taxation					10.8
Loss for the period					(30.5)

Notes to the interim condensed consolidated financial statements (continued)

4. Segmental information (continued)

	26 weeks to 24 October 2009 (Unaudited)				
	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Waterstone's £m	Total £m
Segment revenue	470.7	101.3	-	225.0	797.0
Segment operating loss	(6.7)	(2.6)	-	(12.9)	(22.2)
Share of post-tax profits of associates and joint ventures not allocated to segments					0.4
Net finance costs					(3.1)
Loss before taxation					(24.9)
Taxation					7.1
Loss for the period					(17.8)

	52 weeks to 24 April 2010 (Audited)				
	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Waterstone's £m	Total £m
Segment revenue	1,241.9	253.0	8.1	513.6	2,016.6
Segment operating profit (loss) before exceptional items	73.8	3.7	(0.2)	2.8	80.1
Operating exceptional items:					
Impairment charge	-	(1.0)	-	(1.0)	(2.0)
Restructuring costs	-	-	-	(1.7)	(1.7)
Integration costs	-	-	(1.6)	-	(1.6)
	-	(1.0)	(1.6)	(2.7)	(5.3)
Share of post-tax profits of associates and joint ventures allocated to segments	-	-	0.9	-	0.9
Segment operating profit (loss)	73.8	2.7	(0.9)	0.1	75.7
Share of post-tax profits of other associates and joint ventures					(0.6)
Total operating profit					75.1
Net finance costs					(6.2)
Profit before taxation					68.9
Taxation					(19.7)
Profit for the period					49.2

The following table presents certain asset information regarding the Group's reportable segments:

	26 weeks to 23 October 2010 (Unaudited)				
	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Waterstone's £m	Total £m
Assets	255.2	61.2	86.8	296.1	699.3
Unallocated assets					50.2
Total assets					749.5

Notes to the interim condensed consolidated financial statements (continued)

4. Segmental information (continued)

	52 weeks to 24 April 2010 (Restated, Audited)				
	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Waterstone's £m	Total £m
Assets	227.7	57.3	88.7	283.2	656.9
Unallocated assets					50.1
Total assets					707.0

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

5. Exceptional items

	26 weeks to 23 October 2010 (Unaudited) £m	26 weeks to 24 October 2009 (Unaudited) £m	52 weeks to 24 April 2010 (Audited) £m
Recognised in arriving at operating profit:			
Impairment of property, plant and equipment	-	-	(2.0)
Restructuring costs	-	-	(1.7)
Integration of Live division	-	-	(1.6)
	-	-	(5.3)

In the 52 weeks ended 24 April 2010, exceptional impairment charges totalling £2.0m (Waterstone's £1.0m, HMV Canada £1.0m) were included within cost of sales following a review of the carrying value of certain retail assets based on prevailing market trading conditions. Administration expenses included restructuring costs of £1.7m relating to Waterstone's and £1.6m of integration costs following the acquisition of MAMA Group Plc. A tax credit of £1.0m arose in respect of these charges.

6. Taxation

The taxation credit for the period is based on the estimated effective tax rate on profits for the full year of 28% (2009: 28%) adjusted by the £0.6m impact on the deferred tax asset of the reduction in the UK corporate income tax rate from 28% to 27% with effect from 1 April 2011.

7. Earnings per share

Earnings per share attributable to shareholders of the Company arises as follows:

	26 weeks to 23 October 2010 (Unaudited) £m	26 weeks to 24 October 2009 (Unaudited) £m	52 weeks to 24 April 2010 (Audited) £m
(Loss) profit attributable to shareholders of the parent company	(31.3)	(17.8)	49.2
Exceptional items less tax thereon	-	-	4.3
Adjusted (loss) profit attributable to shareholders of the parent company	(31.3)	(17.8)	53.5

	26 weeks to 23 October 2010 (Unaudited) Number million	26 weeks to 24 October 2009 (Unaudited) Number million	52 weeks to 24 April 2010 (Audited) Number million
Weighted average number of Ordinary shares – basic	423.2	422.0	422.5
Dilutive share options	-	3.8	-
Weighted average number of Ordinary shares – diluted	423.2	425.8	422.5

Notes to the interim condensed consolidated financial statements (continued)

7. Earnings per share (continued)

	26 weeks to 23 October 2010 (Unaudited) Pence	26 weeks to 24 October 2009 (Unaudited) Pence	52 weeks to 24 April 2010 (Audited) Pence
Basic	(7.4)	(4.2)	11.6
Adjusted	(7.4)	(4.2)	12.7
Diluted basic	(7.4)	(4.2)	11.6
Diluted adjusted	(7.4)	(4.2)	12.7

Basic earnings per share is calculated by dividing the (loss) profit attributable to equity shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding interests in own shares held by the Employee Benefit Trust, which are accounted for as Treasury Shares. The diluted earnings per share calculations reflect the weighted average dilutive effect of options outstanding during the period of nil (2009: 3.8 million).

8. Dividends

	26 weeks to 23 October 2010 (Unaudited) £m	26 weeks to 24 October 2009 (Unaudited) £m	52 weeks to 24 April 2010 (Audited) £m
Ordinary final dividend of 5.6p per share (2009: 5.6p)	23.7	23.6	23.6
Ordinary interim dividend of 1.8p per share	-	-	7.6
	23.7	23.6	31.2

In addition, the Directors have declared an interim dividend of 0.9p per share (2009: 1.8p), which has not been recognised within these results in line with IAS 10 Events after the Balance Sheet Date. This results in an interim dividend of £3.8m (2009: £7.6m) and will be paid on 1 February 2011 to shareholders on the Register at the close of business on 7 January 2011. Shares will be quoted ex-dividend from 5 January 2011.

9. Property, plant and equipment

During the 26 weeks ended 23 October 2010, the Group acquired assets with a cost of £18.8m (2009: £16.9m).

Assets with a net book value of £0.1m were disposed of by the Group during the 26 weeks ended 23 October 2010 (2009: £0.4m), resulting in a net loss on disposal of £0.1m (2009: £nil).

Notes to the interim condensed consolidated financial statements (continued)

10. Business combinations

On 29 January 2010 the Group completed its acquisition of MAMA Group Plc. The total cost of acquisition was £62.5m, all of which was satisfied in cash. The Group's audited financial statements as at 24 April 2010 included provisional fair values of the identifiable assets and liabilities as at the date of acquisition. These have now been finalised as follows:

	Book value £m	(Restated) Fair value to Group £m
Property, plant and equipment	10.7	9.9
Intangible assets	1.6	5.2
Goodwill	22.0	-
Investments	5.8	2.8
Inventories	0.4	0.4
Receivables	21.3	20.1
Cash	7.8	7.8
Payables	(14.2)	(15.2)
Provisions	(0.2)	(2.2)
Taxation	(2.1)	(3.1)
Borrowings	(8.8)	(8.8)
Derivative financial instrument	(0.8)	(0.8)
	43.5	16.1
Minority interest		(1.2)
Effect of the change in fair value of equity previously owned		(1.1)
HMV Group share of net assets acquired		13.8
Goodwill arising on acquisition		48.7
Consideration (satisfied by cash)		62.5

Changes to the provisional fair values previously reported are as follows:

Property, plant and equipment have been revalued downwards by £0.3m following an assessment of their carrying value.

Investments have been revalued downwards by £2.7m following an assessment of their future profitability and cashflows.

Payables have increased by £0.4m as a result of a review of obligations.

Provisions have been increased by £1.0m following a review of a number of onerous contracts.

Minority interests have increased by £0.2m due to a review of the recoverability of advances made.

As a result of the finalisation of the fair value of assets and liabilities acquired, additional goodwill of £4.6m has been recognised.

11. Cash and cash equivalents

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

	26 weeks to 23 October 2010 (Unaudited) £m	26 weeks to 24 October 2009 (Unaudited) £m	52 weeks to 24 April 2010 (Audited) £m
Cash at bank and in hand	23.3	30.2	27.8
Short-term deposits	1.4	11.0	1.9
Bank overdrafts	(2.1)	(1.6)	(2.4)
	22.6	39.6	27.3

Notes to the interim condensed consolidated financial statements (continued)

12. Loans and borrowings

On 22 July 2010, the Group successfully completed the re-financing of its £240m syndicated bank facility. The new facility expires in September 2013, with an option to extend to September 2014. Associated re-financing costs of £2.9m were capitalised and are being amortised over the life of the facility. Interest on the syndicated bank facility is payable at a rate equal to LIBOR plus a margin of 2.25%. At 23 October 2010, £151.0m had been drawn down (2009: £122.0m). In addition, £10.0m was drawn down from the Group's short-term money market facility (2009: nil).

The Group's wholly owned subsidiary, Mean Fiddler Group Ltd, has a five year bank term loan, with repayments of £0.2m quarterly and a final maturity in November 2014. Interest on this term loan is at a rate equal to LIBOR plus a margin of 4.25%. At 23 October 2010, the outstanding balance was £8.4m and a final maturity of 13 November 2014.

13. Provisions

	£m
As at 25 April 2009 (Audited)	4.8
Provisions utilised	(2.7)
As at 24 October 2009 (Unaudited)	2.1
As at 24 April 2010 (Restated, audited)	5.1
Provisions utilised	(1.7)
As at 23 October 2010 (Unaudited)	3.4
Analysed as:	
Current	2.4
Non-current	1.0
	3.4

Provisions consist of amounts in respect of store closures, restructuring costs and onerous leases. The utilisation in the current period largely reflects the implementation of previously announced restructuring initiatives.

14. Share capital

	Number of ordinary shares Thousands	Ordinary shares £m	Share premium £m	Total £m
As at 25 April 2009 and 24 April 2010 (Audited)	423,587	4.2	342.9	347.1
As at 24 October 2009 and 23 October 2010 (Unaudited)	423,587	4.2	342.9	347.1

15. Related party transactions

The Group had outstanding at 24 October 2009 a £5.5m loan note granted by Mean Fiddler Limited during the acquisition process. Subsequent to the period end, on 13 November 2009, £4.5m of this loan note was repaid to the Group, with the balance converting to ordinary shares.

Drawings of £0.4m have been made by non-controlling interests in the current period.

The Group acquired services in the period under review from 7digital, a joint venture, amounting to £0.3m (2009: £nil), of which £0.2m (2009: £nil) was outstanding at 23 October 2010. The Group did not enter into any transactions with associates during the period.

Notes to the interim condensed consolidated financial statements (continued)

16. Seasonality

Retail sales of entertainment products are subject to seasonal fluctuations, with peak demand in the Christmas trading period, which falls in the second half of the financial year. For the 26 weeks ended 23 October 2010, the level of sales represented 37.2% (2009: 41%) of the annual level of sales in the 52 weeks ended 24 April 2010.

17. Post balance sheet event

On 17 November 2010 an offer was accepted for the lease of the HMV store at 360 Oxford Street, although the store will continue to trade until April 2011. An exceptional profit of c. £13m will be included in profit before tax in the income statement for the 53 weeks ended 30 April 2011 in this respect.

Statement of Directors' responsibilities

The Directors confirm that this interim condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- The interim management report includes a fair review of the important events during the first 26 weeks and a description of the principal risks and uncertainties for the remaining 27 weeks of the year; and
- The interim management report includes a fair review of disclosure of related party transactions and changes therein.

The Directors of HMV Group plc are listed in the HMV Group plc Annual Report for the 52 weeks ended 24 April 2010, with subsequent changes as listed on page 9 of this statement. A list of current Directors is maintained on the HMV Group plc website www.hmvgroup.com.

By order of the Board

Simon Fox
Chief Executive Officer
8 December 2010

Neil Bright
Group Finance Director
8 December 2010

INDEPENDENT REVIEW REPORT TO HMV GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 23 October 2010 which comprises the interim consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes 1-17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 23 October 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Birmingham

8 December 2010