HMV Group plc

Announcement of Full Year Results

HMV Group plc today announces its financial results for the 53 weeks ended 30 April 2011

Summary

- Total Group sales fell 7.4%, with total sales from continuing operations down 10.1%
- Like for like sales were down 11.0%, with like for like sales for continuing operations down 14.5%
- Pro forma* profit before tax and exceptional items of £28.9m (2010: £74.2m)
- Reported profit before tax and exceptional items of £18.8m (2010: £68.9m)
- Exceptional charge (operating and financing) of £28.7m (2010: £5.3m)
- Waterstone's and HMV Canada reclassified as discontinued operations, resulting in non-cash impairment charge of £111.5m. Disposals completed post year end
- Total Group loss after tax and exceptional items (including impairment charges) of £121.7m (2010: profit £49.2m)
- Adjusted eps down 67% to 3.8p (2010: 11.7p). Basic loss per share of 1.1p (2010: eps of 11.3p)
- Net debt at £170.7m (2010: £67.6m)
- Successful £220m bank refinancing to September 2013

**Pro forma adjustment treats Waterstone's and HMV Canada as continuing operations throughout the financial year.*

Strategic update

- Having restructured and refinanced the Group, our clear focus is to:
  - Drive for cash and continue to reduce costs across the business
  - Reinvigorate our stores with the expansion of our range of portable digital products
  - Increase our activities in the high-growth markets of live, ticketing and digital

Simon Fox, Chief Executive, said:

"We have taken decisive action to restructure and successfully refinance the Group.

"HMV remains a world-class entertainment brand, and we now have a very clear focus and strategy to drive cash generation and cost reduction, reinvigorate the customer offer and further diversify the Group into the growth areas of live, ticketing and digital".

Enquiries

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Slides to accompany this announcement are available for viewing or download at www.hmvgroup.com/investors/presentations.

The Group's next trading update will be with an Interim Management Statement on 9 September 2011, the date of the Annual General Meeting.

HMV Group plc

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Chairman's Statement

This has been, unquestionably, a difficult and turbulent year for the Group, as we experienced further changes in our core product markets, particularly in HMV, overlaid with a progressive deterioration of the macro-economic environment. These challenging conditions were compounded by unprecedented weak trading in our UK businesses at Christmas, a period which typically accounts for 40% of the Group's full year sales and a significant proportion of annual profit. The summary effect of these factors was that the Group's operating and financial performance was significantly adverse to the Board's expectations, and we confirmed that the Group did not expect to meet certain of the covenant tests in its existing bank facility when they fell due.

We commenced discussions with our lending banks regarding potential changes to our existing bank facility to ensure appropriateness for future trading conditions and to support delivery of the Group's strategy. During the course of these negotiations, the Board became aware that the Group would need to reduce leverage in the short term in order to achieve a satisfactory refinancing, and concluded that the most decisive way to achieve this was through the disposal of Waterstone's. After fully exploring all of the options available to us for Waterstone's, the Group announced on 20 May 2011 that a conditional agreement had been entered into to sell Waterstone's to A&NN Capital fund Management for a total cash consideration of £53 million. This transaction was successfully delivered on 28 June 2011, following the approval of shareholders, the pension trustee, pensions regulator and the Group's lending banks. The restructuring of the Group was completed in June 2011 with the disposal of HMV Canada for £2.0 million to Hilco UK Ltd.

The separation of HMV and Waterstone's, and the sale of HMV Canada, are the right decisions at this time. The sale of Waterstone's, in particular, has enabled the Group to agree with its banks a revised, two-year £220m credit facility (the details of which are on page 12), which strengthens the capital structure of the Group and enables us to continue evolving our strategy to deliver value from the HMV UK and Live businesses. In turn, new ownership for Waterstone's and HMV Canada has secured a future for these businesses in increasingly challenging markets. On behalf of the Board, I would like to convey my appreciation to the teams at Waterstone's and HMV Canada for their contributions to our Group.

For the year ended 30 April 2011, the Group's pro forma profit before tax and exceptional items declined by 61% to £28.9m, on revenues which decreased by 7% to £1,868.3m. Our adjusted earnings per share from continuing operations fell by 67% to 3.8p. Given this level of performance, combined with the indebtedness of the Group at the year end, the Board has decided not to recommend payment of a final dividend. The interim dividend of 0.9p per share is, therefore, also the total dividend for the year, down from 7.4p in the prior year. The Board has also agreed, within the terms of the Group's revised bank facility, not to pay future dividends until a £90m term loan has been repaid.

Our operating and financial performance this year has evidently been both disappointing and unsatisfactory. However, the Board has grounds to be optimistic about our ability to improve the performance of the continuing Group.

Since being appointed Chairman, much time has been spent on the disposal of Waterstone's and HMV Canada, and in renegotiating the bank facility. At the same time the company has been working hard on its plans for the future. Whilst we operate in rapidly changing markets, we believe that there is a clear place for HMV as a specialist retailer of entertainment products and that by rebalancing the space in many of our stores away from declining categories to a focused range of high-growth technology products we will both enhance our offering to our customers and strengthen our sales base. In addition, as we evolve as a broader-based entertainment business, we see strong opportunities to combine under one format a focused range of portable digital products and accessories, visual, games and music and, increasingly, access to live and digital content.

Now that we have put the Group on a sounder financial footing, the management team can refocus on running the business and developing and executing effective strategies for the future. We have a strong management team, who are highly motivated to succeed in this challenging environment. I would like to thank Robert Swannell for his contributions as Chairman and support to me as I took over the role, and welcome David Wolffe, who joined us as Group Finance Director at such a critical time for the business. The Board would also like to express our appreciation to Neil Bright for his many contributions as Group Finance Director over the preceding 12 years.

Chairman's Statement continued

In summary, the Group had a difficult year against a backdrop of challenging markets and continuing macro-economic uncertainty. As we encountered increased financial uncertainty during the final quarter, our lending banks and suppliers remained supportive of the Group and, through the disposal of Waterstone's to a good home, we were able to secure a future for the continuing business. Throughout the year, we have retained a tight control over our cost base, including a 9% reduction in HMV UK & Ireland's total store footage, and we will increase our focus on cost reduction as part of an overall strengthening of our financial discipline. Our Group has been simplified and our strategic agenda is tightly focused. We must rebuild and do so quickly. At the heart of our business is a World-class entertainment brand, surrounded by high quality assets, dedicated people and the support of our business partners. With this strong underpinning, our urgent priority on behalf of all our stakeholders is to re-create value.

Philip Rowley
Chairman

HMV Group plc

Announcement of Full Year Results

Strategic Review

After a three-year period during which the Group made excellent progress, delivering 50 per cent growth in profit before tax and exceptional items and a 40 per cent increase in earnings per share, 2010/11 was a disappointing and challenging year for the Group.

In March 2010, we outlined our strategy for the next three years, through which we planned to deliver sustainable growth over the medium and longer term. The plans for the HMV business included continuing to evolve HMV's product mix and growing in live and digital, while in Waterstone's our short-term target was to restore the operating margin to 2-3% by executing a clear turnaround strategy for the business. A flexible cost base, including a property portfolio with a declining average lease life, underpinned these plans.

We have long acknowledged that the core HMV markets for music, visual and games are changing structurally and, therefore, our business must evolve into higher-growth areas of the broader entertainment market. Over the last 12 months, the packaged music and visual markets declined broadly as expected. However, during the year the market for games hardware and software, albeit at a low point in its growth cycle, significantly underperformed the industry's expectations, whilst in visual HMV's performance was weaker than the market, and in both categories we lost some share largely as a result of aggressive pricing strategies by supermarket and Internet mail order competitors. These continuing underlying trends, combined with very weak trading at Christmas, when our UK stores were significantly impacted by severe snow, produced a disappointing operating performance in HMV UK.

HMV Live, comprising our live music venues and portfolio of summer festivals, performed well, driven by increased venue utilisation, occupancy and sales as we continued to maximise the synergies with HMV UK's retailing activities.

In Waterstone's, under the new management team appointed at the beginning of 2010 very good progress was made on our strategic priorities to refocus on range and localise the in-store book offer, drive sales of related product and maximise efficiencies from the book hub. Therefore, profit at Waterstone's increased significantly compared to the prior year and we achieved our short-term target for operating margin.

Addressing our flexible cost base and capital structure became key priorities as we exited a difficult peak trading period. We identified 40 HMV stores for closure, primarily in locations where we operate more than one store, and we are making good progress on this programme. In addition, the disposals of Waterstone's and HMV Canada has simplified the Group and strengthened its capital structure, therefore allowing us to more closely focus on the business strategy of continuing to develop the customer offer across HMV Retail and Live. Both Waterstone's and HMV Canada have strong positions in their respective markets combined with high quality people, and the Group wishes their new owners and our former colleagues continued success.

As negotiations over a revised facility with our lending banks progressed during our final quarter, our suppliers remained highly supportive, reflecting our strong working relationships with them and the importance of our business to the markets in which we operate. Our priority is to optimise these relationships for the benefit of HMV's customers, providing them with high quality content and the very best offers for entertainment whether consumed at home, live or on the move.

We have much to do, and with the Group on a sounder financial footing we are accelerating our plans to transform HMV into a broad-based entertainment business.

Strategic Review (continued)

Rebalancing HMV's store space and range with the expansion of technology

To offset the changes taking place in our core physical product categories, new products, which align with HMV's core entertainment offering and relevance to customers, have been introduced into our offer over the last three years. The most successful of these categories is a highly focused range of portable digital technology, including headphones, speaker docks, MP3 players and related accessories, which as entertainment products fit exceptionally well with HMV's customer base and specialist brand. Since their launch in HMV stores three years ago, these products have grown to become £85 million of HMV UK's turnover and 8% of sales, despite limited dedicated store space, and we have demonstrated that our focused ranges and differentiated store environment can compete effectively with other retailers of these products. We believe there is a significant revenue opportunity in expanding our in-store space to include a wider range of these products, incorporating new portable tablet devices that are expected to grow rapidly over the next few years.

During our final quarter, we commenced trials in six stores, significantly increasing store space for this category of product. As a result, growth of over 100% in technology like for like sales has been delivered in these stores and their overall like for like sales have improved by over 8% in comparison to the rest of our estate. In the new financial year, we will commence a roll out of the successful elements of this trial, so that by Christmas 2011, 150 HMV stores will have around a quarter of their space dedicated to technology.

We expect that this rebalancing of store space and range will over the next few years continue to offset the structural changes that are taking place in some of our core categories, albeit the combined value of the physical markets for music, visual and games in the UK is still expected to be around £4.5bn in 2014. Our strategies to compete effectively in these markets are based on realistic medium-term assessments, and include: leveraging our leading specialist brand and multi-channel presence to protect margin; focusing on our core strengths in range, campaign and promotions; maximising the synergies that have been built with HMV Live; and, through our strong links with suppliers, creating attractive and value-added offers for our customers.

Customer relationship management across all of HMV's touchpoints with consumers is a key part of our strategy to be the leading specialist retailer for entertainment. HMV has since May 2009 recruited 1.8 million 'Pure' loyalty card holders, who are able to exchange points accumulated against purchases made from HMV for a wide range of rewards, such as entertainment merchandise signed by artists and tickets to live events. Pure is also a strong asset for differentiating our retail offer, and provides key information about our customers' preferences, and these are shared across our activities in live and digital.

Evolve HMV as a broad-based entertainment brand

Over the last two years, we have made significant investments in the growth entertainment markets of live music, ticketing and digital to counteract declines in the core physical format retail markets and evolve HMV into a broad-based 'entertainment brand'. The three areas of focus are HMV Live, HMV Tickets and 7digital, which we intend to grow by maximising synergies with our retail platform and customer base.

We intend to add to our portfolio medium-sized live venues, including in the autumn of 2011 the reopening of a 1,500-capacity venue in Manchester. Our target is to attain sufficient UK coverage to route artists' national tours entirely through HMV Live venues and, in our existing venues, continue to drive utilisation, occupancy and spend per head. Our aspiration for HMV Live is to increase its operating profit to around £10m over the medium term.

There is a significant opportunity to leverage our existing HMV Tickets platform to grow our share in the UK ticketing market, which has an estimated annual value of around £1bn. HMV's access to a large and relevant entertainment customer base enables effective promotion of events to store and online customers, and this platform is also attractive to promoters of events at third-party venues. Our aspiration is to build a ticketing business that, over the medium term, will make a £3-4m operating profit contribution to HMV UK.

Strategic Review (continued)

There are powerful synergies from the partnership of HMV stores, HMV.com and HMV Tickets. We have already developed a successful formula for combining these assets to create new revenue opportunities, including offering live tickets to customers when they pre-order product by the same artist from HMV.com, and tickets to our venues and festivals are included as rewards to Pure loyalty card holders. Through the support of the HMV store and online network, and using our strong links with suppliers, we expect to drive utilisation, occupancy and sales at our venues and summer festivals. Ticketing is also a valuable source of customer data for the cross-selling of other physical and digital products across our multiple channels.

In digital, through the Group's joint venture with 7digital, we have excellent visibility to and participation in this high growth market. 7digital is at the heart of developments in digital media, and its entertainment content is pre-installed on a growing number of tablet and other consumer electronics devices, including Samsung, BlackBerry, Acer, Toshiba and Pure. Our partnership with 7digital, combined with the increasing focus on technology products in our stores, creates opportunities to enhance the HMV customer experience with bundled offers of digital content and portable devices.

Outlook

We continue to operate in a challenging macro environment, and the core retail markets in which HMV trades also remain difficult. However, we have taken decisive action to restructure the Group, and have a clear strategy for transforming HMV into a broad-based entertainment business. We are encouraged by the support that continues to be shown by suppliers of our core categories, in which there are strong opportunities to improve our store productivity, and by the early signs from our technology trials in six stores, which are being rolled out to the majority of the estate by autumn 2011. In addition, the links between HMV's operations in retail and live are proving to be powerful, and enable us to create unique and compelling opportunities for our customers. With this strategy, we are targeting a significant improvement in our performance at Christmas, which as always will be key to the Group's full financial year.

Although we have much more to do, with clear plans to further benefit from the integration of retail, ticketing, live and digital, combined with a relentless focus on cash and driving cost reduction, our aspiration over the medium term is for the Group to restore operating margin to 3-4%.

HMV Group plc

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Financial Review

The period under review is the 53 weeks ended 30 April 2011, whilst the prior period covers the 52 weeks to 24 April 2010.

The result of the Group is presented on the basis of continuing and discontinued operations. The discontinued operations represent Waterstone's and HMV Canada, both of which were reclassified as assets held for sale following the commencement of disposal processes. In order to aid performance analysis, results are also presented below on a pro forma basis, which treats Waterstone's and HMV Canada as if they were continuing operations for the whole period.

Key Performance Indicators	**2011 £m**	2010 £m	Growth (Decline)
Pro forma basis:			
Sales	**1,868.3**	2,016.6	(7)%
Like for like sales %	**(11.0)%**	(4.2)%	
Operating profit (before exceptional items)	**37.4**	80.4	(53)%
Exceptional items (operating and financing)	**(28.7)**	(5.3)	
Profit before tax (before exceptional items)	**28.9**	74.2	(61)%
Profit before tax	**0.2**	68.9	
Statutory basis - continuing operations:			
Sales	**1,150.2**	1,281.1	(10)%
Like for like sales %	**(14.5)%**	(2.4)%	
Operating profit (before exceptional items)	**27.4**	75.1	(63)%
Exceptional items (operating and financing)	**(16.2)**	(1.6)	
Profit before tax (before exceptional items)	**18.8**	68.9	(73)%
Profit before tax	**2.6**	67.3	
Discontinued operations (loss) profit after tax and exceptional items	**(118.5)**	1.2	
Adjusted basic earnings per share (continuing operations)	**3.8p**	11.7p	(67)%
Basic earnings per share (continuing operations)	**(1.1)p**	11.3p	
Total dividend per share	**0.9p**	7.4p	
Underlying net debt	**170.7**	67.6	
Free cashflow	**(68.7)**	22.4	
Store numbers (continuing operations)	**273**	292	
Average trading square footage (continuing operations)	**1.60m**	1.62m	(0.9)%

On a pro forma basis, total Group sales decreased by £148.3m or 7.4% to £1,868.3m, including an 11.0% decline in like for like sales. At constant exchange rates, total sales fell by 8.1%. A favourable movement in the Canadian dollar exchange rate, partially offset by an adverse movement in the Euro, impacted sales by £14.1m and operating profit by £0.1m.

Pro forma operating profit before exceptional charges decreased by £43.0m, or 53.4%, to £37.4m. This reflects the downturn in trading in the HMV retail businesses, particularly in the second half of the year, partially offset by the improvement in profitability of Waterstone's. Operating profit also includes a full year contribution from HMV Live for the first time, which contributed profit of £3.0m compared with the £0.2m seasonal loss recorded for the three months of the previous financial year.

Joint ventures and associates of 7digital and aNobii (an ebook business) contributed a loss after tax of £1.0m.

Financial Review continued

Net finance charges increased to £8.6m from £6.2m, reflecting the impact of higher average net debt as a result of the downturn in trading. In addition, exceptional finance charges of £1.9m were incurred in the period in connection with the refinancing of the Group's banking facilities.

The profit before tax and exceptional items on a pro forma basis was £28.9m, down 61% on the prior period. For continuing operations, profit before tax and exceptional items was £18.8m, down 72.7% on the prior period.

A net operating exceptional charge of £26.8m (2010: £5.3m) was incurred in the year. This included £23.9m of store closure costs, offset by a £13.8m lease premium received on the disposal of the HMV UK Oxford Street store, fixed asset impairment charges of £11.2m, restructuring costs of £7.8m, and a net defined benefit pension credit of £2.3m. In addition, a non-cash impairment charge of £111.5m arose on the reclassification of Waterstone's and HMV Canada as disposal groups. Full details of exceptional charges by business are given in Note 3.

Underlying net borrowings at £170.7m (2010: £67.6m) were £103.1m higher than last year, primarily reflecting the adverse impact of working capital movements due both to the downturn in trading and a tightening of credit during the period that the Group's refinancing remained uncertain.

The Board is not recommending the payment of a final dividend. Consequently, the 0.9p per share interim dividend already paid represents the total dividend for the year (2010 total dividend: 7.4p).

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Financial Review continued

Sales	2011 £m	2010 £m	Year on year growth (decline)[2] %	Constant exchange growth (decline)[2] %	Like for like sales growth (decline)[4] %
HMV UK & Ireland	**1,070.1**	1,241.9	(13.8)	(13.6)	(14.8)
HMV International	**33.2**	31.1	6.9	3.3	4.3
HMV Live	**46.9**	8.1	-	-	-
Total continuing operations	**1,150.2**	1,281.1	(10.2)	(10.1)	(14.5)
HMV Canada	**218.9**	221.9	(1.3)	(8.8)	(8.8)
Waterstone's	**499.2**	513.6	(2.8)	(2.6)	(3.8)
Discontinued operations	**718.1**	735.5	(2.4)	(4.5)	(5.3)
Total HMV Group	**1,868.3**	2,016.6	(7.4)	(8.1)	(11.0)

Pro forma operating profit[4] (before exceptional items)	2011 £m	2010 £m	2011 % of sales	2010 % of sales	Year on year growth (decline)[1] %	Constant exchange growth (decline)[2] %
HMV UK & Ireland	**24.0**	73.8	**2.2**	5.9	(67.5)	(67.5)
HMV International	**1.4**	1.2	**4.4**	4.0	16.8	11.1
HMV Live	**3.0**	(0.2)	**6.4**	-	-	-
Continuing operations	**28.4**	74.8	**2.5**	5.8	(62.0)	(62.1)
Share of post-tax (loss) profit of joint ventures and associates	**(1.0)**	0.3	-	-	-	-
Total continuing operations	**27.4**	75.1	**2.4**	5.9	(63.5)	(63.6)
HMV Canada[5]	**0.5**	2.5	**0.2**	1.1	(78.9)	(80.7)
Waterstone's[5]	**9.5**	2.8	**1.9**	0.5	237.7	238.8
Discontinued operations	**10.0**	5.3	**1.4**	0.7	91.1	90.9
Total HMV Group	**37.4**	80.4	**2.0**	4.0	(53.4)	(53.5)

1. Total sales in 2011 are for 53 weeks compared with 52 weeks in 2010. The additional week's trading contributed 1.2% to total Group sales growth.
2. Year on year growth for the 53 week period compared with the corresponding 52 week period last year is based on results translated at the actual exchange rates being the weighted average exchange rates for the year ended 30 April 2011 and year ended 24 April 2010 respectively.
3. Constant exchange growth for the 53 week period compared with the corresponding 52 week period last year is based on the weighted average exchange rates for the year ended 24 April 2010.
4. HMV Group's like for like sales performance is calculated at constant exchange rates and measures stores that were open at the beginning of the previous financial year (i.e. open at the beginning of May 2009) and that have not been resized, closed or re-sited during that time. It includes sales from internet sites and is only ever the net amount received.
5. On a pro forma basis, Waterstone's and HMV Canada are presented as if they had been continuing operations throughout the financial year.

Financial Review continued

HMV UK & Ireland

HMV UK & Ireland's total sales fell by 13.6% at statutory exchange rates, including a like for like sales decline of 14.8%. This sales performance resulted in an operating profit of £24.0m, 67.5% lower than last year.

Music and visual markets continued to decline in line with expectations. In music, the physical market was down almost 10% in volume, broadly in line with HMV's performance. Continued growth in the digital music market resulted in an overall music market decline of 5%. In visual, market volume also declined 10%, but more aggressive competitor pricing strategies led to a share loss.

The games market continued to be challenging with a 14% contraction in market value in the period. HMV market share also declined as supermarkets, in particular, expanded their offer. However, pre-played games continue to perform strongly with sales +46% in the year.

Other products now account for 12% of total sales, up from 9% in the prior year. This reflected strong growth in technology sales, despite dedicated store space remaining limited. During the final quarter, trials were conducted in six stores in which space for this product category was significantly increased, delivering encouraging sales uplifts.

Margin declined by 50 basis points in the period reflecting some dilution from new sales categories, combined with a competitive pricing environment. Given the sales performance, costs were tightly controlled, with underlying like for like operating costs down 4% year on year.

Net exceptional costs totalling £13.5m have been charged in the period driven by store closures and ongoing property costs (£15.1m), asset impairments (£9.6m) and head office restructuring (£2.6m). This is offset by a credit receivable on the exit of the Oxford Street store (£13.8m).

In total, 22 stores were closed during the year. These included 19 of the 40 stores identified for closure in January, with a further 13 expected to close in the first quarter of 2011/12.

HMV International

HMV International now comprises seven stores in Hong Kong and Singapore following the reclassification of HMV Canada as a discontinued operation.

HMV International total sales increased by 6.9% to £33.2m, including like for like sales up 4.3%. This reflects the successful introduction of technology and related products, combined with growth in games.

Operating profit of £1.4m is £0.3m up on last year with gross margin dilution of 30 basis points. Operating costs were flat on prior year.

HMV Live

HMV Live is the second largest multiple live music venue operator in the UK, with a portfolio of 12 venues. In addition, HMV Live also operates five UK festivals and has management fee arrangements in place with third parties for approximately 30 overseas festivals.

Sales at HMV Live for the year were £46.9m with operating profit at £3.0m. The venues traded well, with improved venue utilisation, occupancy and spend per head reflecting the benefit of the developing operational synergies between Live and HMV store and online businesses. The expansion of the venue operation continued to progress, with the 1,700-capacity HMV Institute in Birmingham opening after redevelopment in September 2010 and G-A-Y Manchester opened in April 2011. Contracts were also exchanged to reopen the 1,500-capacity Ritz in Manchester in autumn 2011.

The result of the festivals division was adversely impacted by the inaugural High Voltage classic rock festival in summer 2010, which underperformed against expectations. However, the performance of established festivals was solid, with the outlook for 2011 encouraging.

Joint ventures

The Group's investments in joint ventures and associates accounted for using the equity method include 7digital and various investments in the Live division. In addition, £2.1m was invested in a 45.4% interest in aNobii, an eBook venture. The Group's share of joint venture and associate post tax losses in the period amount to £1.0m (2010: £0.3m).

Financial Review continued

Discontinued operations

On 25 March 2011, the Company confirmed that it was exploring strategic options in respect of Waterstone's and HMV Canada. This reflected a Board decision on 26 February 2011 to pursue a disposal of these businesses, from which date each has been held as an asset for sale. This requires the reclassification of each business as a disposal group and an assessment of the carrying value of assets against their fair value, which resulted in an impairment charge of £111.5m (Waterstone's £110.5m, HMV Canada £1.0m). In addition, the results of each business in the Group's financial statements are reclassified to discontinued operations, with the comparative period restated accordingly.

On 20 May 2011 the Group announced that it had conditionally agreed to sell the Waterstone's business for cash consideration of £53m. The final condition of the sale, shareholder approval, was satisfied on 23 June 2011 and the transaction completed on 28 June 2011.

On 27 June 2011 the Company announced that it had reached agreement to sell HMV Canada to Hilco UK for total cash consideration of £2.0m.

HMV Canada – discontinued activity

Total sales in HMV Canada fell 8.8% at constant exchange rates, with like for like sales also down 8.8%. The performance reflected ongoing decline in music and visual markets, although HMV Canada gained market share in both formats. Performance on games was disappointing, but technology and other products now account for over 7% of the sales mix.

Operating profit of £0.5m reflects the sales performance, partially offset by a strong margin control and operating costs down 3%.

Operating exceptional costs totalling £2.3m include £0.5m for store closures, £0.7m for impairment of property, plant and equipment and £1.1m of Head Office restructuring costs.

Waterstone's – discontinued activity

Waterstone's total sales decreased by £14.4m at statutory exchange rates, including a like for like sales decline of 3.8%. A satisfactory first half and Christmas trading period were followed by a disappointing final quarter of the year, with weakness in the book market accompanying some loss of market share.

However, despite the disappointing end to the year, Waterstone's has focused throughout on transforming its offer, through an enhancement of range, successful utilisation of the book hub, investment in refitting the top 20 stores, and an enhanced eReader offer. This has resulted in pro forma operating profit of £9.5m, compared with £2.8m last year. Gross margin improved 70 basis points in the year benefiting from an enhanced local offer and more selective discounting, with strong cost management resulting in operating costs down 4% in the period.

Operating exceptional costs totalled £10.2m, including £8.3m of store closure costs (19 stores closed during the year with 15 closing in the final quarter), impairment of remaining property, plant and equipment (£0.9m) and head office restructuring costs (£0.5m).

Net finance charges

Net finance costs for continuing operations increased from £6.2m to £8.6m. This reflected higher average net debt as a result of the downturn in trading. In addition, exceptional finance charges of £1.9m were incurred in respect of progress on the refinancing of the Group's debt.

Taxation

The underlying effective tax rate on continuing operations before exceptional items is 7% (2010: 28%), which is lower than the statutory rate due to over provision in prior periods. The total tax expense in the current year of £13.5m includes a credit of £7.3m (2010: £1.0m) in relation to the exceptional items of £28.7m (excluding impairment of disposal groups) (2010: £5.3m) offset by an exceptional charge in respect of the derecognition of the Group's deferred tax asset.

Financial Review continued

Earnings per share

Adjusted earnings per share for continuing operations, excluding the effect of exceptional items, was 3.8p, a decrease of 67% on last year. Basic earnings per share for continuing operations was a loss of (1.1)p, a decrease of 110% on last year. Adjusted earnings per share for the total group was 7.0p and basic was a loss of (29.1)p.

Dividend

The Board is not recommending the payment of a final dividend. Consequently, the 0.9p per share interim dividend already paid represents the total dividend for the year (2010 total dividend: 7.4p).

Under the terms of the refinancing effective on 28 June 2011, the Company is prohibited from making distributions to shareholders until such time as the £90m Facility 'B' tranche of term debt has been repaid in full. Following such repayment of the facility, dividends are permitted subject to certain restrictions, primarily relating to the indebtedness of the Company and existing and forecast compliance with all other facility terms. Consequently, no payment of dividends are anticipated in the forthcoming financial year.

Bank financing

On 22 July the Company completed a refinancing of a £240m revolving credit facility with a final maturity date of 30 September 2013, with an option to extend for a further year. As a consequence of the difficult market conditions the Company had experienced, compounded by weak trading during the key Christmas period, the Company announced on 1 March 2011 that it did not expect to meet certain of the covenant tests in the borrowing facility and that discussions with the lenders had commenced. The Company further announced on 5 April 2011 that, in agreement with the lenders, the measurement period for all relevant financial covenant tests had moved from the 12 months ending 30 April 2011 to the 12 months ending 2 July 2011.

Following completion of negotiations, and conditional on the disposal of Waterstone's, a new £220m bank facility became effective on 28 June 2011, with an arrangement fee of £4.4m payable. The facility comprises a £70m term loan (Facility A), a £90m term loan (Facility B) and a £60m revolving credit facility (Facility C), each with a final maturity date of 30 September 2013. The margin payable on the facility is 4% per annum, up from 2.5% for the Group's existing funding. In addition an exit fee (initially at 5% per annum, increasing to 8% on 1 April 2012 and 14% on 1 January 2013) accrues on the amount outstanding under Facility B and is payable upon repayment of Facility B or final maturity. The Company also issued warrants representing 5% of the Company's share capital to the lending banks effective 28 June 2011. The warrants are convertible into ordinary shares by a lending bank at any time from 30 June 2012 until the tenth anniversary of the issue of the warrants. The facility became fully effective with effect from 28 June 2011.

Financial Review continued

Cash flow and net debt

Closing net debt of £170.7m was £103.1m higher than last year. This primarily reflected a working capital outflow £96.7m, combined with adverse trading and higher interest payments, offset by lower capital expenditure and business acquisitions. Free cash outflow was £68.7m (2010: inflow of £22.4m).

	2011 £m	2010 £m
EBITDA[1]	**80.5**	123.9
Capital expenditure	**(28.2)**	(39.9)
Working capital outflow	**(96.7)**	(32.2)
Exceptional charges and provision utilisation	**(9.9)**	(5.1)
Exceptional lease premium received	**13.8**	-
Other	**(3.1)**	(4.0)
Net interest paid	**(8.9)**	(4.7)
Taxation	**(16.2)**	(15.6)
Free cashflow[2]	**(68.7)**	22.4
Investments in joint ventures and associates	**(2.1)**	(8.1)
Debt issue costs	**(2.9)**	-
Dividends paid	**(27.5)**	(31.2)
Purchase of MAMA Group Plc including related fees and net debt acquired	**-**	(48.0)
Repayment of loan from joint venture	**-**	4.5
Other	**(1.9)**	(0.7)
Net cash outflow	**(103.1)**	(61.1)
Underlying opening net debt[3]	**(67.6)**	(6.5)
Underlying closing net debt[3]	**(170.7)**	(67.6)

1. EBITDA – Earnings before interest, taxation, depreciation, amortisation and exceptional items. 2010/11 is pro forma, based on discontinued activities being fully consolidated through the period
2. Free cashflow – Cashflow from operating activities after capital expenditure and net interest
3. Underlying net debt – Underlying net debt is stated before unamortised deferred financing fees

Working capital

The Group suffered a significant working capital outflow during the period, totaling £96.7m (2010: outflow of £32.2m). This primarily reflected a marked reduction in supplier funding year on year, due to the impact of the like for like sales decline, combined with a tighter credit environment in advance of the post year end confirmation of the Group's refinancing and a dilution of payments terms in line with the changing sales mix, as well some adverse timing effects around the year end. Stock was down £35m year on year, reflecting store closures and very tight purchasing controls in the final quarter.

Capital expenditure

Total capital expenditure in the period was £28.2m (2010: £39.9m), including £18.5m (£21.5m) for continuing activities and £9.7m (2010: £18.4m) for discontinued activities. Expenditure on continuing activities reflected £3.7m on new stores and resites, £6.2m on store refurbishment and expansion, £4.9m on IT and other projects and £3.7m at HMV Live.

Following the Group's refinancing, future capital expenditure is restricted to certain agreed levels, albeit these are believed to be adequate to fund the Group's strategic plans, including the roll-out of an enhanced technology offer across the HMV UK store estate, and continued investment in HMV Live.

Acquisition of MAMA Group Plc

As reported at the half year, the net asset fair value exercise on acquisition of MAMA Group was 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 Nettwerk group of artist management companies.

Financial Review continued

Operating leases

All the Group's retail stores are held under operating leases. In the UK, whilst the majority of leases are on typical institutional lease terms, lease flexibility has increased over recent years through natural ageing and the agreement of shorter lease lengths on both renewals and new store openings. Consequently, the average UK lease length is now six years. Lease flexibility is even greater in the Group's International division, in which the majority of stores operate through turnover-related leases with an average length of less than four years.

The Group's net operating lease rentals in continuing operations were £84.7m in the financial year (2010: £85.9m). The total continuing future rental commitment at the balance sheet date amounted to £0.5 billion, or £0.4 billion at net present value.

Pensions

The Group has a number of pension schemes in operation. These primarily include various defined contribution arrangements and a defined benefit scheme which, following a period of consultation, closed to future service accrual on 31 March 2011.

Under IAS 19 'Employee Benefits', the HMV defined benefit scheme had a deficit, net of deferred tax, of £26.7m (2010: £28.1m) at 30 April 2011. The most recently completed actuarial valuation was at 30 June 2007, where a funding deficit of £5.1m was subsequently funded by three special contributions of £2.2m, the last of which was paid on 1 May 2010. The next actuarial review is due as at 30 June 2010, with a more significant deficit anticipated, reflecting adverse investment returns and updated actuarial assumptions. Finalisation of the funding valuation and an appropriate deficit recovery plan became dependent on agreement regarding the impact of the Waterstone's disposal on the scheme, as a substantial proportion of scheme liabilities related to the Waterstone's business. Consequently, on 6 June 2011 a scheme apportionment arrangement was entered into between the Company, Waterstone's and the scheme trustees, such that on Waterstone's ceasing to participate in the scheme, their share of the scheme's deficit (instead of becoming immediately payable) transferred to the Company. In return for agreeing for the deficit to be so apportioned, the trustees and the Company have agreed certain future payments to the scheme, primarily as follows:

- £1.0m following completion of the Waterstone's disposal and £1.5m following receipt of the deferred consideration under the disposal agreement;
- £5.0m per annum (payable monthly) from 1 July 2011 until the close of any agreed recovery plan;
- £0.5m per annum from 1 May 2013 to 30 April 2021 and £3.0m on 1 January 2014; and
- an additional share of annual cash generation capped at £1.0m.

HMV Group plc

Announcement of Full Year Results

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 30 April 2011 it operated 257 HMV and 9 Fopp stores selling music, video and games in five countries and 296 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.

After the period end the Group announced the conditional disposal of the Waterstone’s bookstores.

HMV Group websites

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

Supporting financial information

HMV Group plc

Announcement of Full Year Results

Consolidated Income Statement

For the 53 weeks ended 30 April 2011 and 52 weeks ended 24 April 2010

	Note	**Total 2011 £m**	**Exceptional items 2011 £m**	**Before exceptional items 2011 £m**	Before exceptional items 2010 (restated) £m	Exceptional items 2010 (restated) £m	Total 2010 (restated) £m
Continuing operations:							
Revenue		**1,150.2**	**–**	**1,150.2**	1,281.1	-	1,281.1
Cost of sales		**(1,077.1)**	**(10.9)**	**(1,066.2)**	(1,154.1)	-	(1,154.1)
Gross profit		**73.1**	**(10.9)**	**84.0**	127.0	-	127.0
Administrative expenses		**(59.0)**	**(3.4)**	**(55.6)**	(52.2)	(1.6)	(53.8)
Trading profit		**14.1**	**(14.3)**	**28.4**	74.8	(1.6)	73.2
Share of post-tax profits of associates and joint ventures accounted for using the equity method		**(1.0)**	**–**	**(1.0)**	0.3	-	0.3
Operating profit		**13.1**	**(14.3)**	**27.4**	75.1	(1.6)	73.5
Finance revenue	4	**0.2**	**–**	**0.2**	0.4	-	0.4
Finance costs	4	**(10.7)**	**(1.9)**	**(8.8)**	(6.6)	-	(6.6)
Profit before taxation		**2.6**	**(16.2)**	**18.8**	68.9	(1.6)	67.3
Taxation	5	**(5.8)**	**(4.5)**	**(1.3)**	(19.4)	0.1	(19.3)
Profit (loss) from continuing operations		**(3.2)**	**(20.7)**	**17.5**	49.5	(1.5)	48.0
Discontinued operations:							
Profit (loss) after tax from discontinued operations	7	**(118.5)**	**(132.1)**	**13.6**	4.0	(2.8)	1.2
Profit (loss) for the period		**(121.7)**	**(152.8)**	**31.1**	53.5	(4.3)	49.2
Attributable to:							
Shareholders of the parent company		**(123.1)**	**(152.8)**	**29.7**	53.5	(4.3)	49.2
Minority interests		**1.4**	**–**	**1.4**	-	-	-
		(121.7)	**(152.8)**	**31.1**	53.5	(4.3)	49.2
Earnings per share for profit attributable to shareholders: Basic and diluted	8	**(29.1)p**	**(36.1)p**	**7.0p**	12.7p	(1.1)p	11.6p
Earnings per share for profit from continuing operations attributable to shareholders: Basic and diluted	8	**(1.1)p**	**(4.9)p**	**3.8p**	11.7p	(0.4)p	11.3p
Dividend per share	6			**0.9p**	7.4p		

For details of exceptional items, see note 3.

HMV Group plc

Announcement of Full Year Results

Consolidated Statement of Comprehensive Income

For the 53 weeks ended 30 April 2011 and 52 weeks ended 24 April 2010

	2011	2010
	£m	£m
Profit for the period	**(121.7)**	49.2
Exchange differences on translation of foreign operations	**(0.2)**	(1.1)
Tax effect	**(0.1)**	(0.5)
	(0.3)	(1.6)
Cash flow hedges:		
Gain on forward foreign exchange contracts	**(0.5)**	-
Transfers to the income statement on cash flow hedges	**(0.1)**	-
	(0.6)	-
Actuarial loss on defined benefit pension schemes	**3.4**	(19.3)
Tax effect	**(6.0)**	5.4
	(2.6)	(13.9)
Other comprehensive loss for the period, net of tax	**(3.5)**	(15.5)
Total comprehensive (loss) income for the period, net of tax	**(125.2)**	33.7
Attributable to:		
Shareholders of the parent company	**(126.6)**	33.7
Minority interests	**1.4**	-
	(125.2)	33.7

Consolidated Balance Sheet

	Note	As at 30 April 2011 £m	As at 24 April 2010 (restated) £m
Assets			
Non-current assets			
Property, plant and equipment	8	**67.8**	167.0
Intangible assets		**55.5**	126.8
Investments accounted for using the equity method	10	**11.4**	10.3
Deferred income tax asset		**6.3**	30.1
Trade and other receivables		**11.9**	12.7
		152.9	346.9
Current assets			
Inventories		**106.2**	247.8
Trade and other receivables		**44.1**	80.7
Derivative financial instruments		**–**	0.1
Current tax recoverable		**3.7**	1.8
Cash and short-term deposits		**24.1**	29.7
		178.1	360.1
Assets in disposal groups classified as held for sale		**198.2**	–
Total assets		**529.2**	707.0
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**(5.6)**	(1.6)
Retirement benefits liabilities		**(32.2)**	(39.0)
Interest-bearing loans and borrowings	12	**(7.0)**	(11.8)
Provisions		**(2.8)**	(1.1)
		(47.6)	(53.5)
Current liabilities			
Trade and other payables		**(191.9)**	(442.8)
Current income tax payable		**–**	(20.8)
Interest-bearing loans and borrowings	12	**(185.0)**	(84.5)
Derivative financial instruments		**(1.3)**	(0.8)
Provisions		**(10.9)**	(4.0)
		(389.1)	(552.9)
Liabilities in disposal groups classified as held for sale		**(148.2)**	–
Total liabilities		**(584.9)**	(606.4)
Net assets		**(55.7)**	100.6
Equity			
Equity share capital		**347.1**	347.1
Other reserve - own shares		**(0.6)**	(0.6)
Hedging reserve		**(0.5)**	0.1
Foreign currency translation reserve		**12.7**	12.9
Capital reserve		**0.3**	0.3
Retained earnings		**(415.5)**	(260.4)
Equity attributable to shareholders of the parent company		**(56.5)**	99.4
Minority interests		**0.8**	1.2
Total equity		**(55.7)**	100.6

Consolidated Statement of Changes in Equity

	Equity share capital	Own shares	Hedging reserve	Foreign currency translation reserve	Capital reserve	Retained earnings	Total	Minority interests (re-stated)	Total equity (restated)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 25 April 2009	347.1	(2.7)	0.1	14.0	0.3	(259.2)	99.6	-	99.6
Profit for the period	-	-	-	-	-	49.2	49.2	-	49.2
Other comprehensive income (loss)	-	-	-	(1.1)	-	(14.4)	(15.5)	-	(15.5)
Total comprehensive income (loss)	-	-	-	(1.1)	-	34.8	33.7	-	33.7
Ordinary dividend	-	-	-	-	-	(31.2)	(31.2)	-	(31.2)
Purchase of own shares	-	(0.3)	-	-	-	-	(0.3)	-	(0.3)
Share-based payment awards	-	2.4	-	-	-	(2.4)	-	-	-
Credit for share-based payments	-	-	-	-	-	(1.5)	(1.5)	-	(1.5)
Deferred tax relating to share-based payments	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Minority interests acquired with subsidiary	-	-	-	-	-	-	-	1.2	1.2
At 24 April 2010	347.1	(0.6)	0.1	12.9	0.3	(260.4)	99.4	1.2	100.6
Profit for the period	-	-	-	-	-	(123.1)	(123.1)	1.4	(121.7)
Other comprehensive (loss)	-	-	(0.6)	(0.2)	-	(2.7)	(3.5)	-	(3.5)
Total comprehensive (loss) income	-	-	(0.6)	(0.2)	-	(125.8)	(126.6)	1.4	(125.2)
Ordinary dividend	-	-	-	-	-	(27.5)	(27.5)	-	(27.5)
Credit for share-based payments	-	-	-	-	-	0.5	0.5	-	0.5
Deferred tax relating to share-based payments	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Payments to non-controlling interests	-	-	-	-	-	-	-	(1.2)	(1.2)
Other movements in non-controlling interests	-	-	-	-	-	(0.9)	(0.9)	(0.6)	(1.5)
At 30 April 2011	**347.1**	**(0.6)**	**(0.5)**	**12.7**	**0.3**	**(415.5)**	**(56.5)**	**0.8**	**(55.7)**

Consolidated Cashflow Statement

For the 53 weeks ended 30 April 2011 and 52 weeks ended 24 April 2010

	Note	2011	2010
		£m	£m
Cash flows from operating activities			
Profit before tax – continuing operations	2	**2.6**	67.3
Profit before tax – discontinued operations	2	**(110.8)**	1.6
Net finance costs		**10.4**	6.2
Share of post-tax profits of joint ventures and associates accounted for using the equity method		**1.0**	(0.3)
Depreciation		**39.7**	43.4
Amortisation		**0.3**	0.1
Impairment charges		**122.7**	2.0
Profit on disposal of property, plant and equipment		**(0.2)**	(0.9)
Equity settled share-based payment charge(credit)		**0.5**	(1.5)
Pension contributions less income statement charge		**(3.7)**	(2.4)
		62.5	115.5
Movement in inventories		**34.6**	(29.6)
Movement in trade and other receivables		**(14.9)**	(6.0)
Movement in trade and other payables		**(116.4)**	3.4
Movement in provisions		**18.5**	(1.8)
Net cash flows from operations		**(15.7)**	81.5
Income tax paid		**(16.2)**	(15.6)
Net cash flows from operating activities		**(31.9)**	65.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(28.2)**	(39.9)
Proceeds from sale of property, plant and equipment		**0.2**	1.1
Interest received		**0.2**	0.4
Repayment of loan from joint venture		**–**	4.5
Payments to acquire investments in joint ventures		**(2.1)**	(8.1)
Acquisition of subsidiary including fees		**–**	(47.0)
Cash acquired with subsidiary		**–**	7.8
Payments to non-controlling interests		**(0.9)**	–
Other movements in non-controlling interests		**(0.6)**	–
Net cash flows from investing activities		**(31.4)**	(81.2)
Cash flows from financing activities			
Movements in funding		**105.2**	35.0
Costs of raising debt		**(2.9)**	(0.2)
Purchase of own shares		**–**	(0.3)
Interest paid		**(9.1)**	(5.1)
Equity dividends paid to shareholders		**(27.5)**	(31.2)
Repayment of capital element of finance lease		**(1.0)**	(0.9)
Net cash flows from financing activities		**64.7**	(2.7)
Net increase (decrease) in cash and cash equivalents		**1.4**	(18.0)
Opening cash and cash equivalents	11	**27.3**	45.5
Effect of exchange rate changes		**(0.3)**	(0.2)
Closing cash and cash equivalents	11	**28.4**	27.3

Notes to the Financial Statements

1. Basis of preparation

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 are set out in the Group's Annual Report and have been applied consistently throughout the reporting period.

2. Segmental information

For both management and financial reporting purposes the continuing operations of the Group are organised into three operating businesses – HMV UK & Ireland, HMV International (comprising HMV Hong Kong and HMV Singapore) and HMV Live. At 30 April 2011 Waterstone's and HMV Canada (which was previously included within HMV International) have been classified as disposal groups available for sale and as discontinued operations as both businesses are expected to be sold within 12 months.

HMV UK & Ireland and HMV International are the pre-recorded music, video and electronic games retailing divisions that primarily trade under the HMV brand. HMV Live's activities include the operation of live music venues and events, including festivals, together with sponsorship income relating to brands held within the business. It also includes the management of recording artists and other related activities. Waterstone's is a book retailer, 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 30 April 2011 and 24 April 2010.

	53 weeks ended 30 April 2011					
	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Segment revenue	**1,070.1**	**33.2**	**46.9**	**1,150.2**	**718.1**	**1,868.3**
Segment trading profit before exceptional items	**24.0**	**1.4**	**3.0**	**28.4**	**13.1**	**41.5**
Operating exceptional items:						
Restructuring costs	**(2.6)**	**–**	**–**	**(2.6)**	**(1.6)**	**(4.2)**
Store closure costs	**(15.1)**	**–**	**–**	**(15.1)**	**(8.8)**	**(23.9)**
Lease disposal premium received	**13.8**	**–**	**–**	**13.8**	**–**	**13.8**
Store impairment costs	**(9.6)**	**–**	**–**	**(9.6)**	**(1.6)**	**(11.2)**
Pension scheme settlement	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Impairment loss on re-measurement to fair value less costs to sell	**–**	**–**	**–**	**–**	**(111.5)**	**(111.5)**
Total exceptional items allocated to segments	**(13.5)**	**–**	**–**	**(13.5)**	**(124.0)**	**(137.5)**
Segment operating profit (loss)	**10.5**	**1.4**	**3.0**	**14.9**	**(110.9)**	**(96.0)**
Central exceptional items:						
Restructuring costs				**(3.6)**	**–**	**(3.6)**
Pension scheme curtailment				**2.8**	**–**	**2.8**
Share of post-tax losses of associates and joint ventures not allocated to segments				**(1.0)**	**–**	**(1.0)**
Total operating profit (loss)				**13.1**	**(110.9)**	**(97.8)**
Net finance costs				**(8.6)**	**0.1**	**(8.5)**
Exceptional finance costs				**(1.9)**	**–**	**(1.9)**
Profit (loss) before taxation				**2.6**	**(110.8)**	**(108.2)**
Taxation				**(5.8)**	**(7.7)**	**(13.5)**
Loss for the period				**(3.2)**	**(118.5)**	**(121.7)**
Average employees (number)	**6,015**	**213**	**515**	**6,743**	**6,874**	**13,617**

Notes to the Financial Statements continued

2. Segmental information continued

	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
	53 weeks ended 30 April 2011					
Segment assets	**201.4**	**10.9**	**91.8**	**304.1**	**198.2**	**502.3**
Unallocated assets managed on a Group basis:						
Investments accounted for using the equity method						**8.8**
Deferred income tax asset						**6.3**
Current income tax recoverable						**3.7**
Centrally held cash and short-term deposits						**8.1**
Total assets						**529.2**
Depreciation	**22.5**	**0.5**	**1.5**	**24.5**	**15.2**	**39.7**

	HMV UK & Ireland £m	HMV International £m	HMV Live £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
	52 weeks ended 24 April 2010 (restated)					
Segment revenue	1,241.9	31.1	8.1	1,281.1	735.5	2,016.6
Segment trading profit (loss) before exceptional items	73.8	1.2	(0.2)	74.8	5.3	80.1
Operating exceptional items:						
Impairment charge	-	-	-	-	(2.0)	(2.0)
Restructuring costs	-	-	-	-	(1.7)	(1.7)
Integration costs	-	-	(1.6)	(1.6)	-	(1.6)
Total exceptional items	-	-	(1.6)	(1.6)	(3.7)	(5.3)
Share of post-tax profits of associates and joint ventures allocated to segments	-	-	0.9	0.9	-	0.9
Segment operating profit	73.8	1.2	(0.9)	74.1	1.6	75.7
Share of post-tax profits of other associates and joint ventures				(0.6)	-	(0.6)
Total operating profit				73.5	1.6	75.1
Net finance costs				(6.2)	-	(6.2)
Profit before taxation				67.3	1.6	68.9
Taxation				(19.3)	(0.4)	(19.7)
Profit for the period				48.0	1.2	49.2
Average employees (number)	6,740	227	129	7,096	7,058	14,154
Segment assets	227.7	10.0	88.7	326.4	330.5	656.9
Unallocated assets managed on a Group basis:						
Investments accounted for using equity method						7.6
Deferred income tax asset						30.1
Current income tax recoverable						1.8
Centrally held cash and short-term deposits						10.6
Total assets						707.0
Depreciation	23.1	0.5	0.4	24.0	19.4	43.4

Notes to the Financial Statements continued

The following tables present revenue and certain asset information regarding the Group's geographic locations for the periods ended 30 April 2011 and 24 April 2010.

	53 weeks ended 30 April 2011				
	United Kingdom £m	**Rest of Europe £m**	**Asia £m**	**Canada £m**	**Total £m**
Segment revenue from third party customers	**1,529.4**	**86.8**	**33.2**	**218.9**	**1,868.3**
Non-current assets	**157.6**	**2.1**	**1.9**	**7.9**	**169.5**
Unallocated non-current assets					**15.1**
Total non-current assets					**184.6**

	52 weeks ended 24 April 2010 (restated)				
	United Kingdom £m	Rest of Europe £m	Asia £m	Canada £m	Total £m
Segment revenue from third party customers	1,662.7	100.9	31.1	221.9	2,016.6
Non-current assets	292.6	4.1	2.4	10.1	309.2
Unallocated non-current assets					37.7
Total non-current assets					346.9

Non-current assets for this purpose consist of property, plant and equipment (including those held for sale), intangible assets, investment in joint ventures and associates and trade and other receivables.

3. Exceptional items

	2011 £m	**2011 £m**	**2011 £m**	2010 (Restated) £m	2010 (Restated) £m	2010 (Restated) £m
Recognised in arriving at operating profit:	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Restructuring costs	**(6.2)**	**(1.6)**	**(7.8)**	–	(1.7)	(1.7)
Store closure costs	**(15.1)**	**(8.8)**	**(23.9)**	–	–	–
Lease disposal premium received	**13.8**	**–**	**13.8**	–	–	–
Impairment costs	**(9.6)**	**(1.6)**	**(11.2)**	–	(2.0)	(2.0)
Pension scheme credit (charge)	**2.8**	**(0.5)**	**2.3**	–	–	–
Integration of Live division	**–**	**–**	**–**	(1.6)	–	(1.6)
Operating exceptional items	**(14.3)**	**(12.5)**	**(26.8)**	(1.6)	(3.7)	(5.3)
Impairment loss on remeasurement to fair value less costs to sell	**–**	**(111.5)**	**(111.5)**	–	–	–
	(14.3)	**(124.0)**	**(138.3)**	(1.6)	(3.7)	(5.3)
Exceptional finance costs - Refinancing	**(1.9)**	**–**	**(1.9)**	–	–	–
Total exceptional items	**(16.2)**	**(124.0)**	**(140.2)**	(1.6)	(3.7)	(5.3)

Exceptional items (charged) credited comprise the following:

- Restructuring costs of £7.8m relating to redundancy costs of non-store employees in HMV UK & Ireland (£2.6m), HMV Canada (£1.1m) and Waterstone's (£0.5m) and £3.6m of advisory and other restructuring fees incurred by the Company during the period;
- Store closure costs totalling £23.9m (HMV UK & Ireland (£15.1m), HMV Canada (£0.5m) and Waterstone's (£8.3m)), including fixed asset write-offs, redundancy costs incurred, strip-out costs, stock obsolescence and an assessment of provisions required for future property costs on stores where the leases have not yet expired;
- Partially offsetting store closure costs was a £13.8m premium received in cash by HMV UK & Ireland on the disposal of its leasehold interest in a store at 360 Oxford Street, London;

Notes to the Financial Statements continued

3. Exceptional items continued

– Fixed asset impairment charges totalling £11.2m were incurred by HMV UK & Ireland (£9.6m), Waterstone's (£0.9m) and HMV Canada (£0.7m) following a review of the carrying value of retail assets based on prevailing market trading conditions;

– At 26 February 2011 the HMV Canada and Waterstone's businesses were reclassified as disposal groups held for sale (see Note 7). At this point they were remeasured to the lower of carrying value and fair value less costs to sell, which resulted in an impairment charge of £111.5m;

– A net exceptional credit of £2.3m was taken in respect of defined benefit pension schemes, including a £2.8m curtailment credit in connection with benefit changes on the closure of the UK scheme to future accrual at 31 March 2011, partially offset by a £0.5m settlement cost of purchasing annuities in the Irish scheme.

– Exceptional costs of £1.9m have been incurred with respect to the refinancing negotiations that were underway in the period to 30 April 2011 (see Note 4).

Exceptional costs for continuing operations charged to operating profit are allocated as £10.9m to cost of sales and £3.4m to administrative expenses. A net tax credit of £7.3m arose in respect of exceptional charges (continuing operations £4.2m, discontinued operations £3.1m).

During the previous period, included within cost of sales were exceptional impairment charges of £2.0m (Waterstone's £1.0m, HMV Canada £1.0m) 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.

4. Net finance costs

	2011	2010 (restated)
	£m	£m
Finance revenue		
Bank interest receivable	**0.2**	0.4
Finance costs		
Bank loans and overdrafts	**7.1**	5.2
Amortisation of deferred financing fees	**0.8**	0.4
Other finance expense – pensions	**0.9**	1.0
Total finance costs	**8.8**	6.6
Exceptional finance costs	**1.9**	-
Net finance costs	**10.5**	6.2

Included within the total net finance costs are net non-cash charges totalling £1.7m (2010: £1.4m). These comprise the amortisation of deferred financing fees and other finance costs relating to pensions.

In addition to the above net finance income of £0.1m (2010: nil) was included in the result of the discontinued operation (see Note 7).

Notes to the Financial Statements continued

5. Taxation

Group	2011 £m	2010 (Restated) £m
Taxation recognised in the income statement:		
United Kingdom, current year:		
Corporation tax – continuing operations	**(0.6)**	19.1
Corporation tax – discontinued operations	**2.2**	0.7
Over provision in prior periods	**(5.4)**	(0.4)
	(3.8)	19.4
Overseas tax, current year:		
Corporation tax – continuing operations	**1.8**	0.4
Corporation tax – discontinued operations	**(1.1)**	0.5
Over provision in prior periods	**(3.3)**	–
	(2.6)	0.9
Total current tax	**(6.4)**	20.3
Deferred tax:		
United Kingdom – continuing operations	**9.3**	0.3
United Kingdom – discontinued operations	**7.9**	(1.0)
Overseas – continuing operations	**0.1**	(0.1)
Overseas – discontinued operations	**2.6**	0.2
Total deferred tax	**19.9**	(0.6)
Total taxation expense in the income statement	**13.5**	19.7

The underlying effective tax rate on continuing operations before exceptional items is 7% (2010: 28%) which is lower than the statutory rate due to over provision in prior periods. The total tax expense in the current year of £13.5m includes a credit of £7.3m (2010: £1.0m) in relation to the exceptional items of £28.7m (excluding impairment of disposal groups) (2010: £5.3m) offset by an exceptional charge in respect of the derecognition of the Group's deferred tax asset.

6. Equity dividends

	2011 £m	2010 £m
Ordinary final dividend of 5.6p per share for 2010 (2009: 5.6p)	**23.7**	23.6
Ordinary interim dividend of 0.9p per share for 2011 (2010: 1.8p)	**3.8**	7.6
	27.5	31.2

The Board is not recommending the payment of a final dividend. Consequently, the 0.9p per share interim dividend already paid represents the total dividend for the year (2010 total dividend: 7.4p).

7. Discontinued operations

As at 30 April 2011 negotiations for the sale of Waterstone's and HMV Canada were in progress and the businesses were therefore classified as disposal groups held for sale and as discontinued operations.

Waterstone's is the book retailing division, primarily trading in the UK and HMV Canada is the pre-recorded music, video and electronic games retailing division, previously included in the HMV International business segment. Subsequent to the year end, the Company announced that it had reached agreement to sell both businesses, further details of which are given in Note 13.

Notes to the Financial Statements continued

7. Discontinued operations continued

The results of Waterstone's and HMV Canada are presented below:

	2011 Waterstone's £m	**2011 HMV Canada £m**	**2011 Total £m**	2010 Waterstone's £m	2010 HMV Canada £m	2010 Total £m
Revenue	**499.2**	**218.9**	**718.1**	513.6	221.9	735.5
Expenses	**(487.1)**	**(217.9)**	**(705.0)**	(510.8)	(219.4)	(730.2)
Operating profit before exceptional items	**12.1**	**1.0**	**13.1**	2.8	2.5	5.3
Finance income	**0.1**	**–**	**0.1**	–	–	–
Profit before taxation and exceptional items	**12.2**	**1.0**	**13.2**	2.8	2.5	5.3
Exceptional items	**(10.2)**	**(2.3)**	**(12.5)**	(2.7)	(1.0)	(3.7)
Impairment recognised on remeasurement to fair value less costs to sell	**(110.5)**	**(1.0)**	**(111.5)**	–	–	–
(Loss) profit before tax from discontinued operations	**(108.5)**	**(2.3)**	**(110.8)**	0.1	1.5	1.6
Tax (expense) credit	**(9.2)**	**1.5**	**(7.7)**	–	(0.4)	(0.4)
(Loss) profit for the period from discontinued operations	**(117.7)**	**(0.8)**	**(118.5)**	0.1	1.1	1.2

The tax (expense) credit is analysed as follows:						
On (loss) profit on ordinary activities for the period	**(2.8)**	**3.2**	**0.4**	(0.6)	(0.7)	(1.3)
On exceptional items	**2.3**	**0.8**	**3.1**	0.6	0.3	0.9
On derecognition of deferred tax asset	**(8.7)**	**(2.5)**	**(11.2)**	–	–	–
	(9.2)	**1.5**	**(7.7)**	–	(0.4)	(0.4)

The major classes of assets and liabilities of the businesses were as follows:

	2011 Waterstone's £m	**2011 HMV Canada £m**	**2011 Total £m**
Assets			
Property, plant and equipment	**23.8**	**7.9**	**31.7**
Current income tax asset	**–**	**1.7**	**1.7**
Inventories	**74.4**	**31.8**	**106.2**
Trade and other receivables	**51.2**	**1.0**	**52.2**
Cash	**4.1**	**2.3**	**6.4**
Assets classified as held for resale	**153.5**	**44.7**	**198.2**
Liabilities			
Interest bearing loans and borrowings	**(4.1)**	**(2.1)**	**(6.2)**
Deferred income tax liability	**(0.3)**	**–**	**(0.3)**
Retirement benefit liabilities	**(0.6)**	**–**	**(0.6)**
Provisions	**(5.9)**	**–**	**(5.9)**
Trade and other payables	**(91.6)**	**(42.6)**	**(134.2)**
Current income tax payable	**(1.0)**	**–**	**(1.0)**
Liabilities classified as held for resale	**(103.5)**	**(44.7)**	**(148.2)**
Net liabilities of disposal group	**50.0**	**–**	**50.0**

The impairment recognised on fair value less costs to sell has been allocated to Waterstone's goodwill (£71.0m) and property, plant and equipment (Waterstone's £39.5m, HMV Canada £1.0m). There was no tax impact of the impairment charge.

Notes to the Financial Statements continued

7. Discontinued operations continued

The net cash flows attributable to Waterstone's and HMV Canada are as follows:

	2011 Waterstone's £m	**2011 HMV Canada £m**	**2011 Total £m**	2010 Waterstone's £m	2010 HMV Canada £m	2010 Total £m
Operating cash flows	**(8.3)**	**(5.6)**	**(13.9)**	(2.7)	(0.9)	(3.6)
Investing cash flows	**(7.6)**	**(2.1)**	**(9.7)**	(14.3)	(3.1)	(17.4)
Financing cash flows	**34.1**	**7.4**	**41.5**	4.5	2.9	7.4
Net cash inflow (outflow)	**18.2**	**(0.3)**	**17.9**	(12.5)	(1.1)	(13.6)

In respect of Waterstone's share of the UK defined benefit pension liabilities, a scheme apportionment arrangement was entered into on 6 June 2011 between Waterstone's and the Company. This provided that on Waterstone's ceasing to participate in the scheme, their share of the Scheme's deficit (instead of becoming immediately payable) will be transferred to the Company. Conversely, the Group's Irish defined benefit scheme transfers with Waterstone's Ireland, where all active members are employed. Further details are provided on page 14.

8. Earnings per share

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

	2011 £m	2010 (Restated) £m
(Loss) profit from continuing operations	**(3.2)**	48.0
Less non-controlling interests	**(1.4)**	–
(Loss) profit from continuing operations attributable to shareholders of the Parent Company	**(4.6)**	48.0
Exceptional items, less tax thereon – continuing operations	**20.7**	1.5
Adjusted profit from continuing operations attributable to shareholders of the Parent Company	**16.1**	49.5
Discontinued operations (loss) profit after tax and exceptional items	**(118.5)**	1.2
Exceptional items, less tax thereon – discontinued operations	**132.1**	2.8
Adjusted profit from discontinued operations attributable to shareholders of the Parent Company	**13.6**	4.0
Total (loss) profit attributable to shareholders of the Parent Company	**(123.1)**	49.2
Exceptional items less tax thereon	**152.8**	4.3
Total adjusted profit attributable to shareholders of the parent company	**29.7**	53.5

	2011 Number Million	2010 Number million
Weighted average number of Ordinary Shares - basic	**423.2**	422.5
Dilutive share options	**-**	-
Weighted average number of Ordinary Shares - diluted	**423.2**	422.5

Notes to the Financial Statements continued

8. Earnings per share continued

Earnings per Ordinary Share is calculated as follows:

	2011	2010 (Restated)
	Pence	Pence
Continuing operations		
Basic and diluted	**(1.1)**	11.3
Adjusted and diluted	**3.8**	11.7
Discontinued operations		
Basic and diluted	**(28.0)**	0.3
Adjusted and diluted	**3.2**	1.0
Total operations		
Basic and diluted	**(29.1)**	11.6
Adjusted and diluted	**7.0**	12.7

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

Earnings per share for the discontinued operation is derived from the loss attributable to shareholders of the parent from discontinued operations of £118.5m (2010: profit £1.2m), divided by the weighted average number of Ordinary Shares for both basic and diluted amounts as per the table above.

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 nil (2010: nil). At the year end, 2.7m anti-dilutive share awards were in issue (2010: 1.5m).

9. Property, plant and equipment

The net book value of the Group's property, plant and equipment as at 30 April 2011 was £67.8m (2010: £167.0m).

During the 53 weeks ended 30 April 2011, the Group acquired assets with a cost of £28.2m (2010: £39.9m).

Assets with a net book value of £4.1m were disposed of by the Group during the 53 weeks ended 30 April 2011 (2010: £0.5m), resulting in a net gain on disposal of £0.2m (2010: £0.9m).

10. Business combinations

During the prior year, on 29 January 2010 the Group completed its acquisition of MAMA Group Plc, when its offer for the entire issued share capital became unconditional. MAMA comprised a diverse range of music-related businesses, and was the Group's joint venture partner in Mean Fiddler Group, the UK's second largest multiple live music venue operator. The consideration paid to acquire MAMA's shares was £46.0m, which included £4.2m incurred in December 2009, when 10% of share capital was acquired at 5.25p per share, with the remaining share capital subsequently purchased at 5.4p per share. Associated fees totalled £1.0m. The total consideration also included £15.5m (including £1.7m fees) incurred in the Group's earlier investment in Mean Fiddler Group. This gave a total cost of acquisition of £62.5m, all of which was satisfied in cash.

At 24 April 2010 goodwill of £44.1m was capitalised based on provisional fair values. These fair values have now been finalised, resulting in a decrease in the fair value of the net assets acquired (detailed below) and consequently an increase in the goodwill capitalised of £4.6m, bringing the total goodwill to £48.7m. 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, including using the HMV brand and business relationships to improve operating metrics, and the opportunity with MAMA to build a wider ticketing business of scale. As part of the fair value exercise, historic goodwill of £22.0m in the books of MAMA Group was written-off. In addition, intangible assets totalling £5.2m (£3.6m over the book value) have been recognised on acquisition, reflecting the fair value of various brands predominantly relating to MAMA's festivals business.

Notes to the Financial Statements continued

10. Business combinations

From the date of acquisition to 24 April 2010, the operations of MAMA Group contributed £8.1m of revenue and made a loss before tax and exceptional items of £0.2m. In addition, exceptional costs of £1.6m were charged in the period relating to integration costs (see note 3). If the acquisition had taken place at the beginning of the period ended 24 April 2010, revenue for the Group, including discontinued operations, would have been £2,053.9m, operating profit before exceptional items would have been £83.3m and profit before tax and exceptional items would have been £76.5m.

The fair value of the identifiable assets and liabilities as at the date of acquisition, and the corresponding carrying amounts immediately before the acquisition were:

	Book value £m	Provisional 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 instruments	(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 as 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.

11. Cash and cash equivalents

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

	2011 £m	2010 £m
Cash at bank and in hand	**22.8**	27.8
Short-term deposits	**1.3**	1.9
Bank overdrafts	–	(2.4)
	24.1	27.3
Cash held in disposal group	**6.4**	–
Bank overdrafts held in disposal group	**(2.1)**	–
	28.4	27.3

Notes to the Financial Statements continued

12. Loans and borrowings

At 30 April 2011 the Company had a £240m multi-currency revolving credit facility. The final maturity date of the facility was 30 September 2013. At 30 April 2011 £187.0m had been drawn down. Interest on the facility is payable at a rate equal to LIBOR plus a margin of 2.25% - 2.50%. After the balance sheet date, the Company entered into a new banking facility, details of which are given in Note 13.

The Group also has a five year term loan in Mean Fiddler Group Ltd, repayable by £0.2m quarterly, with an outstanding balance at 30 April 2011 of £8.0m (2010: £8.8m) and a final maturity of 13 November 2014. The Group also has some locally arranged bank facilities, which do not have a fixed maturity date but are reviewed annually.

13. Post balance sheet events

Refinancing

A new £220m bank facility was entered into on 6 June 2011, becoming effective on the completion of the Waterstone's disposal on 28 June 2011 and with a final maturity date of 30 September 2013. The facilities provided under this agreement comprise:

- a £70m term loan facility (Facility A);
- a £90m term loan facility (Facility B); and
- a £60m multicurrency revolving credit facility, of which £10m may be utilised by way of an overdraft facility (Facility C)

An arrangement fee of 2% of the maximum facility amount (£4.4m) was payable on draw-down, with ongoing interest payable at a margin of 4.0% over LIBOR. In addition, an exit fee will accrue on the amount outstanding under Facility B which will be payable upon repayment of facility B. The rate at which the exit fee accrues starts at 5% per annum and will ratchet upwards on 1 April 2012 to 8% and again on 1 January 2013 to 14% to the extent that Facility B has not been repaid by each date. The notional balance of the Facility B term loan to which the exit fee applies at any time, reduces following the application of the proceeds of any equity raising by the Company, which are required to be applied in part against that term loan balance. In addition, the Company has an obligation to prepay the facilities with the proceeds of any subordinated debt issues, certain disposals and from any excess cashflow generated.

The Company has also issued warrants to the lenders at closing representing 5% of the Company's total share capital (on the basis that all outstanding warrants or options have been exercised). The warrants are fully detachable and are convertible into Ordinary Shares at any time from 30 June 2012 until the tenth anniversary of the issue of the warrants.

The revised bank facility contains a prohibition on the payment of dividends by the Company at any time before Facility B is repaid in full. Following such repayment, dividends are permitted to be paid, subject to certain restrictions, primarily relating to the indebtedness of the Company and existing and forecast compliance with all other facility terms.

The facility contains standard financial covenants in respect of gearing and fixed charge cover, together with an obligation to ensure that the aggregate gross assets, revenue and operating profits of the guarantors are at least 90% of the Group (excluding HMV Live) at all times. In addition, the level of capital expenditure incurred by the Company during the life of the facility is restricted to certain agreed levels.

Sale of Waterstone's

On 20 May 2011 the Company announced that it had reached agreement to sell Waterstone's to A&NN Capital Fund Management Limited, a company controlled by a trust in which Alexander Mamut has an interest. The total cash consideration payable for Waterstone's was £53m on a cash-free, debt-free basis, subject to certain closing adjustments. Of the total cash consideration, £40m is payable on completion and £13m is payable on 31 October 2011. This deferred consideration is not contingent on the satisfaction of any conditions. The business will be sold free of all pension liabilities, with the exception of the Irish Pension Scheme, which will transfer to the purchaser subject to a special contribution of euro1.35m to be paid into the scheme on completion.

Notes to the Financial Statements continued

13. Post balance sheet events

Following shareholder approval of the disposal at a general meeting on 23 June 2011, all conditions were satisfied and the transaction completed on 28 June 2011. Transaction costs incurred by the Company in connection with the transaction are anticipated to total £3.0m.

Sale of HMV Canada

On 27 June 2011 the Company announced that it had reached agreement to sell HMV Canada to Hilco UK for total cash consideration of £2.0m.

14. Preliminary financial information

The Directors of HMV Group plc are responsible, in accordance with the Listing Rules of the Financial Services Authority and applicable International Financial Reporting Standards, for preparing and issuing this preliminary announcement, which was approved on 29 June 2011.

The Group has prepared its condensed consolidated financial statements in accordance with the IFRS accounting policies it has applied in its IFRS compliant full year financial statements. The consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements are extracted from the Group's full financial statements for the 53 weeks ended 30 April 2011. The Group's full financial statements were approved by the Directors on 29 June 2011 and received an unqualified audit report. This financial information is abridged and does not constitute statutory accounts for the 53 weeks ended 30 April 2011 and 24 April 2010. Full financial statements for the 53 weeks ended 30 April 2011 will be filed with the Registrar of Companies in due course and will then be available on the Group's website at www.hmvgroup.com. The 2010 Annual Report and Financial Statements on which the auditors gave an unqualified report have been filed with the Registrar of Companies.

Forward-looking statements

Certain statements in this announcement 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.