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CHFP025

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COMPANIES FORM No. 155(6)a

Declaration in relation to assistance for the acquisition of shares

155(6)a

Pursuant to section 155(6) of the Companies Act 1985

Please complete
legibly, preferably
in black type, or
bold block lettering

To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number

610095

Note
Please read the notes
on page 3 before
completing this form.

Name of company

* Waterstone's Booksellers Limited

* insert full name
of company

I/We ☒ See Attachment 1

☒ insert name(s) and
address(es) of all
the directors

† delete as
appropriate

~~the sole director~~ [all the directors]† of the above company do solemnly and sincerely declare that:

The business of the company is:

§ delete whichever
is inappropriate

~~(a) that of a recognised bank (licensed institution) within the meaning of the Banking Act 1979;~~

~~(b) that of a person authorised under section 9 or 4 of the Insurance Companies Act 1982 to carry on insurance business in the United Kingdom;~~

(c) something other than the above§

The company is proposing to give financial assistance in connection with the acquisition of shares in the

[company] ~~[company's holding company]~~ _____ Limited†

The assistance is for the purpose of ~~that acquisition~~ [reducing or discharging a liability incurred for the purpose of that acquisition].†

The number and class of the shares acquired or to be acquired is: Seventy One Million and Fourteen Thousand Ordinary Shares

Presentor's name address and
reference (if any):

Shearman & Sterling
Broadgate West
9 Appold Street
London
EC2A 2AP

Doc.No:264417.01

For official Use
General Section

Post room



LD2
COMPANIES HOUSE

0381
17/05/02

The assistance is to be given to: (note 2) HMV Group plc, Company Number 3412290,
Shelley House, 2-4 York Road, Maidenhead, Berks SL6 1SR

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Please complete
legibly, preferably
in black type, or
bold block
lettering

The assistance will take the form of:

See Attachment 2

The person who (has acquired) (~~will acquire~~)† the shares is:

† delete as
appropriate

HMV Group plc

The principal terms on which the assistance will be given are:

See Attachment 3

The amount of cash to be transferred to the person assisted is £ Nil

The value of any asset to be transferred to the person assisted is £ Nil

The date on which the assistance is to be given is The date hereof or within 8 weeks

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block lettering

* delete either (a) or
(b) as appropriate

~~x~~/We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

- (a) ~~[x]~~/We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)
- (b) ~~[It is intended to commence the winding up of the company within 12 months of that date and x/we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.]~~* (note 3)

And ~~x~~/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at 2-4 YORK ROAD, MAIDENHEAD
BERKS
SL6 1SR.

Day Month Year
on

1	3	0	5	2	0	0	1
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before me W S VIVIENE CHAI HWA No. 149

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

KIDD RAPINET
33 Queen Street
Maidenhead
Berkshire SL6 1NB

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

Declarants to sign below

Paul Dale Deu
SARAH DORNER DAVID ROUSE
STEVE KNOTT BRIAN MCAGILL
LESLEY HILES
DAVID POGGEND

Waterstone's Booksellers Limited
Company Number 610095

Attachment 1 - Form 155(6)a

Steve Knott

Old COPPICE, GALLOW'S TREE ROAD, PEPPARD COMMON,
HENLEY-ON-THAMES, OXON, RG9 5HT

Sarah Dormer

32 NORMAN ROAD, CHEAM, SURREY, SM1 2TA

Brian McLaughlin

PANGBOURNE LODGE, TIDMARSH ROAD, PANGBOURNE,
BERKSHIRE, RG8 7AZ

Lesley Miles

19A ELTHORNE AVENUE, LONDON, W7 2JY

David Pogrand

26 CEYLON ROAD, LONDON, W24 0PV

David Roche

BROADWAY HOUSE, 156 HARE LANE, CLAYGATE, SURREY KT10 0RD

Waterstone's Booksellers Limited
Company Number 610095

Attachment 2 - Form 155(6)a

1. The execution and delivery by Waterstone's Booksellers Limited (the "**Company**") of:
 - (a) an accession agreement (the "**Accession Agreement**") to be dated 15 May, 2002 relating to the facility agreement between, *inter alia*, HMV Group plc (the "**Parent**") and Dresdner Kleinwort Wasserstein, acting on behalf of Dresdner Bank AG, London Branch, and The Royal Bank of Scotland plc as mandated lead arrangers, The Royal Bank of Scotland plc as facility agent and the banks and financial institutions named therein (the "**Facility Agreement**");
 - (b) an intercreditor agreement to be dated 15 May, 2002 (the "**Intercreditor Agreement**") between, *inter alia*, the Company, the Parent, EMI Group PLC and The Royal Bank of Scotland plc as facility agent;
 - (c) a security agreement to be dated 15 May, 2002 between the Company, the Parent, HMV Music Limited, HMV (IP) Limited, HMV UK Limited and The Royal Bank of Scotland plc as facility agent (the "**Security Agreement**");
 - (d) a security agreement to be dated 15 May, 2002, between, *inter alia*, the Company and The Royal Bank of Scotland plc as Facility Agent (the "**Northern Ireland Security Agreement**");
and
 - (e) a standard security to be dated 15 May, 2002 between, *inter alia*, the Company and The Royal Bank of Scotland plc as Facility Agent (the "**Scottish Standard Security**").

Waterstone's Booksellers Limited
Company Number 610095
Attachment 3 - Form 155(6)a

1. By executing the Accession Agreement the Company will, *inter alia*: grant an irrevocable and unconditional guarantee in accordance with the terms of Clause 18 (*Guarantee and Indemnity*) of the Facility Agreement (the "**Guarantee**") for the benefit of the Finance Parties (as defined in the Facility Agreement) in respect of all of the Parent's liabilities under the Finance Documents (as defined in the Facility Agreement) and become liable in respect of certain representations and covenants set out in, and certain indemnities granted under, the Facility Agreement.
2. By executing the Security Agreement the Company will, *inter alia*, grant security over all of its present and future assets and revenues in respect of its liabilities under the Finance Documents and the EMI Counter Indemnity (as defined in the Facility Agreement).
3. By executing the Intercreditor Agreement the Company will agree to, *inter alia*, the subordination of all amounts owed to it by the Parent and its rights of subrogation (if any) in respect of any payment made by it in respect of the Guarantee and become jointly and severally liable with the Parent in respect of certain indemnities granted thereunder.
4. By executing the Northern Ireland Security Agreement the Company will agree to, *inter alia*, grant security over certain properties and related assets located in Northern Ireland in respect of its liabilities under the Finance Documents and the EMI Counter Indemnity (as defined in the Facility Agreement).
5. By executing the Scottish Standard Security the Company will agree to, *inter alia*, grant security over certain properties and related assets located in Scotland in respect of its liabilities under the Finance Documents and the EMI Counter Indemnity (as defined in the Facility Agreement).

(Terms defined in Attachment 2 shall have the same meanings when used herein).

The Directors
Waterstone's Booksellers Limited
Shelley House
2-4 York Road
Maidenhead
Berkshire
SL6 1SR

13 May 2002

Dear Sirs

**Auditors' report to the directors of Waterstone's Booksellers Limited
pursuant to section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors of Waterstone's Booksellers Limited ("the Company") dated 13 May 2002 in connection with the proposal that the Company should grant guarantees and related security in relation to the refinancing of debt incurred by HMV Group plc for the purposes of acquiring all of the issued share capital of the Company.

Basis of opinion

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
13 May 2002