Company Number 2133199

Waterstone's Overseas Limited (formerly HMV Overseas Limited)

Report and Accounts

53 weeks ended 30 April 2011

COMPANY INFORMATION

DIRECTORS

N I Bright (resigned 17 December 2010)
S R Fox (resigned 28 June 2011)
D P Myers (resigned 28 June 2011)
A J Daunt (appointed 28 June 2011)

SECRETARY

E Marriner (resigned 28 June 2011)
M W Giffin (appointed 28 June 2011)

REGISTERED OFFICE

Capital Court
Capital Interchange Way
Brentford
Middlesex
TW8 0EX

COMPANY NUMBER

2133199

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 53 weeks ended 30 April 2011, which were approved on behalf of the Board on 30 August 2011

Business review

At the close of business on 26 April 2008 the Company disposed of the trade and certain net assets of its bookstores to its immediate parent company, Waterstone's Booksellers Limited, for a consideration of £75 1m, realising a profit on disposal of £69 3m Since this disposal, the Company's activities have been limited to certain transactions with fellow Group undertakings with no increase in activity expected in the foreseeable future

On 24 February 2011 the Company changed its name to Waterstone's Overseas Limited

The Company did not trade during the period and no profit or loss was recorded (2010 £nil) The Directors do not recommend that a dividend be declared for the period under review (2010 £nil)

After the period end, on 28 June 2011, the various Waterstone's businesses, including the Company, were sold by HMV Group plc for £53 0m on a debt and cash free basis to Waterstone's Holdings Limited, a subsidiary of A&NN Capital Fund Management Limited

Principal risks and uncertainties

During the period under review, the Board of the ultimate parent undertaking, HMV Group plc, had a policy of continuous identification and review of key business risks and uncertainties It oversaw the development of processes to ensure that these risks were managed appropriately and operational management were delegated with the tasks of implementing these processes and reporting to the Board on their outcomes The Board considered that the Company was not subject to any significant risks and uncertainties due to the limited extent of its trading activities

Directors

The names of the Directors who served throughout the period under review and up to and including the date of this Report and the changes of directorships since the year end date are shown on page 1

Auditors

The Director who was a member of the Board at the time of approving the Directors' Report is listed on page 1 Having made enquiries of the Company's auditors, the Director confirms that

- to the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- he has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

A statement of the Directors' responsibility for the financial statements can be found on page 3, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report

Elective resolutions to dispense with holdings annual general meetings and the laying of accounts before the Company in general meeting are currently in force

Ernst & Young LLP will not seek reappointment as auditor of the Company In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the annual general meeting for the appointment of auditors

Going concern

The Directors have a reasonable expectation that the company will continue in existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

By order of the Board

M W GRIFFIN
Secretary
2nd September 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' statement of their responsibilities, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the Auditors in relation to the financial statements

The Director is responsible for preparing the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union (IFRS)

The Director is required to prepare financial statements for each financial year that present a true and fair view of the financial position of the Company and the financial performance and the cash flows of the Company for that period In preparing those financial statements, the Director is required to

(i) select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Estimates and then apply them consistently,

(ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,

(iii) provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and

(iv) state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 as well as Article 4 of the IAS Regulation He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

I confirm that, to the best of my knowledge

(i) the financial statements, prepared in accordance with IFRS, present fairly the assets, liabilities, financial position and profit of the Company, and

(ii) the Directors' Report includes a fair review of the position of the Company, together with a description of the principal risks and uncertainties that the Company may face

By order of the Board

A J DAUNT
Director

2nd September 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WATERSTONE'S OVERSEAS LIMITED

We have audited the financial statements of Waterstone's Overseas Limited for the 53 weeks ended 30 April 2011, which comprise the Balance Sheet, Cash Flow Statement and related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non financial information in the report and accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 April 2011,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Steven Bagworth

Steven Bagworth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
5th September 2011

BALANCE SHEET

	Notes	As at 30 April 2011 £000	As at 24 April 2010 £000
Assets			
Non-current assets			
Investments in subsidiaries	5	**200**	200
		200	200
Current assets			
Trade and other receivables	6	**11,115**	11,115
Current income tax receivable		**19**	19
		11,134	11,134
Total assets		**11,334**	11,334
Current liabilities			
Interest-bearing loans and borrowings	8	**(1)**	(1)
Total liabilities		**(1)**	(1)
Net assets		**11,333**	11,333
Equity			
Share capital	9	**1,105**	1,105
Share premium		**9,213**	9,213
Capital redemption reserve		**512**	512
Retained earnings		**503**	503
Total equity		**11,333**	11,333

The financial statements were approved by the Board of Directors on 2nd September 2011 and were signed on its behalf by

A J DAUNT
Director

CASH FLOW STATEMENT

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

	Notes	2011 £000	2010 £000
Cash flows from operating activities			
Movement in trade and other receivables		-	(578)
Movement in trade and other payables		-	(1,513)
Net cash flows from operating activities		-	(2,091)
Net decrease in cash and cash equivalents		-	(2,091)
Opening cash and cash equivalents		(1)	2,090
Closing cash and cash equivalents	7	(1)	(1)

NOTES TO THE FINANCIAL STATEMENTS

1 Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Waterstone's Overseas Limited for the 53 weeks ended 30 April 2011 were authorised for issue by the Board on 2nd September 2011 and the balance sheet was signed on the Board's behalf by A J Daunt Waterstone's Overseas Limited is incorporated and domiciled in England and Wales The financial statements have been prepared in accordance with IFRS and as applied in accordance with the provisions of the Companies Act 2006

2 Accounting policies

Basis of preparation

These financial statements are made up to the Saturday on or immediately preceding 30 April each year Consequently, the financial statements for the current period cover the 53 weeks ended 30 April 2011, whilst the comparative period covered the 52 weeks ended 24 April 2010 The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below

The Company did not trade in the period under review or in the prior period, therefore no income statement is presented The financial statements are presented in Pounds Sterling and are rounded to the nearest thousand except where otherwise indicated They are prepared on the historical cost basis

The Company is exempt from preparing group financial statements as it is itself a subsidiary undertaking under Section 400 of the Companies Act 2006 These financial statements present information about the Company as an individual undertaking and not about its group

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

Investments in subsidiaries

Investments in subsidiaries are recognised at cost less impairments booked Income is recognised from these investments when the right to receive the distribution is established

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of investments in subsidiary undertakings

Taxation

Current tax

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accountıng policıes (contınued)

New accountıng standards

The Company has adopted the following new accountıng standards, amendments to accountıng standards and ınterpretatıons, whıch are eıther mandatory for the first tıme for the fınancıal year endıng 30 Aprıl 2011 or have been adopted early as approprıate They have no materıal ımpact on the Company

- IAS 27 Consolıdated and Separate Fınancıal Statements (revısed 2008) (1 July 2009)
- IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions (1 January 2010)
- IFRS 3 Busıness Combınatıons (revısed 2008) (1 July 2009)
- IAS 32 Fınancıal Instruments Presentatıon – Classıfıcatıon of Rıghts Issues (Amendment) (1 February 2010)
- IAS 39 Fınancıal Instruments Recognıtıon and Measurement – Elıgıble Hedged Items (1 July 2009)
- IFRIC 17 Dıstrıbutıon of Non-cash Assets to Owners (1 July 2009)
- Annual ımprovements to IFRS (ıssued ın Aprıl 2009)

The Company has not adopted early the requırements of the followıng accountıng standards and ınterpretatıons, whıch have an effectıve date after the start date of these fınancıal statements

- IAS 24 Related Party Dısclosures (Amendment) (1 January 2011)
- IFRS 9 Fınancıal Instruments Classıfıcatıon and Measurement (1 January 2013)
- IFRS 10 Consolıdated Fınancıal Statements (1 January 2013)
- IFRS 11 Joınt Arrangements (1 January 2013)
- IFRS 12 Dısclosure of Interests ın Other Entıtıes (1 January 2013)
- IFRIC 14 Prepayments of a mınımum fundıng requırements (Amendment) (1 January 2011)
- IFRIC 19 Extınguıshıng Fınancıal Lıabılıtıes wıth Equıty Instruments (1 July 2010)
- Annual ımprovements to IFRS (ıssued ın May 2010)

The Dırectors do not antıcıpate that the adoptıon of these standards and ınterpretatıons wıll have a materıal ımpact on the Company's fınancıal statements

The effectıve dates stated are those gıven ın the orıgınal IASB/IFRIC standards and ınterpretatıons As the Company prepares ıts fınancıal statements ın accordance wıth IFRS as adopted by the European Unıon, the applıcatıon of new standards and ınterpretatıons wıll be subject to their havıng been endorsed for use ın the EU vıa the EU endorsement mechanısm

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Fees to auditors

The audit fee of £5,000 has been borne by another Group company (2010 £5,000)

4. Directors' emoluments

No Directors received any remuneration during the year in respect of his services to the Company (2010 £nil) During the year under review the Directors of the Company were employed and remunerated by another entity in the Group These Directors were also Directors or officers of other companies within the Group The Directors' services to the Company did not occupy a significant amount of their time As such, the Directors do not consider that they have received any remuneration for the incidental services to the Company for the 53 week period ended 30 April 2011 (and for the 52 week period ended 24 April 2010)

5. Investments subsidiaries

	£000
At 30 April 2011, 24 April 2010 and 25 April 2009	**200**

In the opinion of the Directors of the Company, the aggregate value of the assets of the Company, consisting of shares in the Company's subsidiary undertakings, is not less than the aggregate of the amounts at which those assets are stated in the balance sheet For each company, the country of incorporation is England & Wales, the companies were dormant throughout the period, the shares are equity capital and the companies are wholly owned

Name of undertaking
Ottakar's Town Limited
Ottakar's Limited (formerly Town Booksellers Limited)

6. Trade and other receivables

	2011	2010
	£000	£000
Current		
Amounts owed by parent and fellow subsidiary undertakings	**11,115**	11,115

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

Included in amounts owed by parent and fellow subsidiary undertakings is a balance of £669,000 (2010 £669,000) related to intercompany trading on which no interest is charged The balance relates to a loan with the immediate parent undertaking, on which no interest is charged and which is repayable on demand

7. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following

	2011	2010
	£000	£000
Cash at bank and in hand	-	-
Overdrafts payable on demand	**(1)**	(1)
	(1)	(1)

8. Interest-bearing loans and borrowings

	2011	2010
	£000	£000
Overdrafts payable on demand (see note 7)	**1**	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Share capital

	2011 Number	2010 Number	2011 £000	2010 £000
Authorised				
Ordinary Shares of 5p each	**65,900,000**	65,900,000	**3,295**	3,295
Allotted, called up and fully paid				
Ordinary Shares of 5p each	**22,107,790**	22,107,790	**1,105**	1,105

Capital management
The capital of Waterstone's Overseas Limited is the total equity on the Company's balance sheet The Company's equity is not expected to change in the foreseeable future The management of the Company's capital is performed by the Board of Directors There are no externally imposed capital requirements

10. Reserves

Equity share capital
In the current period the Company did not issue any shares No shares were issued during the prior period

Capital redemption reserve
The capital redemption reserve arose on cancellation of 2,047,304 deferred shares of 25p each, less £12 paid in consideration for these shares

11. Contingent liabilities

The management of Waterstone's Overseas Limited is not aware of any legal or arbitration proceedings pending or threatened against the Company which may result in any liabilities significantly in excess of provisions in the financial statements

12 Related party transactions

During the period the Company entered into transactions in the ordinary course of business with related parties Transactions entered into and balances outstanding at the end of the period, which are repayable on demand, are as follows

	Dividends paid to related parties	Amounts owed by related party £000	Amounts owed to related party £000
2011 – with ultimate parent company	-	-	-
2011 – with fellow subsidiaries	-	**11,115**	-
2010 – with ultimate parent company	-	-	-
2010 – with fellow subsidiaries	-	11,115	-

Included in amounts owed to other fellow subsidiaries is a balance of £669,000 (2010 £669,000) related to intercompany trading on which no interest is charged The balance of £10,445,000 (2010 £10,445,000) relates to subsidiary loans, on which no interest is charged and which is repayable on demand

Remuneration of key management personnel

In the year ended 30 April 2011, the personnel with responsibility for managing the Company were employed and paid by the immediate parent company, Waterstone's Booksellers Limited, and their remuneration is disclosed in the accounts of that company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Ultimate parent undertaking

At 30 April 2011 HMV Group plc was the ultimate parent undertaking of the Company The only Group in which the Company is consolidated is that headed by HMV Group plc Copies of these financial statements can be obtained from the Company Secretary, HMV Group plc, Shelley House, 2-4 York Road, Maidenhead, Berkshire, SL6 1SR

14. Post balance sheet event

On 28 June 2011, HMV Group plc sold its investment in the Company's immediate parent company, Waterstone's Booksellers Limited, to Waterstone's Holdings Limited, a subsidiary of A&NN Capital Fund Management Limited