HMV

HMV operates from 379 stores in the UK & Ireland, Canada, Hong Kong and Singapore and through local territory websites. The HMV brand is one of the world's best known and respected retailers of entertainment products.

379
Stores in five countries

1.9m
sq ft of prime retail space

£1.3bn
Total sales

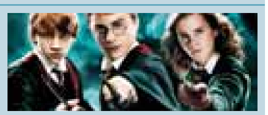
40m CD
54m DVD
units sold in HMV UK & Ireland

DVD
32% of total Group sales

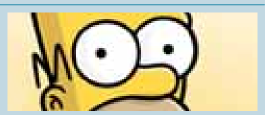
Overview
DVD maintained its position as HMV's largest product category, accounting for 46% of sales in HMV UK & Ireland and 47% in HMV International. The UK DVD market grew by 8% in volume in 2007/08, driven by a strong new release schedule. Longer term, the DVD category is expected to slow as new video distribution channels gain traction, however, for the medium term this is expected to be offset by growth in the high definition Blu-Ray format. HMV is well positioned to take advantage of these opportunities.

Bestselling DVDs 2007/08 (UK market):

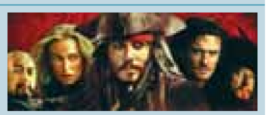
Harry Potter and the Order of the Phoenix



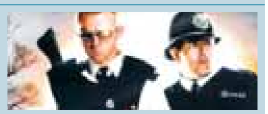
The Simpsons Movie



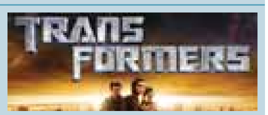
Pirates of the Caribbean 3: At World's End



Hot Fuzz



Transformers

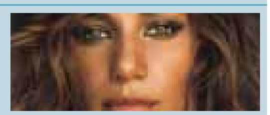


Music
25% of total Group sales

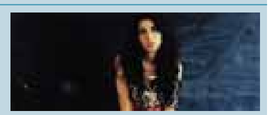
Overview
The UK music market declined by 12% in 2007/08, which was in line with the Group's expectations. We are anticipating similar rates of decline for the next few years, and are managing our product mix accordingly. Music now accounts for a quarter of the Group's sales, down from 31% last year. However, music will remain crucial to the HMV brand, as we continue to develop our digital offer.

Bestselling CDs 2007/08 (UK market):

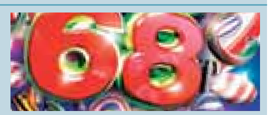
Leona Lewis: Spirit



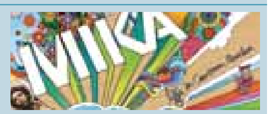
Amy Winehouse: Back to Black



Various: Now 68



Mika: Life in Cartoon Motion



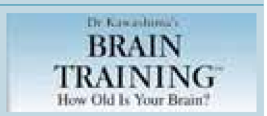
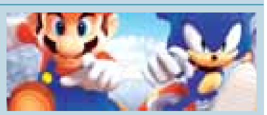
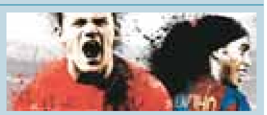
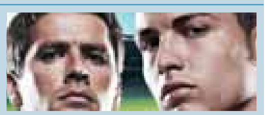
Westlife: Back Home

Games and technology
12% of total Group sales

Overview

The UK market for games hardware and software grew by over 40% during the year, across consoles including the Nintendo DS, Xbox360, PS3, PSP and Nintendo Wii. HMV UK & Ireland outperformed the market and grew share. Games represented 17% of sales in HMV UK & Ireland, up from 12% last year. HMV Canada also rolled out games during the year and the category is now 7% of its sales mix. Technology products, predominantly MP3/MP4 players and related accessories, have also been introduced into the HMV offer and in the UK & Ireland these represented 4% of sales for the year.

Bestselling games software 2007/08 (HMV UK and Ireland):

More Brain Training	
Brain Training: How Old Is Your Brain?	
Mario & Sonic at the Olympic Games	
Fifa 08	
Pro Evolution Soccer 2008	

Waterstone's

Waterstone's is the UK's leading specialist high street bookseller, renowned for both its wide range and quality of advice. The chain operates through 313 stores and a transactional website, waterstones.com

313
Stores throughout the UK and Ireland

1.8m
sq ft of prime retail space

£564m
Total sales

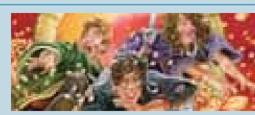
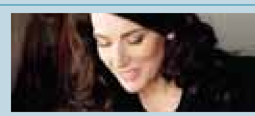
75m
books sold by Waterstone's

Books
29% of total Group sales

Overview

Books are 29% of total Group sales. The total UK book market has seen steady but modest growth over the past five years but this accelerated to 8% in 2007/08, of which approximately 2% was due to the publication of Harry Potter and the Deathly Hallows in July 2007. The market continues to be highly competitive and promotional, particularly on bestselling new release titles, although price deflation in the market remained broadly stable.

Bestselling books 2007/08 (Waterstone's):

Harry Potter and the Deathly Hallows: JK Rowling	
Nigella Express: Nigella Lawson	
A Thousand Splendid Suns: Khaled Hosseini	
A Spot of Bother: Mark Haddon	
Jamie at Home: Jamie Oliver	

Strategic review

"We continued to plan and adapt for structural change taking place in our markets by refocusing our mix of products to higher growth lines, improving the communication with our customers and enhancing our store environments."

I am pleased to report that we completed the first year of our turnaround plan ahead of our expectations, having stabilised the Group's operating and financial performance and made good progress on all of the strategic initiatives contained within our three-year plan.

Protecting and revitalising our stores business

Our stores business performed strongly throughout the year, demonstrating the strength and resilience of our market leading brands. We continued to plan and adapt for structural change taking place in our markets by refocusing our mix of products to higher growth categories, improving the communication with our customers and enhancing our store environments.

HMV

HMV UK & Ireland is adapting to the changing ways in which entertainment is being consumed.

The HMV brand has been reinvigorated by new integrated in-store and online promotions, which invite our customers to 'Get Closer' to the content we sell. This powerful approach to advertising, combined with improved campaigns, especially around the key seasonal gifting periods, improved customers' perceptions of the HMV brand and helped us to significantly outperform the markets in which we operate. In music HMV UK & Ireland grew unit sales, even though during the period the market saw volume declines, and in DVD our sales volumes increased by over 18% in a market in which units grew 8%.

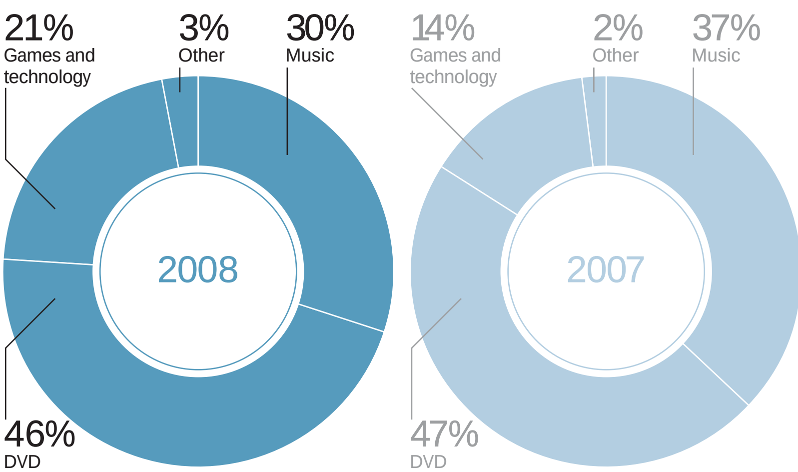
We also embarked on successful trials of a 'next generation' store format, featuring a social hub providing access to entertainment websites, multi-player games zones and transactional kiosks. All product lines in the trial outperformed the rest of the chain, providing a basis in the coming financial year to convert 10–15 stores and open all new stores in the new format. After the end of the period, HMV Canada also opened its first next generation store in Toronto.

HMV UK & Ireland successfully rolled out a range of technology products, predominantly MP3/MP4 players and related accessories, which have been very well received by our customers. We continued to enhance our credibility with customers and suppliers in the fast-growing games console and software market, and are planning to launch a pre-played games offer in 2008/09. Games and technology products now represent 21% of HMV UK & Ireland's sales mix, up from 14% in the prior year. By taking the key learnings from the UK, a similar focus has been applied in HMV Canada, where these products grew to 7% of sales from just 1% in the prior year.

Above:
Trials of 'next generation' stores have been a great success, with more openings to follow.

Right:
Multi-player gaming zones attract customers to this high growth format.

Below:
HMV UK & Ireland mix progression



We acquired seven entertainment stores and various related trademarks from the administrator of Fopp, and opened our first new Fopp store in Bristol in March 2008. The differentiated customer offer and local appeal of these stores have been successfully preserved, offering the potential for a small number of future openings.

Waterstone's

Core to improving performance at Waterstone's was our focus on enhancing our engagement with customers, the emphasis on service in branches and the growth of our online business.

The biggest single initiative to help build links with our customers has been the Waterstone's multi-channel loyalty card, which launched in September 2007, and now has 1.5 million cardholders. The card enables Waterstone's customers to earn and redeem points in-store and online and to enjoy further benefits, such as meeting authors and the chance to receive and review pre-publication copies of new books.

Engagement with Waterstone's local communities was increased during the year through organising events and other activities in our stores. Over 6,300 events were held, including 1,700 children's events, and the launch of Harry Potter and the Deathly Hallows attracted over 250,000 visitors to midnight openings at our stores, which helped to double our market share over the previous Harry Potter book.

Above:
Fopp's differentiated customer offer has been retained following the acquisition of seven shops and related trademarks.

Below:
Waterstone's loyalty card had 1.5 million members after just nine months.

Right:
Waterstones.com functionality includes the ability to check stock availability in local stores.

The appeal of our product offer and store environment was enhanced during the year by the successful introduction of new children's departments and a high quality range of gift stationery into 100 stores, where these new ranges have performed well.

Growing revenue from new channels

The hmv.com website was enhanced during the period by new branding and customer communication, which contributed to growth of over 40% on the previous year and an increased share of the online market. CD and DVD sales from hmv.com are now approaching 10% of HMV UK & Ireland's total sales.

The choice to purchase physical or digital music albums from a single shopping basket is now integrated into hmv.com. This ensures that, as and when all of the major music suppliers make their catalogues available in the MP3 file format, the site is well positioned to sell downloads which are compatible with any portable digital music player. A subscription service, HMV Jukebox, was also launched to provide unlimited online access to over 3 million music tracks for a single monthly payment.

We commenced trials of a new social discovery website, getcloser.com, through which music and film enthusiasts can share their interests and experience user-generated and copyright content. The site, which will be supported by advertising, sponsorship and e-commerce, will launch in beta on 1 July 2008.

The competitiveness of waterstones.com was enhanced by changes made to delivery and customer communication, and sales from the site grew by over 140% on the prior year and customer registrations are now more than 850,000. The ability to check local store stock and collect orders from local branches is proving particularly popular with online customers, while the Waterstone's loyalty card has added a further, powerful multi-channel link between our stores and the website. Additional benefits to the operation and service of waterstones.com will follow as fulfilment for the site transfers to Waterstone's new book hub in the new financial year.

Driving cost efficiency

Good progress has been made on restructuring the Group's cost base and to deliver on our planned savings by 2010.

Combining the back office finance and IT functions of HMV UK & Ireland and Waterstone's and centralising – both businesses' – procurement of goods not for resale, successfully delivered the anticipated savings of £6m for the year.

Waterstone's appointed Unipart as its supply chain partner, leading to a new book hub serving all stores and fulfilment for waterstones.com becoming operational after the period end. The transition from direct-to-store deliveries to the book hub has been de-risked by the phased take on of stores, which will be completed by the end of the new financial year. Consequently, the delivery of cost savings from this initiative will be deferred until 2009/10. The programme to simplify HMV UK & Ireland's supply chain remains on track to become operational during the new financial year.

At the end of the period, Waterstone's total square footage had been reduced by 6.7% out of a three-year target of 10% by April 2010.

Creating value

At the beginning of the year a review of strategic options for HMV Japan concluded that greater value for our shareholders could be created through a disposal of this business. The price achieved of Yen17bn on a debt and cash free basis (£70.6m) was a multiple of 9.0 times historic EBITDA, and with the proceeds we significantly reduced the Group's debt.

Outlook

One year into our transformation programme, we are ahead of where we had planned to be, although there remains much more for us to do. Whilst we are mindful of the challenging economic outlook, the current financial year has started in line with our expectations, and we remain confident of achieving our medium-term targets for 4.5%–5% return on sales and 2.0 times dividend cover at the end of the financial year 2009/10.

Simon Fox Chief Executive Officer
30 June 2008

Below:
getcloser.com, our social discovery site, is now live.

Group performance

Financial highlights

Following the disposal of HMV Japan during the period, the Group's results and comparatives shown below exclude HMV Japan to reflect continuing operations only, except where specified.

	2008 £m	2007 £m	Growth %
Continuing operations:			
Sales	**1,874.9**	1,684.8	11.3
Like for like sales – %	**7.3%**	(3.5%)	
Operating profit (before exceptional items)	**66.2**	54.0	22.6
Operating exceptional items	**(4.6)**	(26.5)	
Profit before tax (before exceptional items)	**56.6**	45.2	25.2
Profit before tax	**52.0**	18.7	
Discontinued activities – HMV Japan	**51.7**	1.9	
Adjusted basic earnings per share (continuing operations)	**10.1p**	8.2p	22.8
Basic earnings per share (continuing operations)	**9.2p**	3.5p	
Total dividend per share declared	**7.4p**	7.4p	
Underlying net borrowings	**0.2**	130.6	
Free cash flow	**87.4**	6.3	
Store numbers (continuing operations)	**692**	683	
Average trading square footage (continuing operations)	**3.68m**	3.59m	2.7

Total sales from the Group's continuing operations increased by £190.1m or 11.3% to £1,874.9m, including like for like sales growth of 7.3%. At constant exchange rates, total sales grew by 10.3%. Beneficial exchange rate movements, primarily in the Euro and Canadian dollar, increased sales by £17.3m and operating profit by £0.9m.

Operating profit from continuing operations before exceptional charges increased by £12.2m or 22.6% to £66.2m. The improvement on last year reflects the strong sales performance of both UK businesses. Cost saving initiatives, particularly Group buying synergies and the consolidation of back office functions, contributed to the tight management of operating costs, which included an incremental bonus charge of £11.0m, reflecting the Group's profit growth and strong cash generation from management of working capital. Net finance charges before exceptional items rose from £8.8m to £9.6m, reflecting higher interest rates and the net impact on borrowings of the acquisition of Ottakar's and the disposal of HMV Japan.

The profit before tax and exceptional items for continuing operations was £56.6m, up 25.2% on the prior period.

Exceptional operating costs of £4.6m were incurred in connection with the continuing review of the combined Waterstone's store portfolio, following the acquisition of Ottakar's.

Discontinued operations, reflecting the trading and disposal of HMV Japan, generated a profit after tax of £51.7m.

Underlying net borrowings at £0.2m (2007: £130.6m) were broadly eliminated, reflecting the receipt of £70.6m gross proceeds from the sales of HMV Japan and the strong cash generation of the continuing operations.

The Board is proposing a final dividend of 5.6p, making a total dividend for the year of 7.4p.

Sales	**2008 £m**	2007 £m	Year on year growth[1] %	Constant exchange growth[2] %	Like for like sales growth (decline)[3] %
HMV UK & Ireland	**1,079.0**	932.2	15.8	15.4	11.4
HMV International[4]	**231.6**	215.1	7.6	1.7	(1.3)
Total HMV	**1,310.6**	1,147.3	14.2	12.9	9.2
Waterstone's[5]	**564.3**	537.5	5.0	4.7	3.3
Total continuing operations	**1,874.9**	1,684.8	11.3	10.3	7.3
Discontinued operation – HMV Japan	**61.2**	209.7			
Total HMV Group	**1,936.1**	1,894.5			

Operating profit (before exceptional items)	**2008 £m**	2007 £m	**2008 % of sales**	2007 % of sales	Year on year growth (decline)[1] %	Constant exchange growth (decline)[2] %
HMV UK & Ireland	**41.4**	24.3	**3.8**	2.6	70.3	69.1
HMV International[4]	**8.5**	13.4	**3.7**	6.2	(36.2)	(39.6)
Total HMV	**49.9**	37.7	**3.8**	3.3	32.6	30.7
Waterstone's[5]	**16.3**	16.3	**2.9**	3.0	(0.6)	(1.5)
Total continuing operations	**66.2**	54.0	**3.5**	3.2	22.6	20.9
Discontinued operation – HMV Japan	**0.1**	3.3				
Total HMV Group	**66.3**	57.3				

1. Year on year growth for the 52 week period compared with the corresponding period last year is based on results translated at the actual exchange rates being the weighted average exchange rates for the year ended 26 April 2008 and year ended 28 April 2007 respectively.
2. Constant exchange growth for the 52 week period compared with the corresponding period last year is based on the weighted average exchange rates for the year ended 28 April 2007.
3. 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 (ie open at the beginning of May 2006) 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.
4. HMV International comprises the results of HMV Canada, Hong Kong and Singapore.
5. Waterstone's results include Ottakar's, which was acquired on 3 July 2006.

HMV UK & Ireland

HMV UK & Ireland, operating through 250 stores and online, had a very good year, with total sales up by 15.8%, driven by like for like sales growth of 11.4%. The result reflected strong store sales and the continuing growth of hmv.com. An excellent performance in music and DVD was complemented by an increased focus on higher growth games and technology categories, with like for like sales of these products increasing by 59% and 95% respectively. The increased mix of lower margin products contributed to a planned 50 basis point reduction in the gross margin rate, with this effect arising in the first half as underlying product margin gains increasingly offset the impact of growing games and technology sales. Operating costs were well managed, with like for like costs increasing by 2.2% exclusive of incremental staff bonuses. Overall, therefore, operating profit increased by 70.3% to £41.4m and the operating margin rose from 2.6% to 3.8%.

Although HMV UK & Ireland's markets remained highly competitive, market share gains were made across the board. In music, the market declined by almost 12% by volume, in line with our expectations, but in HMV UK & Ireland our unit sales of music marginally increased due to successful product campaigns and marketing. In DVD, HMV UK & Ireland increased unit sales by over 18%, significantly outperforming a market that grew by over 8% in volume. This performance was assisted by successful campaigns, including US TV, Valentine's and World Cinema, and a strong line-up of new releases, especially at Christmas. The games market continued to be an area of outstanding growth, with value growth in the year of 42%. Within this, HMV UK & Ireland increased its share of both the hardware and software markets, with total sales up over 64%.

Following enhancements made to the hmv.com website, including customer communication, service and functionality, online sales during the period increased by over 42%.

Seven new stores were opened in the period, and following the acquisition of seven stores and related trademarks from the administrator of Fopp, one further store was opened trading as Fopp.

HMV International

HMV International now comprises 121 HMV stores in Canada and eight stores in Hong Kong and Singapore, with HMV's business in Japan sold during the period (see Discontinued operations).

Sales of HMV International were £231.6m, an increase of 1.7% on last year at constant exchange rates. Total reported growth was 7.6%, reflecting beneficial exchange rate movements. The growth reflected a like for like sales increase in HMV Hong Kong and Singapore, partially offset by like for like sales decline of 1.9% in HMV Canada, where the markets for both music and DVD were particularly challenging. Liquidation activity by HMV Canada's largest specialist competitor adversely impacted sales and market share during the Christmas period, but when these stores ceased to trade in January 2008 HMV Canada's sales and market share trends improved markedly. Games and technology sales grew rapidly to 7% of HMV Canada's sales mix following the roll-out of a games offer in the year and a range of new technology products in time for the peak Christmas period. However, the lower margins achieved on these products contributed to a 110 basis point dilution in gross margin.

In HMV Hong Kong and Singapore strong like for like sales growth was driven by continued success in DVD and, although a relatively low proportion of the mix, rapid games sales growth.

Six stores were opened in the period in HMV Canada and one in HMV Hong Kong.

Overall, the operating profit of HMV International fell to £8.5m, entirely reflecting HMV Canada's like for like sales decline and the impact of a higher mix of games and technology sales on gross margins. In HMV Hong Kong and Singapore, operating profit increased marginally.

Above:
Strong brand promotions helped both UK businesses to deliver a successful Christmas.

Waterstone's

In Waterstone's, which operates through 313 stores, total sales increased by 5.0% for the period, including like for like sales up 3.3%. This growth includes the annualisation of the Ottakar's acquisition and an estimated 0.9% impact from sales of Harry Potter and the Deathly Hallows. The book market continues to be highly competitive and promotional, which resulted in some Waterstone's market share dilution, although this can be mostly attributed to the closure of stores as part of the strategic initiative to rationalise dual catchments. New children's departments and an enhanced gift stationery offer were successfully rolled out to over 100 stores, enabling Waterstone's to maximise these growing product categories. Waterstones.com grew by 146% during the period, driven in part by the success of Waterstone's multi-channel loyalty card, which launched in September 2007, and has attracted 1.5m registered members to date.

Waterstone's operating profit for the year of £16.3m was level on last year after incurring £1.2m start-up costs of the book hub distribution centre. Better targeted discounting contributed to an underlying gross margin improvement of 30 basis points, although the total gross margin rate was down 10 basis points, due to the dilutory effect of Harry Potter and the Deathly Hallows. Costs were tightly controlled, with like for like operating costs, excluding incremental staff bonuses, up only 1.3%.

The result reflects a full annualisation of the impact of the Ottakar's acquisition in July 2006, with synergies, net of seasonal trading losses, contributing an additional £1.5m of operating profit. Exceptional store closure costs of £4.6m were incurred in connection with the continuing review of the combined store portfolio. As a result 11 stores closed in the period, while one new store was opened.

Net finance charges
Net finance costs before exceptional items increased from £8.8m to £9.6m. This reflected higher market rates and a higher interest margin as a result of amendments to the Group's Senior Facility agreed in June 2007, partially offset by reduced average net debt due to strong cash generation and the net effect of the acquisition of Ottakar's in July 2006 and the disposal of HMV Japan in August 2007.

Taxation
The effective tax rate on continuing operations before exceptional items is 28% (2007: 27%). The total tax expense in the current year includes a credit of £1.1m (2007: £7.5m) in relation to the exceptional items from continuing operations of £4.6m (2007: £26.5m) and a charge of £0.9m in relation to the profit on disposal of HMV Japan.

Earnings per share
Adjusted earnings per share from continuing operations, excluding the effect of exceptional items and discontinued operations was 10.1p, an increase of 22.8% on last year. Basic earnings per share was 22.1p, compared with 4.0p in 2007.

Dividend
The Board is recommending a final dividend of 5.6p per share in addition to the 1.8p per share interim dividend already paid, bringing the total dividend for the year to 7.4p (2007: 7.4p). By maintaining the dividend level, dividend cover has increased to 1.4 times from 1.1 times, in line with the Board's policy of rebuilding dividend cover towards a target of 2.0 times by 2009/10.

Subject to shareholder approval at the Annual General Meeting on 5 September 2008, the final dividend will be paid on 10 October 2008 to shareholders on the register at the close of business on 29 August 2008. Shares will be quoted ex-dividend from 27 August 2008.

Cash flow and net debt
Closing net debt of £0.2m was £130.4m lower than last year. This reflected the disposal of HMV Japan, as a result of which £80.0m of term debt was repaid and cancelled during the period, ahead of its maturity on 31 January 2008. Free cash inflow was £87.4m (2007: £6.3m).

	2008 £m	2007 £m
EBITDA	**108.1**	103.6
Capital expenditure	**(36.8)**	(46.6)
Working capital inflow (outflow)	**36.6**	(13.1)
Spend from exceptional charges and provision utilisation	**(6.1)**	(15.0)
Other	**4.2**	1.6
Net interest paid	**(9.3)**	(9.1)
Taxation	**(9.3)**	(15.1)
Free cash flow	**87.4**	6.3
Net proceeds from the disposal of HMV Japan	**65.9**	–
Dividends paid	**(29.8)**	(29.7)
Special pension contribution	**–**	(4.4)
Purchase of Ottakar's plc, repayment of debt and related costs	**–**	(90.2)
Other	**6.9**	3.0
Net cash inflow (outflow)	**130.4**	(115.0)
Underlying opening net debt	**(130.6)**	(15.6)
Underlying closing net debt	**(0.2)**	(130.6)

EBITDA – Earnings Before Interest, Taxation, Depreciation, Amortisation and exceptional items.
Free cash flow – Cash flow from operating activities after capital expenditure and net interest.
Underlying net debt – Underlying net debt is stated before unamortised deferred financing fees.

Working capital

Working capital improvements resulted in a cash inflow of £36.6m (2007: outflow of £13.1m) reflecting the strong trading performance in the final quarter and tight management of stock and creditors. Group stock turn improved to 5.6 times (2007: 5.3 times).

Capital expenditure

Capital expenditure in the period was £36.8m, compared with the £46.6m spent in the prior year, which included £7.7m in relation to the integration of Ottakar's. Capital expenditure in the year included £6.4m on new stores, £12.1m refitting the existing store portfolio and £9.0m on IT projects.

Discontinued operations

The Group completed the disposal of its HMV Japan business on 25 August 2007 for £70.6m on a cash and debt free basis, giving rise to a post-tax profit on disposal of £51.8m. Prior to disposal, HMV Japan made a loss after tax of £0.1m, giving a total profit after tax for discontinued operations of £51.7m.

The results of HMV Japan have been presented in the income statement as a discontinued operation and the prior year comparatives restated accordingly.

Operating leases

All the Group's stores are held under operating leases. In HMV UK and Waterstone's the majority of leases are on typical institutional lease terms, subject to five year upwards only rent reviews. The majority of the Group's international stores and a minority of UK leases operate through turnover related leases, usually with minimum rent guarantees, and lease terms of five to 10 years.

The Group's net operating lease rentals were £151.1m in the financial year (2007: £154.0m). The total future rental commitment at the balance sheet date amounted to £1.2 billion, or £0.8 billion at net present value, while the existing portfolio has an average remaining lease period of 10 years. Retaining a portfolio of good quality real estate, in prime retail areas, at commercially reasonable rates remains critical to the performance of the Group. Where a store location becomes surplus to requirements, the Group's policy of occupying prime, highly marketable locations serves to limit any lease exposure.

Pensions

The Group has a number of pension schemes in operation. These primarily include defined benefit arrangements for approximately 600 employees almost entirely in the United Kingdom. The defined benefit scheme was generally closed to new joiners from 1 January 2002.

A valuation is undertaken on at least a triennial basis by a qualified actuary. The most recently completed actuarial valuation of the scheme, as at 30 June 2004, identified a deficit of £11.5m on assets of £43.9m. This deficit was funded through three contributions of £4.4m, the final amount of which was paid on 31 May 2006. Furthermore, the Group increased its contributions to a rate of 14.9% of pensionable pay from 1 July 2005 (from 12.9%), while the members' contribution rate increased to 5% of pensionable salaries from 4%. The actuarial valuation as at 30 June 2007 is now close to completion and following this, the next actuarial review will take place no later than 30 June 2010.

Under IAS 19 'Employee Benefits', the HMV defined benefit scheme had a deficit, net of deferred tax, of £11.8m (2007: £15.6m) at 26 April 2008.