

CPW BRANDS 2 LIMITED

Annual Report and Financial Statements

For the year ended 27 April 2019

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**CPW BRANDS 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

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CPW BRANDS 2 LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the unaudited financial statements for the year ended 27 April 2019. Comparative figures are presented for the year ended 28 April 2018.

This report is prepared in accordance with the provisions applicable to companies entitled to the small companies exemption Section 415(a) of the Companies Act 2006. The exemption available from the requirements to prepare a strategic report has been taken in line with Section 414B of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of Dixons Carphone plc and owns the "Carphone Warehouse" trademark.

The principal activity during the year ended 27 April 2019 ("the year") for the Company was to manage, develop and exploit the trademark under a licence agreement with The Carphone Warehouse Limited.

Both parties mutually agreed to terminate the licence arrangement with the final day of trading 27 April 2019. Following this date, there will be no further trading under these agreements. As a result these financial statements have been prepared on a basis other than the going concern.

REVIEW OF THE BUSINESS

The loss after taxation for the financial year was £13,284,000 (2017/18: loss of £9,296,000). The loss for the year includes an impairment of intangible assets of £19,614,000 (2017/18: £9,106,000).

The principal income for the Company in the period was royalty income. As a result the directors do not consider there to be any further key performance indicators.

DIVIDENDS

The directors do not recommend the payment of a final dividend (2017/18: £nil).

GOING CONCERN BASIS

As further described above it was agreed to terminate the brand licence arrangement with Carphone Warehouse Limited with effect from 29 April 2019. The Company is therefore expected to become dormant in future periods as such these financial statements have been prepared on a basis other than the going concern.

DIRECTORS

The directors who served throughout the year and subsequently are as follows:

	<u>Appointed</u>	<u>Resigned</u>
B M Richardson		4 January 2019
L Smith		
A Gibson	4 January 2019	

Prior to 17 December 2018, the Company Secretary was J H C Foo. On 17 December 2018, J H C Foo resigned as Company Secretary and was replaced by C Springett.

On 14 March 2019, C Springett resigned as Company Secretary and was replaced by S Thomas.

CPW BRANDS 2 LIMITED
DIRECTORS' REPORT

Audit Exemption

For the period ended 27 April 2019 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 ("the Act") relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with Section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the board of directors and signed on its behalf by:



L Smith

Director

6 January 2020

Registered Office:

1 Portal Way

London

W3 6RS

Registered number: 7135355

CPW BRANDS 2 LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

CPW BRANDS 2 LIMITED
PROFIT AND LOSS ACCOUNT

For the year ended 27 April 2019

		Year ended 27 April 2019 £'000	Year ended 28 April 2018 £'000
	Note		
Turnover	2	8,138	9,679
Operating expenses (including impairment charge of £19,614,000 (2017/18: £9,106,000))	4	(21,448)	(19,021)
Operating loss		(13,310)	(9,342)
Finance Income	3	26	46
Loss on ordinary activities before taxation	4	(13,284)	(9,296)
Tax on profit on ordinary activities	6	-	-
Loss after taxation for the period		(13,284)	(9,296)

All operating profits / (losses) are derived from continuing operations in the United Kingdom.

There are no other items of comprehensive income or expense other than the loss for the current and preceding periods and therefore no statement of comprehensive income has been presented.

CPW BRANDS 2 LIMITED
BALANCE SHEET
As at 27 April 2019

		Year ended 27 April 2019 £'000	Year ended 28 April 2018 £'000
	Note		
Fixed assets			
Intangible assets	7	-	21,424
Current assets			
Cash and cash equivalents		-	12,255
Debtors	8	22,859	2,471
Creditors: amounts falling due within one year	9	-	(7)
Net current assets		22,859	12,329
Net assets		22,859	36,143
Capital and reserves			
Called-up share capital		-	-
Profit and loss account		22,859	36,143
Shareholders' funds		22,859	36,143

For the year ended 27 April 2019 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with Section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the directors on 6 January 2020 and signed on their behalf by:



L Smith
Director
Registered Office:
1 Portal Way
London
W3 6RS

Registered number: 7135355

CPW BRANDS 2 LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 27 April 2019

	Share capital £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 29 April 2017	-	45,439	45,439
Loss for the year	-	(9,296)	(9,296)
Total comprehensive income and expense for the year	-	(9,296)	(9,296)
At 28 April 2018	-	36,143	36,143
Loss for the year	-	(13,284)	(13,284)
Total comprehensive income and expense for the year	-	(13,284)	(13,284)
At 27 April 2019	-	22,859	22,859

CPW BRANDS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

CPW Brands 2 Limited ("the Company") is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 1 Portal Way, London W3 6RS. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 2.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council, and is exempt from the obligation to prepare and deliver group accounts. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of Dixons Carphone plc.

The financial statements have been presented in UK Sterling, the functional currency of the Company derived from the Company's primary economic environment, and on the historical cost basis except for the revaluation of certain financial instruments, as explained below.

During the year ended 27 April 2019 the Company has adopted the following standards which became applicable; IFRS 15 'Revenue from Contracts with Customers' and IFRS 9: 'Financial Instruments: Recognition and Measurement'. Both standards have been applied using the modified retrospective approach and therefore comparative amounts have not been restated. These new standards have not had any material impact on the financial statements of the Company.

Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, including IFRS 16: 'Leases', either do not apply to the Company or are not expected to have any material impact on the Company's net results or net assets.

The principal accounting policies are set out below.

1.2 Going Concern

As discussed in the directors report on page 2 it was agreed to terminate the brand licence arrangement with Carphone Warehouse Limited with effect from 27 April 2019. The Company is therefore expected to become dormant in future periods as such these financial statements have been prepared on a basis other than the going concern. No material adjustments arose as a result of the ceasing to apply the going concern basis of preparation.

1.3 Intangible assets

Trademarks

Trademarks purchased as part of acquisitions of businesses are capitalised and amortised over their useful economic lives on a straight line basis. These intangible assets are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Amortisation is provided to write off the cost of assets on a straight line basis over 20 years.

1.4 Turnover

Turnover is stated net of VAT and comprises royalty income earned on trademarks. Turnover is recognised as it falls due.

1.5 Taxation

Current taxation

Current tax, is provided at amounts expected to be paid or recovered using the prevailing tax rates and laws that have been enacted or substantively enacted by the balance sheet date and adjusted for any tax payable in respect of previous years.

CPW BRANDS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES continued

Deferred taxation

Deferred tax liabilities are recognised for all temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base value and represent tax payable in future periods. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Current and deferred tax is recognised in the income statement except where it relates to an item recognised directly in reserves, in which case it is recognised directly in reserves.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Company intends to settle its current tax assets and liabilities on a net basis. Deferred tax balances are not discounted.

1.6 Other financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the investment. The Company's financial assets comprise those receivables which involve a contractual right to receive cash from external parties and investments as per note 1.4. Financial assets comprise all items detailed in note 8 and are classified as held at amortised cost (excluding derivative financial assets) in accordance with IFRS 9. Under IAS 39, for the comparative period, other receivables were classified as 'loans and receivables' and subsequently held at amortised cost.

Trade and other receivables

Receivable balances with other Group entities are reviewed for potential impairment based on the ability of the of the counterparty to meets its obligations. The net current asset / liability position of the entity is considered and where the amount due to the Company is not covered, the estimated cashflows of the counterparty and subsidiary companies with the ability to distribute cash to it are considered.

The Company will derecognise a financial asset when the contractual rights to the cash flows expire or the Company transfers the financial asset in a way that qualifies for derecognition in accordance with IFRS 9.

1.7 Borrowings and other financial liabilities

The Company's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in note 9 with the exception of other taxation and social security, deferred income and other non-financial creditors.

Under the classifications stipulated by IFRS 9, borrowings and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost'.

Trade and other payables

Trade and other payables (excluding derivative financial liabilities) are recorded at cost.

1.8 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements and estimates used in the preparation of the financial statements are continually reviewed and revised as necessary.

Whilst every effort is made to ensure that such judgements and estimates are reasonable, by their nature they are uncertain, and as such changes may have a material impact. The principal items subject to such judgements and estimates are as follows:

CPW BRANDS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES continued

Intangible impairment reviews

Intangible assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value of such assets is not supportable. In assessing impairment of intangibles then discounted cash flow methods are used.

Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in a particular market as well as short and medium term business plans. The directors draw upon experience as well as external resources in making these judgements.

2. TURNOVER

Turnover is wholly attributable to the principal activity of the Company, and originated in the United Kingdom.

3. FINANCE INCOME

	Year ended 27 April 2019 £'000	Year ended 28 April 2018 £'000
Bank account interest receivable	<u>26</u>	<u>46</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging the following:

	Year ended 27 April 2019 £'000	Year ended 28 April 2018 £'000
Amortisation of intangible assets	1,810	2,580
Impairment of intangible assets	<u>19,613</u>	<u>9,106</u>

The Company was exempt from audit and therefore no audit fee was paid or accrued in the current or prior period. The Groups auditors received no fees for non-audit work in the current or prior period.

5. DIRECTORS' REMUNERATION AND EMPLOYEES

The Directors did not receive any remuneration in the year for services to the Company (2017/18: £nil). The Company had no employees during the year (2017/18: nil).

CPW BRANDS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TAX

(a) Income tax expense / (credit)

	Year ended 27 April 2019 £'000	Year ended 28 April 2018 £'000
Current tax		
UK corporation tax at 19% (2017/18: 19%) *	-	-
Tax charge	-	-

*The UK corporation tax rate for the 12 months ended 27 April 2019 and 28 April 2018.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 has been substantively enacted by the balance sheet date.

A reconciliation of notional to actual income tax expense is set out below:

	Year ended 27 April 2019 £'000	Year ended 28 April 2018 £'000
(Loss) before tax	(13,284)	(9,296)
Tax on profit at UK statutory rate of 19% (2017/18: 19%)	(2,524)	(1,766)
Tax losses (claimed) / surrendered surrendered within the group for £nil consideration	(859)	526
Items attracting no tax relief or liability	3,383	1,240
Income tax expense	-	-

CPW BRANDS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE FIXED ASSETS

	Trademarks £'000
Cost	
At 28 April 2018 and 27 April 2019	51,600
Amortisation	
At 28 April 2018	21,070
Charge for the year	1,810
	22,880
At 27 April 2019	22,880
Impairment	
At 28 April 2018	9,106
Charge for the year	19,614
	28,720
At 27 April 2019	28,720
Net book value	
At 28 April 2018	21,424
At 27 April 2019	-

Impairment testing

At 28 April 2018, the Company has assessed the recoverable value of its trademarks to determine whether circumstances exist that could conclude that the current net book value is no longer supportable. The recoverable amount was determined based on calculating the value in use (VIU) which was calculated by applying discounted cash flow modelling to management's own risk adjusted five-year projections. In forming the projections management draws on past experience as a measure to forecast future performance. Cash flows beyond the five-year projections are extrapolated using a long-term growth rate equivalent to long-term forecasts of Gross Domestic Product ('GDP') growth rates for the relevant market.

Key assumptions used in calculating value in use were management's projections and the pre-tax adjusted discount rate. The pre-tax discount rates applied to the forecast cash flows reflect current market assessments of the time value of money and the risks specific to the Company.

The pre-tax discount rate used was 9.6% (2017/18: 8.6%). Based on the calculated VIU, an impairment charge of £19,614,000 (2017/18: £9,106,000) has been recognised.

CPW BRANDS 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. DEBTORS

	27 April 2019 £'000	28 April 2018 £'000
Intercompany debtors	22,859	2,466
Interest receivable	-	5
	22,859	2,471

9. CREDITORS

	27 April 2019 £'000	28 April 2018 £'000
Amounts due to group undertakings	-	7
	-	7

10. SHARE CAPITAL

	27 April 2019 £	28 April 2018 £
Called up, allotted and fully paid:		
1 ordinary shares of £1 each	1	1

11. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate and ultimate parent and controlling entity is Dixons Carphone plc, a company incorporated in Great Britain and which is registered in England and Wales. Dixons Carphone plc is the parent of the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of its financial statements may be obtained from its registered office at 1 Portal Way, London W3 6RS.