

## **HMV (Brands) Limited**

### **Directors' report and financial statements**

For the period ended 15 December 2015

Registered number 09619888

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## **HMV (Brands) Limited**

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### **Company Information**

<b>Directors</b>	Henry Foster Paul McGowan
<b>Company secretary</b>	Inca Lockhart-Ross
<b>Registered number</b>	09619888
<b>Registered office</b>	7 River Court Brighthouse Business Village Brighthouse Road Middlesbrough TS2 1RT
<b>Independent auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Natwest Bank Plc 106 Linthorpe Road Middlesbrough TS1 2JZ
<b>Solicitors</b>	Wright Hassall LLP Olympus Avenue Leamington Spa Warwickshire CV34 6BF

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## **Directors' report**

For the period ended 15 December 2015

The directors present their report and the financial statements of HMV (Brands) Limited ("the company") for the period from incorporation to 15 December 2015

### **Incorporation and change of name**

On 2 June 2015, the company was incorporated as HUK 62 Limited, a limited company registered in England and Wales. On 12 November 2015, the company changed its name to HMV (Brands) Limited.

### **Principal activity**

The company was incorporated with the purpose to acquire the intellectual property relating to the trademarks of HMV.

### **Directors**

The directors who served during the period were

Henry Foster (appointed 19 November 2015)  
Robert Lee (appointed 2 June 2015, resigned 26 October 2015)  
Paul McGowan (appointed 26 September 2015)

### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 judgments and accounting estimates that are reasonable and prudent, 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 and 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. 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.

**Directors' report (continued)**

For the period ended 15 December 2015

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

**Small Companies Note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board on 28 September 2016 and signed on its behalf



**Henry Foster**  
Director

## **Independent auditor's report to the members of HMV (Brands) Limited**

For the period ended 15 December 2015

We have audited the financial statements of HMV (Brands) Limited for the period ended 15 December 2015, set out on pages 5 to 14. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Auditor**

As explained more fully in the Directors' responsibilities statement on page 1, 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 Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 15 December 2015 and of its profit or loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 period for which the financial statements are prepared is consistent with those accounts. In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors Report.

# Buzzacott

CHARTERED ACCOUNTANTS

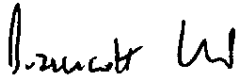
## Independent auditor's report to the members of HMV (Brands) Limited

For the period ended 15 December 2015

### 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, or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report



Peter Chapman (Senior statutory auditor)

for and on behalf of

**Buzzacott LLP**

Statutory Auditor

130 Wood Street

London

EC2V 6DL

28 September 2016

**Statement of comprehensive income  
For the period ended 15 December 2015**

	<b>Note</b>	<b>2015 £</b>
Administrative expenses		<b>(13,400)</b>
Other operating charges		<b>(6,000)</b>
<b>Operating (loss)/profit</b>	<b>4</b>	<b>(19,400)</b>
Tax on (loss)/profit	<b>7</b>	<b>3,298</b>
<b>(Loss)/profit for the period</b>		<b>(16,102)</b>

There were no other comprehensive income for 2015 (2015 £NIL)

The notes on pages 8 to 14 form part of these financial statements



**Statement of financial position  
As at 15 December 2015**

	<b>Note</b>	<b>£</b>	<b>2015 £</b>
<b>Current assets</b>			
Debtors amounts falling due within one year	8	3,398	
		<u>3,398</u>	
Creditors amounts falling due within one year	9	(18,400)	
		<u>(18,400)</u>	
<b>Net current (liabilities)/assets</b>			<b>(16,002)</b>
<b>Total assets less current liabilities</b>			<b>(16,002)</b>
<b>Net assets</b>			<b>(16,002)</b>
<b>Capital and reserves</b>			
Called up share capital	12		100
Profit and loss account			<u>(16,102)</u>
			<b>(16,002)</b>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2016



**Henry Foster**  
Director

The notes on pages 8 to 14 form part of these financial statements

**Statement of changes in equity**  
**For the period ended 15 December 2015**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>Comprehensive income for the period</b>			
Loss for the period	-	(16,102)	(16,102)
	<hr/>	<hr/>	<hr/>
<b>Other comprehensive income for the period</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	-	(16,102)	(16,102)
Shares issued during the period	100	-	100
	<hr/>	<hr/>	<hr/>
<b>Total transactions with owners</b>	100	-	100
	<hr/>	<hr/>	<hr/>
<b>At 15 December 2015</b>	100	(16,102)	(16,002)
	<hr/>	<hr/>	<hr/>

The notes on pages 8 to 14 form part of these financial statements

## Notes to the financial statements

For the period ended 15 December 2015

### 1. General information

The company is a private company limited by shares and is incorporated in England and Wales. Its registered address is 7 River Court, Brighthouse Business Village, Brighthouse Road, Middlesbrough, TS2 1RT

### 2 Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3)

The following principal accounting policies have been applied

#### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
  - paragraph 79(a)(iv) of IAS 1,
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment,
  - paragraph 118(e) of IAS 38 Intangible Assets,
  - paragraphs 76 and 79(d) of IAS 40 Investment Property, and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

#### 2.3 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## Notes to the financial statements

For the period ended 15 December 2015

### 2. Accounting policies (continued)

#### 2.4 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below.

##### Financial assets

The company classifies all of its financial assets as loans and receivables.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

##### Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

##### At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

#### 2.5 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.6 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

## Notes to the financial statements

For the period ended 15 December 2015

### 2 Accounting policies (continued)

#### 2.7 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 3 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements or estimates have had the most significant effect on amounts recognised in the financial statements:

**Amortisation of intangible fixed assets** The directors have assumed a useful economic life for each class of intangible fixed asset. These assumptions are based on the director's experience and with reference to the standard practice of similar businesses.

### 4 Operating (loss)/profit

The operating (loss)/profit is stated after charging:

During the period, no director received any emoluments.

## Notes to the financial statements

For the period ended 15 December 2015

### 5 Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company

	2015 £
Fees for the audit of the company	3,000
	<u>3,000</u>

### 6. Employees

The company has no employees other than the directors, who did not receive any remuneration

### 7. Taxation

	2015 £
Total current tax	<u>-</u>
Deferred tax	
Origination and reversal of timing differences	(3,298)
Total deferred tax	<u>(3,298)</u>
Taxation on (loss)/profit on ordinary activities	<u>(3,298)</u>

## Notes to the financial statements

For the period ended 15 December 2015

### 7. Taxation (continued)

#### Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20%. The differences are explained below

	2015 £
Profit on ordinary activities before tax	(19,400)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	(3,880)
<b>Effects of</b>	
Effect of falling corporation tax rates on deferred taxation	582
<b>Total tax charge for the period</b>	<b>(3,298)</b>

#### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% took place with effect from 1 April 2015. Legislation has also been substantively enacted to reduce the corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

### 8. Debtors

	2015 £
Other debtors	100
Deferred taxation	3,298
	<b>3,398</b>

### 9. Creditors Amounts falling due within one year

	2015 £
Amounts owed to group undertakings	7,500
Accruals and deferred income	11,900
	<b>19,400</b>

## Notes to the financial statements

For the period ended 15 December 2015

### 10. Financial instruments

	2015 £
<b>Financial assets</b>	
Financial assets that are debt instruments measured at amortised cost	100
	<u>100</u>
<b>Financial liabilities</b>	
Financial liabilities measured at amortised cost	(19,400)
	<u>(19,400)</u>
Financial assets measured at amortised cost comprise other debtors	
Financial liabilities measured at amortised cost comprise accruals and amounts owed by group undertakings	

### 11. Deferred taxation

	2015 £
Charged to the profit or loss	3,298
<b>At end of year</b>	<u>3,298</u>
The deferred tax asset is made up as follows	
	2015 £
Tax losses carried forward	3,298
	<u>3,298</u>

### 12. Share capital

	2015 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each		100
		<u>100</u>
During the period, 100 Ordinary £1 shares were issued at par		



**Notes to the financial statements**

For the period ended 15 December 2015

**13 Contingent liabilities**

HMV (Brands) Limited has entered into a cross guarantee and indemnity in favour of 1846 Security Trustee Limited as part of the wider financing arrangements for the HMV Group

The parties to the 1846 Security Trustee Limited guarantee are HMV Retail Limited, HUK39 Limited, HMV (Brands) Limited, HMV Digital Limited, HMV Online Limited, HMV Ecommerce Limited and Pure HMV Loyalty Limited. The total net balance outstanding to 1846 Security Trustee Limited from these parties as at the balance sheet date was £524,361 of which £110,257 was due from the company.

There were no other contingent liabilities at 15 December 2015.

**14. Capital commitments**

The company had no capital commitments at 15 December 2015.

**15. Related party transactions**

The company has taken the exemption from the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, available under FRS 101.

**16. Controlling party**

At 15 December 2015, HMV (Brands) Limited was 100% owned by HUK 39 Limited, a company registered in England and Wales. The directors consider the ultimate parent undertaking and controlling related party of the company to be Hilco, Inc.

The largest group of undertakings for which consolidated accounts have been drawn up is that included by HUK 39 Limited and the smallest such group of undertakings, including the company, is that headed by HUK 39 Limited.