HMV (Brands) Limited

Directors' report and financial statements

For the period ended 31 December 2016

Registered number: 09619888

Company Information

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

Contents

Directors' report
For the period ended 31 December 2016

The directors present their report and the financial statements for the period ended 31 December 2016.

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
Paul McGowan

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;
- 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 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.

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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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.

Directors' report (continued)
For the period ended 31 December 2016

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 26 September 2017 and signed on its behalf.

Henry Foster
Director

Buzzacott
CHARTERED ACCOUNTANTS

Independent auditor's report to the members of HMV (Brands) Limited
For the period ended 31 December 2016

We have audited the financial statements of HMV (Brands) Limited for the period ended 31 December 2016, set out on pages 5 to 18. The relevant financial reporting framework that has been applied in their preparation is applicable law 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/apb/scope/UKNP.

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 31 December 2016 and of its profit 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, based on the work undertaken in the course of the audit, the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

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 (continued)

For the period ended 31 December 2016

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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' report and take advantage of the small companies' exemption from the requirement to prepare a Strategic report.

Buzzacott LLP

Peter Chapman (Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

26 September 2017

Statement of comprehensive income
For the period ended 31 December 2016

	Note	Period from 16 December 2015 to 31 December 2016 £	Period from 2 June 2015 to 15 December 2015 £
Revenue		**8,983,974**	-
Gross profit		**8,983,974**	-
Administrative expenses		**(3,338,661)**	(13,400)
Other operating charges		**(15,398)**	(6,000)
Operating profit/(loss)		**5,629,915**	(19,400)
Interest receivable and similar income		**4,136**	-
Interest payable and expenses		**(557,853)**	-
Profit/(loss) before tax		**5,076,198**	(19,400)
Tax on profit/(loss)	6	**(3,298)**	3,298
Profit/(loss) for the period		**5,072,900**	(16,102)

There was no other comprehensive income for 2016 (2015: £NIL).

The notes on pages 8 to 18 form part of these financial statements.

Statement of financial position
As at 31 December 2016

	Note		31 December 2016 £		15 December 2015 £
Intangible assets	7		**11,154,915**		-
			11,154,915		-
Current assets					
Debtors: amounts falling due within one year	8	**8,981,770**		3,398	
Cash at bank and in hand	9	**43,414**		-	
		9,025,184		3,398	
Creditors: amounts falling due within one year	10	**(15,123,201)**		(19,400)	
Net current liabilities			**(6,098,017)**		(16,002)
Total assets less current liabilities			**5,056,898**		(16,002)
Net assets			**5,056,898**		(16,002)
Capital and reserves					
Called up share capital			**100**		100
Profit and loss account			**5,056,798**		(16,102)
			5,056,898		(16,002)

The company's financial statements have been prepared in accordance with the provisions applicable to entities 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 26 September 2017.

Henry Foster
Director
The notes on pages 8 to 18 form part of these financial statements.

Statement of changes in equity
For the period ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Comprehensive income for the period			
Loss for the period	-	(16,102)	(16,102)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(16,102)	(16,102)
Shares issued during the period	100	-	100
Total transactions with owners	100	-	100
At 16 December 2015	100	(16,102)	(16,002)
Comprehensive income for the period			
Profit for the period	-	5,072,900	5,072,900
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	5,072,900	5,072,900
Total transactions with owners	-	-	-
At 31 December 2016	100	5,056,798	5,056,898

The notes on pages 8 to 18 form part of these financial statements.

Notes to the financial statements
For the period ended 31 December 2016

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, Brighouse Business Village, Brighouse 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 unless otherwise specified within these accounting policies 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 FRS 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 and 18A 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.

Notes to the financial statements
For the period ended 31 December 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The intangible assets are amoirtised on a straight line basis over 5 years.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2.5 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.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 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

Notes to the financial statements
For the period ended 31 December 2016

2. Accounting policies (continued)

2.7 Financial instruments (continued)

(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 Statement of comprehensive income. 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.

2.8 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.

Notes to the financial statements

For the period ended 31 December 2016

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.10 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.12 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 Statement of comprehensive income 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 31 December 2016

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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.

Notes to the financial statements
For the period ended 31 December 2016

4. 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:

	Period from 16 December 2015 to 31 December 2016 £	Period from 2 June 2015 to 15 December 2015 £
Fees for the audit of the company	3,000	3,000
	3,000	3,000

5. Employees

The company had no employees other than the directors, who did not receive any remuneration (period ended 15 November 2015 - £Nil).

6. Taxation

	Period from 16 December 2015 to 31 December 2016 £	Period from 2 June 2015 to 15 December 2015 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	3,298	(3,298)
Total deferred tax	3,298	(3,298)
Taxation on profit/(loss) on ordinary activities	3,298	(3,298)

Notes to the financial statements
For the period ended 31 December 2016

6. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2015 -higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	Period from 16 December 2015 to 31 December 2016 £	Period from 2 June 2015 to 15 December 2015 £
Profit on ordinary activities before tax	**5,076,198**	(19,400)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20%)	**1,015,240**	(3,880)
Effects of:		
Expenses not deductible for tax purposes	**4,000**	-
Effect of corporation tax rates on deferred taxation	**(582)**	582
Group relief	**(1,015,360)**	-
Total tax charge for the period	**3,298**	(3,298)

Factors that may affect future tax charges

During the accounting period, the UK corporation tax rate remained at 20%. The UK government has introduced legislation to reduce the corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Notes to the financial statements
For the period ended 31 December 2016

7. Intangible assets

	Brands £
Cost	
Additions	**14,152,165**
At 31 December 2016	**14,152,165**
Amortisation	
Charge for the year	**2,997,250**
At 31 December 2016	**2,997,250**
Net book value	
At 31 December 2016	**11,154,915**
At 15 December 2015	-

8. Debtors

	31 December 2016 £	15 December 2015 £
Trade debtors	**177,031**	-
Amounts owed by group undertakings	**4,606,701**	-
Amounts owed by connected companies	**27,092**	-
Other debtors	**6,825**	100
Prepayments and accrued income	**4,164,121**	-
Deferred taxation	-	3,298
	8,981,770	3,398

9. Cash and cash equivalents

	31 December 2016 £	15 December 2015 £
Cash at bank and in hand	**43,414**	-
	43,414	-

Notes to the financial statements
For the period ended 31 December 2016

10. Creditors: amounts falling due within one year

	31 December 2016 £	15 December 2015 £
Trade creditors	**3,203**	-
Amounts owed to group undertakings	**283,861**	7,500
Amounts owed to connected undertakings	**14,825,237**	-
Other creditors	**6,171**	-
Accruals and deferred income	**4,729**	11,900
	15,123,201	19,400

11. Financial instruments

	31 December 2016 £	15 December 2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	**43,414**	-
Financial assets that are debt instruments measured at amortised cost	**8,981,770**	100
	9,025,184	100
Financial liabilities		
Financial liabilities measured at amortised cost	**(15,123,201)**	(19,400)
	(15,123,201)	(19,400)

Financial assets measured at fair value through profit or loss comprise cash held at bank.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, accrued income and other debtors.

Financial liabilities measured at amortised cost comprise trade credtors, amounts owed to group and connected undertakings, accruals and other creditors.

Notes to the financial statements
For the period ended 31 December 2016

12. Deferred taxation

	2016 £
At beginning of year	**3,298**
Charged to profit or loss	**(3,298)**
At end of year	**-**

The deferred tax asset is made up as follows:

	31 December 2016 £	15 December 2015 £
Tax losses carried forward	-	3,298
	-	3,298

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, HUK 39 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 31 December 2016 or 15 December 2015.

14. Capital commitments

The company had no capital commitments at 31 December 2016 or 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.

During the period, the company acquired the HMV brands from a company connected by common ownership structures for the market value of said brands. This purchase was financed by the issuance of two loans from connected companies. The balances due on these loans can be seen in note 9. During the period, interest of £576,325 (period ended 15 December 2015 - £Nil) was charged. The loans are secured with fixed and floating charges over the assets of the company.

Notes to the financial statements
For the period ended 31 December 2016

16. Controlling party

At 31 December 2016, 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 a company registered in the United States of America.

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