

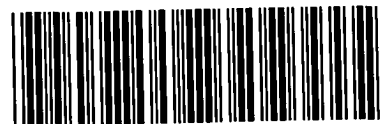
HMV (Brands) Limited

Directors' report and financial statements

For the period ended 30 December 2017

Registered number: 09619888

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19/09/2018

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COMPANIES HOUSE

Company Information

Directors	Henry Foster Paul McGowan
Company secretary	Inca Lockhart-Ross
Registered number	09619888
Registered office	80 New Bond Street London W1S 1SB
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

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Directors' report

For the period ended 30 December 2017

The directors present their report and the financial statements of HMV (Brands) Limited ('the company') for the period ended 30 December 2017.

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 30 December 2017

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 29 June 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'H. Foster', written over a horizontal line.

Henry Foster
Director

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

For the period ended 30 December 2017

Opinion

We have audited the financial statements of HMV (Brands) Limited (the 'company') for the period ended 30 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of HMV (Brands) Limited (continued)
For the period ended 30 December 2017

Opinion on other matters 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 the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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.

We have nothing to report in respect of the following matters in relation to which 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' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

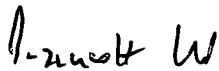
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

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

For the period ended 30 December 2017

Use of our report

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.



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

29 June 2018

Statement of comprehensive income

For the period ended 30 December 2017

	52 week period ended 30 December 2017 £	Period from 16 December 2015 to 31 December 2016 £
Note		
Turnover	5,596,636	8,983,974
Gross profit	5,596,636	8,983,974
Administrative expenses	(3,181,062)	(3,338,661)
Other operating charges	(18,000)	(15,398)
Operating profit	2,397,574	5,629,915
Interest receivable and similar income	107,731	4,136
Interest payable and expenses	(516,459)	(557,853)
Profit before tax	1,988,846	5,076,198
Tax on profit	5 (15,342)	(3,298)
Profit for the period	1,973,504	5,072,900

There was no other comprehensive income for 2017 (2016: £NIL).

The notes on pages 9 to 16 form part of these financial statements.

Statement of financial position

As at 30 December 2017

	Note	30 December 2017 £	31 December 2016 £
Intangible assets	6	8,277,554	11,154,915
		<u>8,277,554</u>	<u>11,154,915</u>
Current assets			
Debtors: amounts falling due within one year	7	10,278,895	8,981,770
Cash at bank and in hand	8	1,163	43,414
		<u>10,280,058</u>	<u>9,025,184</u>
Creditors: amounts falling due within one year	9	(15,625,750)	(15,123,201)
Net current liabilities		<u>(5,345,692)</u>	<u>(6,098,017)</u>
Total assets less current liabilities		<u>2,931,862</u>	<u>5,056,898</u>
Net assets		<u><u>2,931,862</u></u>	<u><u>5,056,898</u></u>
Capital and reserves			
Called up share capital		100	100
Profit and loss account		2,931,762	5,056,798
		<u><u>2,931,862</u></u>	<u><u>5,056,898</u></u>

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 29 June 2018.



Henry Foster
Director

The notes on pages 9 to 16 form part of these financial statements.

Statement of changes in equity

For the period ended 30 December 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 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 1 January 2017	100	5,056,798	5,056,898
Comprehensive income for the period			
Profit for the period	-	1,973,504	1,973,504
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,973,504	1,973,504
Dividends: Equity capital	-	(4,098,540)	(4,098,540)
Total transactions with owners	-	(4,098,540)	(4,098,540)
At 30 December 2017	100	2,931,762	2,931,862

The notes on pages 9 to 16 form part of these financial statements.

Notes to the financial statements

For the period ended 30 December 2017

1. General information

HMV Brands Limited is a private company limited by shares and incorporated in England and Wales. The registered office is 80 New Bond Street, London, W1S 1SB.

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 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 30 December 2017

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 amortised 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 (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

Notes to the financial statements

For the period ended 30 December 2017

2. Accounting policies (continued)

2.7 Financial instruments (continued)

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.

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'.

Notes to the financial statements

For the period ended 30 December 2017

2. Accounting policies (continued)

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 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.12 Interest income

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

2.13 Taxation

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.

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. Employees

The company had no employees other than the directors, who did not receive any remuneration (period ended 31 December 2016 - £Nil).

Notes to the financial statements

For the period ended 30 December 2017

5. Taxation

	52 week period ended 30 December 2017 £	Period from 16 December 2015 to 31 December 2016 £
Corporation tax		
Adjustments in respect of previous periods	15,342	-
	<u>15,342</u>	<u>-</u>
Total current tax	<u>15,342</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	3,298
Total deferred tax	<u>-</u>	<u>3,298</u>
Taxation on profit on ordinary activities	<u>15,342</u>	<u>3,298</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	52 week period ended 30 December 2017 £	Period from 16 December 2015 to 31 December 2016 £
Profit on ordinary activities before tax	1,988,846	5,076,198
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	382,785	1,015,240
Effects of:		
Expenses not deductible for tax purposes	8,888	4,000
Adjustments to tax charge in respect of prior periods	15,342	-
Effect of corporation tax rates on deferred taxation	-	(582)
Group relief	(391,673)	(1,015,360)
Total tax charge for the period	<u>15,342</u>	<u>3,298</u>

Factors that may affect future tax charges

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

Notes to the financial statements

For the period ended 30 December 2017

6. Intangible assets

	Brands £
Cost	
At 1 January 2017	14,152,165
At 30 December 2017	<u>14,152,165</u>
Amortisation	
At 1 January 2017	2,997,250
Charge for the year	2,877,361
At 30 December 2017	<u>5,874,611</u>
Net book value	
At 30 December 2017	<u>8,277,554</u>
At 31 December 2016	<u>11,154,915</u>

7. Debtors

	30 December 2017 £	31 December 2016 £
Trade debtors	253,995	177,031
Amounts owed by group undertakings	-	4,606,701
Amounts owed by connected companies	4,674,629	27,092
Other debtors	12,817	6,825
Prepayments and accrued income	5,337,454	4,164,121
	<u>10,278,895</u>	<u>8,981,770</u>

8. Cash and cash equivalents

	30 December 2017 £	31 December 2016 £
Cash at bank and in hand	1,163	43,414
	<u>1,163</u>	<u>43,414</u>

Notes to the financial statements

For the period ended 30 December 2017

9. Creditors: amounts falling due within one year

	30 December 2017 £	31 December 2016 £
Trade creditors	20,763	3,203
Amounts owed to group undertakings	293,508	283,861
Amounts owed to connected undertakings	15,311,479	14,825,237
Other creditors	-	6,171
Accruals and deferred income	-	4,729
	15,625,750	15,123,201

10. Financial instruments

	30 December 2017 £	31 December 2016 £
Financial assets		
Financial assets measured at fair value through profit or loss	1,163	43,414
Financial assets that are debt instruments measured at amortised cost	10,266,409	8,975,045
	10,267,572	9,018,459
Financial liabilities		
Financial liabilities measured at amortised cost	(15,625,750)	(15,123,201)

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 related undertakings, other debtors and accrued income.

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

11. 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 30 December 2017 or 31 December 2016.

12. Capital commitments

The company had no capital commitments at 30 December 2017 or 31 December 2016.

Notes to the financial statements

For the period ended 30 December 2017

13. 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.

The company has two loans from companies connected by virtue of common ownership. The balances due on these loans can be seen in note 10. During the period, interest of £516,459 (period ended 31 December 2016 - £576,325) was charged. The loans are secured with fixed and floating charges over the assets of the company.

14. Controlling party

At 30 December 2017, 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.