

## **Mermaid (Brands) Limited**

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

For the period ended 2 January 2021

Company Information

Directors	Henry Foster Paul Mc Gowan
Company secretary	Inca Lockhart-Ross
Registered number	09619888
Registered office	84 Grosvenor Street London W1k 3JZ
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 2 January 2021

The directors present their report and the financial statements for Mermaid Brands Limited ('the company') for the 53 week period ended 2 January 2021.

### Principal activity

The principal activity of the company during the period was the holding of the intellectual property relating to the trademarks of HMV.

### Directors

The directors who served during the period were:

Henry Foster  
Paul Mc Gowan

### 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgements 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.

### Impact of COVID-19

The directors have considered the impact of the COVID-19 pandemic on the company. In particular the directors have considered the ability of the company to pay its debts as they fall due.

The company has adapted well and the directors consider that the company has sufficient financial resources to continue for the foreseeable future, despite the crisis. Having considered the impact of COVID-19 the directors do not believe it to be cause for material uncertainty in respect of the company's ability to continue as a going concern.

## Directors' report (continued)

For the period ended 2 January 2021

### 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.

### Small companies exemption

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 30 September 2021 and signed on its behalf by:

**Paul Mc Gowan**

Director

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

For the period ended 2 January 2021

### Opinion

We have audited the financial statements of Mermaid (Brands) Limited ('the company') for the period ended 2 January 2021, which comprise the Statement of comprehensive income, the Statement of financial position 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 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 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.

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

For the period ended 2 January 2021

### **Other information (continued)**

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.

### **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, 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.

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

For the period ended 2 January 2021

### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

*How the audit was considered capable of detecting irregularities including fraud*

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the company through discussions with the directors and other management at the planning stage;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; we considered the impact of COVID-19 on the company and its internal controls; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006 and taxation legislation.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal correspondence throughout the period for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process, taking into account the impact of COVID-19 on controls during the period;
- reviewed journal entries throughout the period to identify unusual transactions;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior period;
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the company's management;
- tested the completeness of turnover by reviewing the licensing agreement and agreeing to entries included in the nominal ledger; and
- carried out substantive testing to check the occurrence and cut-off of expenditure.



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

For the period ended 2 January 2021

### Auditor's responsibilities for the audit of the financial statements (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

### 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

30 September 2021

**Statement of comprehensive income**

For the period ended 2 January 2021

	<b>53 week period ended 2 January 2021 £</b>	<b>52 week period ended 28 December 2019 £</b>
Turnover	<b>1,089,527</b>	1,293,002
Cost of sales	<b>(973,719)</b>	(1,166,372)
<b>Gross profit</b>	<b>115,808</b>	126,630
Administrative expenses	<b>(76,214)</b>	(4,104,489)
Other operating income	<b>673,909</b>	656,537
Other operating charges	<b>(198,129)</b>	(3,004)
<b>Operating profit/(loss)</b>	<b>515,374</b>	(3,324,326)
Interest receivable and similar income	<b>266</b>	-
Interest payable and expenses	<b>(232)</b>	-
<b>Profit/(loss) for the period</b>	<b>515,408</b>	(3,324,326)

There was no other comprehensive income for the period ended 2 January 2021 or the period ended 28 December 2019.

The notes on pages 9 to 14 form part of these financial statements.

**Statement of financial position**

As at 2 January 2021

	Note	2 January 2021 £	28 December 2019 £
<b>Fixed assets</b>			
Intangible assets	4	10,220	10,020
		<u>10,220</u>	<u>10,020</u>
<b>Current assets</b>			
Debtors	5	858,409	406,900
Bank and cash balances		200,380	231
		<u>1,058,789</u>	<u>407,131</u>
Creditors: amounts falling due within one year	6	(15,985,569)	(15,849,117)
<b>Net current liabilities</b>		<u>(14,926,780)</u>	<u>(15,441,986)</u>
<b>Total assets less current liabilities</b>		<u>(14,916,560)</u>	<u>(15,431,966)</u>
<b>Net liabilities</b>		<u>(14,916,560)</u>	<u>(15,431,966)</u>
<b>Capital and reserves</b>			
Called up share capital		100	100
Profit and loss account		(14,916,660)	(15,432,066)
		<u>(14,916,560)</u>	<u>(15,431,966)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board on 30 September 2021 and were signed on its behalf by:

**Paul Mc Gowan**

Director

The notes on pages 9 to 14 form part of these financial statements.

## Notes to the financial statements

For the period ended 2 January 2021

### 1. General information

Mermaid (Brands) Limited is a private company limited by shares and incorporated in England and Wales. The registered office is 84 Grosvenor Street, London, W1K 3JZ.

### 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 Section 1A of Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The following principal accounting policies have been applied:

#### 2.2 Going concern

The financial statements have been prepared on a going concern basis as the company's connected undertakings and principal creditors have agreed to provide continuing financial support to the company for at least twelve months from the date of approval of these financial statements.

##### *Impact of COVID-19*

The directors have considered the impact of the COVID-19 pandemic on the company. In particular the directors have considered the ability of the company to pay its debts as they fall due.

The company has adapted well and the directors consider that the company has sufficient financial resources to continue for the foreseeable future, despite the crisis. Having considered the impact of COVID-19 the directors do not believe it to be cause for material uncertainty in respect of the company's ability to continue as a going concern.

#### 2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

##### **Rendering of services**

Turnover 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 turnover 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.

## Notes to the financial statements

For the period ended 2 January 2021

### 2. Accounting policies (continued)

#### 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.

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

#### 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 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

#### 2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

## Notes to the financial statements

For the period ended 2 January 2021

### 2. Accounting policies (continued)

#### 2.8 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'.

#### 2.9 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.

#### 2.10 Interest income

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

#### 2.11 Other operating charges

Other operating charges relates to management recharges to the company from connected companies.

### 3. Employees

The company had no employees other than the directors, who did not receive any remuneration (period ended 28 December 2019 - no employees).

## Notes to the financial statements

For the period ended 2 January 2021

### 4. Intangible assets

	Trademarks £
<b>Cost</b>	
At 29 December 2019	250,000
Additions	60,852
Disposals	(60,652)
	<hr/>
At 2 January 2021	250,200
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<b>Amortisation</b>	
At 29 December 2019	239,980
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At 2 January 2021	239,980
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<b>Net book value</b>	
At 2 January 2021	<u>10,220</u>
At 28 December 2019	<u>10,020</u>

### 5. Debtors

	2 January 2021 £	28 December 2019 £
Trade debtors	126,357	-
Amounts owed by connected companies	493,760	50,858
Other debtors	17,457	11,236
Prepayments and accrued income	220,835	344,806
	<hr/>	<hr/>
	<u>858,409</u>	<u>406,900</u>

## Notes to the financial statements

For the period ended 2 January 2021

### 6. Creditors: amounts falling due within one year

	2 January 2021 £	28 December 2019 £
Trade creditors	1,748	-
Amounts owed to group undertakings	5,651	10,300
Amounts owed to connected companies	15,519,341	15,294,136
Other taxation and social security	-	30,599
Accruals and deferred income	458,829	514,082
	<u>15,985,569</u>	<u>15,849,117</u>

### 7. Contingent liabilities

Mermaid (Brands) Limited has entered into a cross guarantee and indemnity in favour of 1846 Security Trustee Limited and Goodmans Capital Investments Limited as part of the wider financing arrangements for the group headed by HUK 39 Limited.

The parties to the 1846 Security Trustee Limited guarantee are H Retail Realisations Limited (in administration), HUK 39 Limited, Mermaid (Brands) Limited, Mermaid Digital Limited, H Online Realisations Limited (in administration), H Ecommerce Realisations Limited (in administration) and Pure H Loyalty Realisations Limited (in administration). The assets of the parties to the 1846 Security Trustee Limited guarantee will be used to cover the liabilities due. There were no other contingent liabilities at 2 January or 28 December 2019.

### 8. Capital commitments

The company had no capital commitments at 2 January 2021 or 28 December 2019.

### 9. Related party transactions

The company has not disclosed transactions with wholly owned members of the group headed by HUK 39 Limited. During the period, the company continued to have loans from two companies connected by virtue of common ownership. At 2 January 2021, the balances on the loans were £15,294,136 (2019 - £15,294,136). During the period, interest of £nil (period ended 28 December 2019 - £nil) was charged to these loans. The loans are secured with fixed and floating charges over the assets of the company. For details of balances outstanding to and from connected companies, please see notes 5 and 6.



## Notes to the financial statements

For the period ended 2 January 2021

### 10. Controlling party

At 2 January 2021, the company was 100% owned by HUK 39 Limited, a company registered in England and Wales. The smallest and largest group of undertakings for which group financial statements have been drawn up, including the company, is that headed by Hilco Trading, LLC. Copies of the group financial statements can be obtained from that company's registered office, 5 Revere Drive, Suite 206, Northbrook, Illinois, 60062.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.