Company number. 03040481

Fopp Entertainments Limited

Report and Accounts

52 weeks ended 28 April 2012

COMPANY INFORMATION

DIRECTORS

S R Fox (resigned 3 September 2012)
I Kenyon (appointed 3 September 2012)
E Marriner
T Moore (appointed 3 September 2012)
N A Taylor

SECRETARY

E Marriner

REGISTERED OFFICE

Windsor House
Spittal Street
Marlow
Buckinghamshire
SL7 3HJ

COMPANY NUMBER

03040481

AUDITORS

Ernst & Young LLP
I Colmore Square
Birmingham
B4 6HQ

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 28 April 2012, which were approved on behalf of the Board on 25 September 2012

Business review

During the period under review, the Company was engaged in a business that primarily consisted of the retailing of music, video, electronic games, books and related products under the Fopp brand name and is expected to continue trading for the foreseeable future The Company operated a portfolio of nine stores at the end of the period

The Company generated revenue of £16 8m (2011 £19 7m) in the period and operating profit was £0 2m (2011 £0 7m) The profit after taxation was £0 2m (2011 £0 4m) The Directors recommend that no dividend be declared (2011 £nil) and that the profit be transferred to reserves

Principal risks and uncertainties

The Board of the ultimate parent undertaking, HMV Group plc, has a policy of continuous identification and review of key business risks and uncertainties It oversees the development of processes to ensure that these risks are managed appropriately and operational management are delegated with the tasks of implementing these processes and reporting to the Board on their outcomes The principal risks identified by the Board relevant to the Company are (i) the competitive nature of its markets, (ii) the growth of new methods of digital delivery, (iii) general sensitivity to changes in economic conditions, (iv) the seasonality of the business, (v) monitoring agreements with key suppliers, (vi) damage to reputation or brands, (vii) the maintenance and development of information technology systems and (viii) attracting, motivating and retaining key staff

Directors

The names of the Directors who served throughout the period under review and up to and including the date of this Report are shown on page 1

Policy on payment of creditors

The Company does not impose standard payment terms on its suppliers but agrees specific terms with each and ensures that each supplier is made aware of such terms It is the Company's policy to pay its suppliers in accordance with the terms that they have agreed The number of days' purchases outstanding at 28 April 2012 is calculated as 15 days (2011 18 days)

Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1 Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

A statement of the Directors' responsibilities for the financial statements can be found on page 4, which is deemed to be incorporated by reference in (and shall be deemed to form part of) this report

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force Therefore, Ernst & Young LLP are deemed to continue as auditors of the Company

Going concern

In determining the appropriate basis of preparation of financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future

The Directors of the Company have made an assessment of the entity's ability to continue as a going concern which is dependent upon the continuing financial support of HMV Group plc In doing this they have considered the going concern assessment performed by the Directors of the parent company HMV Group plc (the "Group")

The Directors of the Group are aware that the following uncertainties impacting the consideration of liquidity and solvency risk continue to face the business as follows

a) future trading may not be in line with the assumptions in the Group's latest forecasts the achievability of which is dependent upon the current economic environment, the rate of decline of core physical product markets, HMV's market share performance, the peak Christmas trading period and the continued success of our three strategic key priorities,

DIRECTORS' REPORT CONTINUED

Going concern continued

b) the Group may be unable to sustain the improved commercial terms negotiated in the second quarter with supportive suppliers, although these are underpinned by written agreements that extend beyond the next 12 months. If future trading, particularly across the Christmas period, and the commercial terms support from suppliers is not in line with forecasts then there is a risk that the Group may breach its banking covenants These are next tested at the end of October 2012 and quarterly thereafter and a breach could trigger a recall of the Group's banking facilities However, the revised facility terms agreed on 8 August 2012 included a reset of the two main covenant test ratios, based on management's most recent risk adjusted forecasts, in order to provide increased headroom to enable management to execute the strategy over the next two to three years,

c) the ability to successfully refinance the revised credit facility (maturing in September 2014) which may be dependent upon the factors above in sections (a) and (b), as well as driving operating cashflow and raising cash proceeds from future business disposals In this regard, operating cashflow performance has been enhanced by continuing focus on working capital and stock efficiency The Board have also completed the sale of the Hammersmith Apollo post year end and continue to pursue the strategic review of the remainder of the HMV Live business The Directors continue to maintain regular discussions with the Group's banks and these discussions remain constructive, as demonstrated by the revised terms of the debt facility

As a result of the significant favourable developments achieved in the last half year, together with the current trading performance compared to forecasts upon which the revised covenant test ratios were set, the Directors of the Group have concluded that the combination of these circumstances no longer represents a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern

The Directors of the Group have reviewed current trading and cashflow projections as part of their assessment, and after making enquiries and carefully considering the matters described above, the Directors of the Group have a reasonable expectation that the Group will be able to meet their liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future

On the basis of discussions held with, and the conclusions reached by the Directors of the Group, the Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason the Directors continue to adopt the going concern basis in preparing the financial statements

By order of the Board

E Marriner
Secretary
25 September 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' statement of their responsibilities, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the Auditors in relation to the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union (IFRS)

The Directors are required to prepare financial statements for each financial year that present a true and fair view of the financial position of the Company and the financial performance and the cash flows of the Company for that period In preparing those financial statements, the Directors are required to

(i) select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Estimates and then apply them consistently,

(ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,

(iii) provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance,

(iv) state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements, and

(v) make judgements and estimates that are reasonable and prudent

The Directors are responsible for keeping proper accounting records which 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 as well as Article 4 of the IAS Regulation 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

We confirm that, to the best of our knowledge

(i) the financial statements, prepared in accordance with IFRS, present fairly the assets, liabilities, financial position and profit of the Company, and

(ii) the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company may face

By order of the Board

N A Taylor
Director
25 September 2012

E Marriner
Director
26 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOPP ENTERTAINMENTS LIMITED

We have audited the financial statements of Fopp Entertainments Limited for the 52 weeks ended 28 April 2012, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 28 April 2012 and of its profit for the 52 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 year for which the financial statements are prepared is consistent with the financial statements

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

Christopher Voogd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
26 September 2012

INCOME STATEMENT

For the 52 weeks ended 28 April 2012 and 53 weeks ended 30 April 2011

	Notes	2012 £000	2011 £000
Revenue	3	**16,789**	19,748
Cost of sales		**(16,256)**	(18,540)
Gross profit		**533**	1,208
Administrative expenses		**(369)**	(530)
Other operating expense		**-**	(27)
Profit before taxation	4	**164**	651
Taxation	8	**(14)**	(234)
Profit for the period attributable to the shareholders of the Company		**150**	417

See Accounting Policies on pages 10 to 13 for the description of the 2012 and 2011 reporting periods

All results relate to continuing activities

There are no recognised gains or losses in the period other than the profit attributable to the shareholders of the Company stated above

BALANCE SHEET

	Notes	As at 28 April 2012 £000	As at 30 April 2011 £000
Assets			
Non-current assets			
Property, plant and equipment	9	**291**	404
Intangible assets	10	**32**	38
		323	442
Current assets			
Inventories	12	**1,067**	1,162
Trade and other receivables	11	**2,111**	1,648
Cash and short-term deposits	13	**162**	198
		3,340	3,008
Total assets		**3,663**	3,450
Liabilities			
Current liabilities			
Trade and other payables	14	**(752)**	(669)
Provisions	15	**-**	(20)
		(752)	(689)
Net assets		**2,911**	2,761
Equity			
Share capital	17	**-**	-
Retained earnings		**2,911**	2,761
Total equity		**2,911**	2,761

The financial statements were approved by the Board of Directors on 25 September 2012 and were signed on its behalf by

N A Taylor
Director

E Marriner
Director

STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Retained earnings £000	Total £000
At 24 April 2010	-	2,344	2,344
Total comprehensive income for the period	-	417	417
At 30 April 2011	-	2,761	2,761
Total comprehensive income for the period	-	150	150
At 28 April 2012	-	**2,911**	**2,911**

CASH FLOW STATEMENT

For the 52 weeks ended 28 April 2012 and 53 weeks ended 30 April 2011

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Profit before tax		**164**	651
Depreciation	9	**130**	147
Amortisation of intangible assets	10	**6**	17
		300	815
Movement in inventories		**95**	458
Movement in trade and other receivables		**(5)**	29
Movement in trade and other payables		**297**	(1,622)
Movement in provision		**(20)**	80
Net cash flows from operations		**667**	(240)
Income tax paid		**(228)**	(390)
Net cash flows from operating activities		**439**	(630)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(17)**	(84)
Net cash flows from investing activities		**(17)**	(84)
Cash flows from financing activities			
Movement in loans with parent and fellow subsidiaries		**(458)**	745
Net cash flows from financing activities		**(458)**	745
Net (decrease) increase in cash and cash equivalents		**(36)**	31
Opening cash and cash equivalents		**198**	167
Closing cash and cash equivalents	13	**162**	198

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Fopp Entertainments Limited for the period ended 28 April 2012 were authorised for issue by the Board on 25 September 2012 and the balance sheet was signed on the Board's behalf by N A Taylor and E Marriner. Fopp Entertainments Limited is incorporated and domiciled in England and Wales

The financial statements have been prepared in accordance with IFRS as applied in accordance with the provisions of the Companies Act 2006

2. Accounting Policies

Basis of Preparation

These financial statements are made up to the Saturday on or immediately preceding 30 April each year Consequently, the financial statements for the current period cover the 52 weeks ended 28 April 2012, whilst the comparative period covered the 53 weeks ended 30 April 2011 The financial statements are prepared in accordance with applicable accounting standards and specifically in accordance with the accounting policies set out below

The financial statements are presented in Pounds Sterling and are rounded to the nearest thousand except where otherwise indicated They are prepared on the historical cost basis

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year The nature of estimation means that actual outcomes could differ from those estimates

Going concern

In determining the appropriate basis of preparation of financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future

The Directors of the Company have made an assessment of the entity's ability to continue as a going concern which is dependent upon the continuing financial support of HMV Group plc In doing this they have considered the going concern assessment performed by the Directors of the parent company HMV Group plc (the "Group")

The Directors of the Group are aware that the following uncertainties impacting the consideration of liquidity and solvency risk continue to face the business as follows

a) future trading may not be in line with the assumptions in the Group's latest forecasts the achievability of which is dependent upon the current economic environment, the rate of decline of core physical product markets, HMV's market share performance, the peak Christmas trading period and the continued success of our three strategic key priorities,

b) the Group may be unable to sustain the improved commercial terms negotiated in the second quarter with supportive suppliers, although these are underpinned by written agreements that extend beyond the next 12 months If future trading, particularly across the Christmas period, and the commercial terms support from suppliers is not in line with forecasts then there is a risk that the Group may breach its banking covenants These are next tested at the end of October 2012 and quarterly thereafter and a breach could trigger a recall of the Group's banking facilities However, the revised facility terms agreed on 8 August 2012 included a reset of the two main covenant test ratios, based on management's most recent risk adjusted forecasts, in order to provide increased headroom to enable management to execute the strategy over the next two to three years,

c) the ability to successfully refinance the revised credit facility (maturing in September 2014) which may be dependent upon the factors above in sections (a) and (b), as well as driving operating cashflow and raising cash proceeds from future business disposals In this regard, operating cashflow performance has been enhanced by continuing focus on working capital and stock efficiency The Board have also completed the sale of the Hammersmith Apollo post year end and continue to pursue the strategic review of the remainder of the HMV Live business. The Directors continue to maintain regular discussions with the Group's banks and these discussions remain constructive, as demonstrated by the revised terms of the debt facility

As a result of the significant favourable developments achieved in the last half year, together with the current trading performance compared to forecasts upon which the revised covenant test ratios were set, the Directors of the Group have concluded that the combination of these circumstances no longer represents a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Going concern (continued)

The Directors of the Group have reviewed current trading and cashflow projections as part of their assessment, and after making enquiries and carefully considering the matters described above, the Directors of the Group have a reasonable expectation that the Group will be able to meet their liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future

On the basis of discussions held with, and the conclusions reached by the Directors of the Group, the Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason the Directors continue to adopt the going concern basis in preparing the financial statements

Key sources of estimation uncertainty

The key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows

Impairment of assets – property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates

Inventory valuation – inventories are valued at the lower of cost and net realisable value, which includes, where necessary, provisions for slow moving and obsolete inventory. Calculation of provisions requires judgements to be made regarding future customer demand, the competitive environment and inventory loss trends

Revenue

Revenue represents the value of goods supplied, less discounts given, and is recognised when goods are delivered and title has passed It also includes commission earned on ticket sales and similar activities Revenue excludes value added tax ("VAT") and similar sales-related taxes

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at period end rates The resulting foreign exchange differences are dealt with in the determination of profit (loss) for the period

Property, plant and equipment

The capitalised cost of property, plant and equipment includes only those costs that are directly attributable to bringing an asset to its working condition for its intended use

Depreciation of property, plant and equipment is calculated on cost, at rates estimated to write off the cost, less the estimated residual value, of the relevant assets by equal annual amounts over their estimated useful lives

The annual rates used are

Plant, equipment and vehicles 10 to 33 $^1/_3$%

The carrying values of property, plant and equipment are reviewed for material impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (continued)

Leased assets

In respect of property operating leases, benefits received and receivable as an incentive to sign a lease, such as rent-free periods, premiums payable and capital contributions, are spread on a straight line basis over the lease term All other operating lease payments are charged directly to the income statement on a straight line basis over the lease term

Intangible assets

Intangible assets are valued at cost and amortised over their useful life unless the asset can be demonstrated to have an indefinite life Intangible assets with finite lives are reviewed for impairment if there is any indication that the carrying value may not be recoverable Intangible assets with an indefinite useful life are tested for impairment annually

Impairment of assets

The Company assesses at each reporting date whether there are indicators that an asset may be impaired Assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash-generating units) If any indicator of impairment exists, or when annual impairment testing is required, the Company makes an estimate of the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use Value in use is the present value of the future cash flows expected to be derived from the asset Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement

If there is an indication at the reporting date that previously recognised impairment losses no longer exist or may have decreased, the recoverable amount is again estimated To the extent that the recoverable amount has increased, the previously recognised impairment loss is reversed

Inventories

Inventories are stated at the lower of cost and net realisable value on a first-in, first-out basis Net realisable value is based on estimated selling prices less further costs to be incurred to disposal

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and is not discounted

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (continued)

Taxation (continued)

Taxation is charged or credited to other comprehensive income if it relates to items that are themselves charged or credited to other comprehensive income, otherwise it is recognised in the income statement

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits less bank overdrafts that are payable on demand

Pension costs

The Company's employees participate in the Pension Saver Section of the HMV Group Pension Scheme (the "Scheme")

The Pension Saver Section is of the defined contribution type Contributions to the Scheme are borne by another Group company

New accounting standards

The Company has adopted the following new accounting standards, amendments to accounting standards and interpretations, which are either mandatory for the first time for the financial year ending 28 April 2012 or have been adopted early as appropriate They have no material impact on the Company

- IAS 24 Related Party Disclosures (Amendment) (1 January 2011)
- IFRIC 14 Prepayments of a minimum funding requirements (Amendment) (1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)
- Annual improvements to IFRS (issued in May 2010)

The Company has not adopted early the requirements of the following accounting standards and interpretations, which have an effective date after the start date of these financial statements

- IAS 19 Employee Benefits 2011 (1 January 2013)
- IFRS 9 Financial Instruments Classification and Measurement (1 January 2013)
- IFRS 10 Consolidated Financial Statements (1 January 2013)
- IFRS 11 Joint Arrangements (1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13 Fair value measurement (1 January 2013)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements

The effective dates stated are those given in the original IASB/IFRIC standards and interpretations As the Company prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Revenue

Revenue disclosed in the income statement is analysed as follows

	2012	2011
	£000	£000
Revenue - sale of goods	**16,789**	19,748

4. Operating profit

	2012	2011
	£000	£000
Operating profit is stated after charging		
Depreciation of property, plant and equipment	**130**	147
Amortisation of intangible assets	**6**	17
Cost of inventories recognised as expense	**11,761**	14,040
Write down of inventories	**36**	11
Operating lease rentals		
Minimum rentals	**1,041**	1,074

The Company leases stores under non-cancellable operating lease agreements that are generally subject to periodic rent review

5. Fees to auditors

The audit fee of £5,000 (2011 £5,000) has been borne by another Group company

6. Directors' emoluments

No Director received any remuneration during the year in respect of his services to the Company (2011 £nil) During the year under review the Directors of the Company were employed and remunerated by another entity in the Group These Directors were also Directors or officers of other companies within the Group The Directors' services to the Company did not occupy a significant amount of their time As such, the Directors do not consider that they have received any remuneration for the incidental services to the Company for the 52 week period ended 28 April 2012 (and for the 53 week period ended 30 April 2011)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Employee costs

	2012	2011
	£000	£000
Wages and salaries	**1,962**	1,990
Social security costs	**129**	148
	2,091	2,138

The average number of people employed by the Company in retailing during the period was 121 (2011 122)

8. Taxation

	2012	2011
	£000	£000
Taxation recognised in the income statement		
United Kingdom, current year		
Corporation tax	**14**	214
Deferred tax	**-**	20
Total taxation expense in the income statement	**14**	234

The effective tax rate on ordinary activities is 8 5% (2011 36%)

The tax charge is reconciled with the standard rate of UK corporation tax as follows

	2012	2011
	£000	£000
Profit before taxation	**164**	651
Corporation tax at UK average statutory rate of 25 83% (2011 27 84%)	**42**	181
Effects of		
Permanent disallowables	**40**	33
Derecognition of deferred tax	**-**	20
Current tax prior period under provision	**14**	-
Group relief received	**(82)**	-
Total tax charge	**14**	234

Deferred Tax

The deferred tax included in the balance sheet is as follows

	2012	2011
	£000	£000
Deferred income tax asset	**-**	-

Deferred tax in the income statement

The deferred tax included in the income statement is as follows

	2012	2011
	£000	£000
Accelerated depreciation for tax purposes	**-**	20

The distinction between temporary differences that arise from items of either a trading or capital nature and when these can reasonably be expected to unwind may affect the recognition of deferred tax assets Accordingly, for the year ended 28 April 2012, deferred tax has not been recognised

The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 As a result of the UK Budget announcement on 21 March 2012, an additional 1% reduction in the main rate of corporation tax to 24% was announced This was substantively enacted on 26 March 2012 and is effective from 1 April 2012 The impact of the reduction to 24% on recognised deferred tax balances was £nil Further reductions to 23% (effective 1 April 2013) and 22% (effective 1 April 2014) were announced by the UK Chancellor The reduction to 23% was enacted on 17 July 2012 and the reduction to 22% is expected to be enacted in Finance Act 2013 The impact of the further reductions is not expected to have any impact on the income statement

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Property, plant and equipment

	Plant, equipment and vehicles £000
Cost at 24 April 2010	942
Disposals	(215)
Additions	84
Cost at 30 April 2011	811
Additions	17
Cost at 28 April 2012	**828**
Depreciation at 24 April 2010	415
Charge for period	147
Disposals	(155)
Depreciation at 30 April 2011	407
Charge for period	130
Depreciation at 28 April 2012	**537**
Net book value at 28 April 2012	**291**
Net book value at 30 April 2011	404
Net book value at 24 April 2010	527

10. Intangible assets

	Trademarks £000
Cost at 24 April 2010, 30 April 2011 and 28 April 2012	**73**
Amortisation at 24 April 2010	18
Charge for the year	17
Amortisation at 30 April 2011	35
Charge for the year	6
Amortisation at 28 April 2012	**41**
Net book value at 28 April 2012	**32**
Net book value at 30 April 2011	38
Net book value at 24 April 2010	55

Intangible assets comprise various trademarks and domain names relating to the name "Fopp" They are considered to have a finite life of ten years and are being amortised over that period

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Trade and other receivables

	2012	2011
	£000	£000
Current		
Amounts owed by parent and fellow subsidiary undertakings	**1,805**	1,347
Other receivables	**224**	273
Prepayments	**82**	28
	2,111	1,648

The carrying value of trade and other receivables approximates to fair value

The Company did not have any provisions for impairment of any financial assets at 28 April 2012 (2011 £nil)

Other receivables are non-interest bearing and are generally on 30 day terms

Amounts owed by parent and fellow subsidiary undertakings relates to loans, on which no interest is charged and is repayable on demand

12. Inventories

Inventories primarily comprise finished goods and goods for resale The replacement cost of inventories is considered to be not materially different from the balance sheet value

13. Cash and short-term deposits

	2012	2011
	£000	£000
Cash at bank and in hand	**162**	198

Cash at bank earns interest at floating rates based on daily bank deposit rates

14. Trade and other payables

	2012	2011
	£000	£000
Current		
Amounts owed to parent and fellow subsidiary undertakings	**494**	214
Other payables	**209**	426
Accruals	**49**	29
	752	669

Other payables and accruals are not interest-bearing

15. Provisions

	Total
	£000
At 30 April 2011	20
Provisions utilised	(20)
At 28 April 2012	-

Provisions charged and utilised during the year relate to a store closure All provisions are expected to be utilised in the forthcoming year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Financial risk factors

The Company's business exposes it to certain limited financial risks, such as liquidity risk, interest rate risk and credit risk The risks are managed by the HMV Group ("the Group") Treasury department, which applies policies approved by the Group Board of Directors to the Company

Liquidity risk
At 28 April 2012, the Group had sufficient funds and facilities available to satisfy its requirements via a £220m revolving credit facility After the balance sheet date the Group entered into a revised £220m banking facility, with a final maturity date of 30 September 2014, extendable to 2015 on meeting certain financial criteria The Company is cash-generative, has access to intra-group funding if and when required and had a positive cash balance at 28 April 2012 (see Note 13)

Interest rate risk
The Company is exposed to interest rate risk from its cash deposits However, the Company's exposure is limited through management of its funding position by the Group's Treasury department. Interest is paid and received on pooled cash balances at a market rate

Credit risk
The Company's credit risk arises from its cash and outstanding receivables

The Company deposits cash balances with counter parties that have a strong credit rating, with an agreed limit for each counter party, so as to limit the risk of loss arising from a failure

Due to the nature of the Company's retailing business credit risk from trade receivables is limited Allowances are made for doubtful debts based on the age of the debt and the customer's financial circumstances

Capital management
During the year under review, the core objective of the Company was to ensure that it would be able to continue to operate as a going concern, as well as having sufficient funds available to grow the business for the benefit of its parent company and other stakeholders The capital structure of the Company comprises loans and borrowings through its intra-group facilities (see above), cash and cash equivalents (see Note 13) and equity attributable to the parent company (see Note 17)

17. Share Capital

	28 April 2012	30 April 2011
	£	£
Authorised		
100,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	**2**	2

Share capital
The balance classified as share capital includes the total net proceeds on issue of the Company's equity share capital, comprising 2 ordinary shares of £1 each

18. Contingent liabilities

The Directors of Fopp Entertainments Limited are not aware of any legal or arbitration proceedings pending or threatened against the Company which may result in any liabilities significantly in excess of provisions in the financial statements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Pension arrangements

Fopp Entertainment Limited's employees are able to participate in the Pension Saver Section of the HMV Group Pension Scheme (the "Scheme") The Pension Saver Section is of the defined contribution type and is open to all permanent and temporary staff of the Group aged between 18 and 64 years Members can choose to pay from 2% to 5% of pensionable pay, increasing to a maximum of 6 5% from 1 April 2011 The Group matches the amount paid by the member up to a maximum of 5% of pensionable pay, increasing to a maximum of 6 5% from 1 April 2011 Members have a choice of ways to invest their and the Group's contributions in an individual fund to buy pension benefits of their choice Employer contributions to the Pension Saver Section for the year ended 28 April 2012 were borne by another Group company

20. Obligations under operating leases

The Company operates entirely from properties in respect of which commercial operating leases have been entered into These leases have an average remaining duration of 7 years At the end of the period, future minimum rentals payable under non-cancellable operating leases were as follows

	2012	2011
	£000	£000
Not later than one year	**724**	1,055
Between two and five years inclusive	**2,290**	2,779
After five years	**744**	1,327
	3,758	5,161

21. Related party transactions

During the period the Company entered into transactions in the ordinary course of business with related parties Transactions entered into and balances outstanding at the end of the period, which are repayable on demand, are as follows

	Services received from related party	Amounts owed by related party	Amounts owed to related party
	£000	£000	£000
2012 – with ultimate parent company	-	-	-
2012 – with fellow subsidiaries	-	**1,805**	**494**
2011 – with ultimate parent company	-	-	214
2011 – with fellow subsidiaries	28	1,347	-

Amounts owed by parent and fellow subsidiary undertakings relates to subsidiary loans, on which no interest is charged and is repayable on demand Amounts owed to fellow subsidiaries relates to intercompany balances on which there is no interest charge Amounts owed to the ultimate parent company are in respect of group taxation relief, which is settled annually with no interest charge

Remuneration of key management personnel

The remuneration of the Company's key management personnel, being the Directors who served during the year, has been borne by the immediate parent company, HMV Music Limited

22. Ultimate parent undertaking

The immediate parent company is HMV Music Limited HMV Group plc is the ultimate parent undertaking of the Company The only Group in which the Company is consolidated is that headed by HMV Group plc Copies of these financial statements can be obtained from the Company Secretary, HMV Group plc, Windsor House, Spittal Street, Marlow, Buckinghamshire, SL7 3HJ