

Company number 03040481

Fopp Entertainments Limited

Report and Accounts

52 weeks ended 24 April 2010

THURSDAY



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COMPANIES HOUSE

COMPANY INFORMATION

DIRECTORS

S R Fox
D P Myers
N A Taylor

SECRETARY

E Marriner

REGISTERED OFFICE

Film House
142 Wardour Street
London
W1F 8LN

COMPANY NUMBER

03040481

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 52 weeks ended 24 April 2010, which were approved on behalf of the Board on ~~11 OCTOBER~~ 2010

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 generated revenue of £21.5m (2009 £20.5m) in the period and operating profit was £1.3m (2009 £1.5m). The profit after taxation was £0.9m (2009 £1.3m). The Directors recommend that no dividend be declared 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 the competitive nature of its markets, the growth of new methods of digital delivery, general sensitivity to changes in economic conditions, the seasonality of the business, monitoring agreements with key suppliers, damage to reputation or brands, maintaining and developing information technology systems and 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 24 April 2010 is calculated as 38 days (2009 58 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' responsibility 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 holdings 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

The Directors report that having reviewed current performance and forecast they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board



E Marriner
Secretary

11 October 2010

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

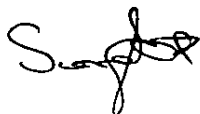
- (i) select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Estimates and then apply them consistently,
- (ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- (iii) provide 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



S Fox
Director



N A Taylor
Director

11 October 2010

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 24 April 2010, 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 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.

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 24 April 2010 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.

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Steven Bagworth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

14 October 2010

INCOME STATEMENT

For the 52 weeks ended 24 April 2010 and 25 April 2009

		2010	2009
	Notes	£000	£000
Revenue	3	21,524	20,470
Cost of sales		(19,707)	(18,459)
Gross profit		1,817	2,011
Administrative expenses		(406)	(315)
Other operating expense		(153)	(169)
Operating profit	4	1,258	1,527
Finance revenue	8	-	321
Profit before taxation		1,258	1,848
Taxation	9	(370)	(520)
Profit for the period attributable to the shareholders of the Company		888	1,328

See Accounting Policies on pages 10 to 13 for the description of the 2010 and 2009 reporting periods

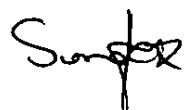
All results relate to continuing activities

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

		As at 24 April 2010 £000	As at 25 April 2009 £000
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	10	527	589
Intangible assets	11	55	61
		582	650
Current assets			
Inventories	13	1,620	1,807
Trade and other receivables	12	2,422	860
Deferred income tax asset	9	20	10
Cash and short-term deposits	14	167	1,450
		4,229	4,127
Total assets		4,811	4,777
Liabilities			
Current liabilities			
Trade and other payables	15	(2,077)	(2,788)
Current income tax payable		(390)	(533)
		(2,467)	(3,321)
Net assets		2,344	1,456
Equity			
Share capital	17	-	-
Retained earnings		2,344	1,456
Total equity		2,344	1,456

The financial statements were approved by the Board of Directors on 11 OCTOBER 2010 and were signed on its behalf by



S Fox
 Director



N A Taylor
 Director

STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Retained earnings £000	Total £000
At 26 April 2008	-	128	128
Total comprehensive income for the period	-	1,328	1,328
At 25 April 2009	-	1,456	1,456
Total comprehensive income for the period	-	888	888
At 24 April 2010	-	2,344	2,344

CASH FLOW STATEMENT

For the 52 weeks ended 24 April 2010 and 25 April 2009

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Profit before tax		1,258	1,848
Finance revenue	8	-	(321)
Depreciation	10	198	121
Amortisation of intangible assets	11	6	6
		1,462	1,654
Movement in inventories		187	179
Movement in trade and other receivables		(14)	638
Movement in trade and other payables		(711)	(59)
Net cash flows from operations		924	2,412
Income tax paid		(523)	(62)
Net cash flows from operating activities		401	2,350
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(136)	(52)
Interest received		-	321
Net cash flows from investing activities		(136)	269
Cash flows from financing activities			
Movement in loans from parent and fellow subsidiaries		(1,548)	(8,873)
Net cash flows from financing activities		(1,548)	(8,873)
Net decrease in cash and cash equivalents		(1,283)	(6,254)
Opening cash and cash equivalents		1,450	7,704
Closing cash and cash equivalents		167	1,450

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 24 April 2010 were authorised for issue by the Board on _____ and the balance sheet was signed on the Board's behalf by S Fox and N A Taylor. 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 24 April 2010, whilst the comparative period covered the 52 weeks ended 25 April 2009. 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.

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 is the measurement of impairment of property, plant and equipment. Measurement of the impairment of property, plant and equipment requires the estimation of the assets' recoverable amount and selection of a suitable discount rate.

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 $\frac{1}{3}$ %

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 24 April 2010 or have been adopted early as appropriate

- IAS 1 Presentation of Financial Statements (revised 2007), effective for periods beginning on or after 1 January 2009. This is a presentational change only, affecting the naming and positioning of items within the financial statements. It has no impact on reported income or total equity

The following have been adopted but have no material impact on the Company

- Amendments to IFRS 1 and IAS 27 Cost of an investment in a subsidiary, joint-controlled entity or associate (effective 1 January 2009)
- Amendment to IFRS 2 Share-based Payment vesting conditions and cancellations (1 January 2009)
- Amendment to IFRS 7 Improving disclosures about financial instruments (1 January 2009)
- IAS 23 Borrowing Costs (1 January 2009)
- IAS 32 Financial Instruments Presentation and IAS 1 Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) (1 January 2009)
- IFRIC 9 Reassessment of Embedded Derivatives, IAS 39 Financial Instruments Recognition and Measurement (periods ending on or after 30 June 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (1 October 2008)
- IFRIC 18 Transfer of Assets from Customers (1 July 2009)
- Annual improvements to IFRS (1 January 2009)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

New accounting standards (continued)

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

- IFRS 3 (R) Business Combinations (revised 2008) (1 July 2009)
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (1 July 2009)
- IFRIC 17 Distribution of Non-cash Assets to Owners (1 July 2009)
- IAS 39 Eligible Hedged Items (1 July 2009)
- Annual improvements to IFRS (various effective dates)

The Directors do not anticipate that the adoption of these standards and interpretations in the year ended 30 April 2011 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

3. Revenue

Revenue disclosed in the income statement is analysed as follows

	2010	2009
	£000	£000
Revenue - sale of goods	21,524	20,470
Finance revenue (see Note 8)	-	321
Total	21,524	20,791

4. Operating profit

	2010	2009
	£000	£000
Operating profit is stated after charging		
Depreciation of property, plant and equipment	198	121
Cost of inventories recognised as expense	15,343	14,510
Write down of inventories	127	36
Operating lease rentals		
Minimum rentals	1,074	955

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 (2009 £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 (2009 £nil). The Directors' remuneration for services to the Group as a whole is borne by a fellow Group company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Employee costs

	2010	2009
	£000	£000
Wages and salaries	1,931	1,800
Social security costs	144	134
	2,075	1,934

The average number of people employed by the Company in retailing during the period was 126 (2009 80)

8. Finance revenue

	2010	2009
	£000	£000
From parent and fellow subsidiary undertakings	-	321

9 Taxation

	2010	2009
	£000	£000
Taxation recognised in the income statement		
United Kingdom, current year		
Corporation tax	380	533
Deferred tax	(10)	(13)
Total taxation expense in the income statement	370	520

The effective tax rate on ordinary activities is 29% (2009 28%)

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

	2010	2009
	£000	£000
Profit before taxation	1,258	1,848
Corporation tax at UK average statutory rate of 28% (2009 28%)	352	517
Effects of		
Permanent disallowables	11	10
Temporary differences relating to prior periods	7	(7)
Total tax charge	370	520

Deferred Tax

The deferred tax included in the balance sheet is as follows

	2010	2009
	£000	£000
Deferred income tax asset		
Accelerated depreciation for tax purposes	20	10

The effect of the changes that have been substantially enacted in the Finance (No 2) Act 2010 would reduce the Company's recognised deferred tax asset at 24 April 2010. This decrease in the recognised deferred tax asset is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011. The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 will be enacted separately each year.

Deferred tax in the income statement

The deferred tax included in the income statement is as follows

	2010	2009
	£000	£000
Accelerated depreciation for tax purposes	10	13

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Property, plant and equipment

	Plant, equipment and vehicles £000
Cost at 26 April 2008	754
Additions	52
Cost at 25 April 2009	806
Additions	136
Cost at 24 April 2010	942
Depreciation at 26 April 2008	96
Charge for period	121
Depreciation at 25 April 2009	217
Charge for period	198
Depreciation at 24 April 2010	415
Net book value at 24 April 2010	527
Net book value at 25 April 2009	589
Net book value at 26 April 2008	658

11. Intangible assets

	Trademarks £000
Cost at 26 April 2008, 25 April 2009 and 24 April 2010	73
Amortisation at 26 April 2008	6
Charge for the year	6
Amortisation at 25 April 2009	12
Charge for the year	6
Amortisation at 24 April 2010	18
Net book value at 24 April 2010	55
Net book value at 25 April 2009	61
Net book value at 26 April 2008	67

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)

12 Trade and other receivables

	2010	2009
	£000	£000
Current		
Amounts owed by parent and fellow subsidiary undertakings	2,092	544
Other receivables	330	251
Prepayments	-	65
	2,422	860

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 24 April 2010 (2009 £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

13. 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

14 Cash and short-term deposits

	2010	2009
	£000	£000
Cash at bank and in hand	167	1,450

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

15. Trade and other payables

	2010	2009
	£000	£000
Current		
Trade payables	1,566	2,265
Other payables	319	-
Accruals	192	523
	2,077	2,788

The carrying value of trade and other payables approximates to fair value. Trade payables are not interest-bearing and are generally settled on 30-60 day terms. Other payables and accruals are not interest-bearing.

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

The Group has sufficient funds and facilities available to satisfy its current requirements via a £240m revolving credit facility. The Company is cash-generative, has access to intra-group funding if and when required and had a positive cash balance at 24 April 2010 (see Note 14).

The financial liabilities of the company are repayable within one month.

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.

17. Share Capital

	24 April 2010	25 April 2009
	£	£
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

Capital management

The capital of Fopp Entertainments Limited is the total equity on the Company's balance sheet. The objective of the Company's capital management is to grow its retailing business and deliver improving returns for its ultimate parent company, HMV Group plc. The management of the Company's capital is performed by the Board of Directors. There are no externally imposed capital requirements.

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 £1.00 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.

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. The Group matches the amount paid by the member up to a maximum of 5% of pensionable pay. 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 24 April 2010 were borne by another Group company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 9 years. At the end of the period, future minimum rentals payable under non-cancellable operating leases were as follows:

	2010 £000	2009 £000
Not later than one year	948	928
Between two and five years inclusive	2,955	3,255
After five years	1,914	2,449
	5,817	6,632

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 £000	Amounts owed by related party £000	Amounts owed to related party £000
2010 – with ultimate parent company	-	-	-
2010 – with fellow subsidiaries	154	2,092	-
2009 – with ultimate parent company	-	2	-
2009 – with fellow subsidiaries	170	542	-

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

Remuneration of key management personnel

The remuneration of the Company's key management personnel has been borne by the immediate parent company, HMV Music Limited. Their remuneration is disclosed in the accounts of that company.

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, Shelley House, 2-4 York Road, Maidenhead, Berkshire, SL6 1SR.