

Company Registration No. 06576708

Best Buy Distributions Limited

Report and Financial Statements

3 March 2012

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Best Buy Distributions Limited

Report and financial statements 2012

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Best Buy Distributions Limited

Report and financial statements 2012

Officers and professional advisors

Directors

Keith J Nelsen
Susan S Grafton

Secretary

Joseph M Joyce (resigned 21 November 2011)
Lisa Lentini (appointed 21 November 2011 resigned 16 March 2012)
Todd Hartman (appointed 18 May 2012)
Jodie Hagstrom (appointed 18 May 2012)

Registered Office

100 New Bridge Street
London
EC4V 6JA

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Best Buy Distributions Limited

Directors' report

The directors present their annual report and the audited financial statements for the period from 27 February 2011 to 3 March 2012

Principal activities

Best Buy Distributions Limited (the 'Company') is a wholly owned subsidiary of Best Buy LLP. Its ultimate parent company is Best Buy Co. Inc. ('Best Buy'), a US corporation. The primary purpose of the Company is to act as a holding company for Best Buy's interest in Best Buy Europe.

Business review

As the Company was incorporated in order to fund a related party transaction, operations primarily comprise inter-company activity with related parties (other Best Buy entities).

During the year Best Buy reached an agreement with The Carphone Warehouse Group PLC ('CPW') regarding CPW's share of the profit sharing agreement between Best Buy Europe and Best Buy's mobile business in the USA. Following the buy-out, the rights to 99.92% of the income arising from the profit sharing agreement were assigned to the company on 22 February 2012. During the period from 27 February 2011 to 3 March 2012, the Company recorded turnover of £22.1M attributable to the profit sharing agreement. Management expects that the turnover from the profit sharing agreement will represent a substantial portion of the Company's total future turnover. Payments due under the profit sharing agreement are denominated in US dollars.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further detail is provided in note 1 to the financial statements.

Change in functional currency

Effective shortly after the end of the current period, certain of the intercompany loans held by the Company were modified to change the currency of the loans and related interest from sterling to US dollars. In conjunction with the profit sharing agreement referred to above, also denominated in US dollars, these changes represented a substantial change in the currency exposures of Best Buy Distributions Limited. As a result, the Directors expect the functional currency of Best Buy Distributions Limited to change to US dollars, commencing for the period beginning on 4 March 2012.

Results and dividends

The results of the Company for the period from 27 February 2011 to 3 March 2012 are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2011: no dividend recommended).

Directors

The directors, who served throughout the period except as noted, are set out on page 1.

Financial risk management

The activities of Best Buy Distributions Limited do not expose it to material financial risk as all of the activity is inter-company related. The Company does not use derivative financial instruments.

In addition, the Company is subject to foreign currency fluctuation risk arising from its intercompany notes receivable and payable.

Best Buy Distributions Limited

Directors' report

Auditor

Each of the persons who are a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, reading "Susan S. Grafton". The signature is fluid and cursive, with the first name "Susan" and last name "Grafton" clearly distinguishable.

Susan S Grafton
Director

100 New Bridge Street
London
EC4V 6JA

21 December 2012

Best Buy Distributions Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, and
- 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.

Independent auditor's report to the members of Best Buy Distributions Limited

We have audited the financial statements of Best Buy Distributions Limited for the period 27 February 2011 to 3 March 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statements, 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 Practice Board's Ethical Standards for Auditors.

Scope of the audit of 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 annual report 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

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 March 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Best Buy Distributions Limited (continued)

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



John Adam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

21 December 2012

Best Buy Distributions Limited

Profit and loss account

Period from 27 February 2011 to 3 March 2012

	Note	Period from 27 February 2011 to 3 March 2012 £	Period from 28 February 2010 to 26 February 2011 £
Turnover			
Existing operations		3,244,571	2,868,083
Acquisitions		22,131,564	-
	1	<u>25,376,135</u>	<u>2,868,083</u>
 Operating expenses		 (5,152,527)	 (3,088,025)
 Operating profit/(loss)			
Existing operations		(63,918)	(219,942)
Acquisitions		20,287,526	-
		<u>20,223,608</u>	<u>(219,942)</u>
 Interest expense	5	 (81,844,223)	 (68,339,292)
Interest income	5	6,899,018	1,627,597
 Loss on ordinary activities before taxation	2	 (54,721,597)	 (66,931,637)
 Tax credit on loss on ordinary activities	4	 11,187,542	 10,456,992
 Loss on ordinary activities after taxation		 <u>(43,534,055)</u>	 <u>(56,474,645)</u>

There have been no recognised gains or losses in the period other than above. Accordingly no statement of total recognised gains and losses is presented.

Best Buy Distributions Limited

Balance sheet 3 March 2012

	Notes	3 March 2012 £	26 February 2011 £
Fixed assets			
Intangible assets	8	1,221,926,484	-
Investments	9	516,002,572	1,102,319,958
Current assets			
Cash at bank and in hand		2,493,907	69,455,877
Debtors			
– due within one year – intercompany receivable	6	21,818,823	7,130,481
– due within one year – deferred tax asset	6	9,909,200	-
– due within one year – tax receivable	6	1,098,091	-
– due after one year	7	196,233,729	-
		<u>231,553,750</u>	<u>76,586,358</u>
Creditors: Amounts falling due within one year	10	<u>(154,683)</u>	<u>(18,658,323)</u>
Net current assets		<u>231,399,067</u>	<u>57,928,035</u>
Total assets less current liabilities		<u>1,969,328,122</u>	<u>1,160,247,993</u>
Creditors, amounts falling due after more than one year	11	<u>(1,477,143,270)</u>	<u>(884,196,927)</u>
Net assets		<u><u>492,184,853</u></u>	<u><u>276,051,065</u></u>
Capital			
Called-up share capital	12 13	698,456,737	438,789,201
Profit and loss account	12	(206,271,884)	(162,738,136)
Shareholder's funds		<u><u>492,184,853</u></u>	<u><u>276,051,065</u></u>

The financial statements of Best Buy Distributions Limited (registered number 06576708) were approved by the board of directors and authorized for issue on 21 December 2012

They were signed on its behalf by


Susan S. Grafton
Director

21 December 2012

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

1 Accounting policies

Basis of accounting

The principal accounting policies are summarized below. They have all been applied consistently throughout the current and prior period.

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 401 of the Companies Act 2006 because it is a wholly owned subsidiary of Best Buy Co. Inc. which prepares consolidated accounts which are publicly available. The Company is also, on this basis, exempt from the requirements of FRS1 to present a cash flow statement.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the accounts, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Notwithstanding the current economic conditions and potential uncertainty over the level and timing of future revenues, having considered the Company's forecasts and projections, the Directors are satisfied 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 these accounts.

Turnover

Turnover represents profit sharing payments from Best Buy Mobile (part of a fellow subsidiary) and fees charged for the provision of services to other Best Buy Co. Inc. companies, net of trade discounts, VAT and other sales-related taxes. Turnover arising from profit sharing payments is recognised as the services are provided.

Intangible assets

Goodwill arising from the hive up of the Best Buy Mobile profit share agreement is written off on a straight line basis over 20 years. Provision is made for any impairment.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

1. Accounting policies (continued)

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging the following

	2012 £	2011 £
Auditor's remuneration	9,000	5,500
Amortisation of intangible assets	1,844,038	-

3. Employee costs and directors' remuneration

The average monthly number of employees during the financial year was

	2012 No.	2011 No.
Number of administrative staff	9	8
The aggregate payroll costs of the above were	£	£
Wages and salaries	2,011,365	1,979,385
Social security costs	659,338	444,302
	2,670,702	2,423,687

None of the directors received any remuneration in respect of their services to the Company for the period (2011: £nil).

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

4. Taxation

Analysis of credit in period.

	2012 £	2011 £
Current tax		
UK corporation tax credit on losses of the period	(987,844)	(9,840,705)
Adjustments in respect of prior periods	(290,498)	(616,287)
Total current tax credit	(1,278,342)	(10,456,992)
Deferred tax		
Recognition of tax losses carried forward	(1,959,175)	-
Adjustments in respect of prior periods	(7,950,025)	-
Total deferred tax credit	(9,909,200)	-
Total tax credit	(11,187,542)	(10,456,992)

Factors affecting tax credit for period.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (26 percent)

The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	(54,721,597)	(66,931,637)
Tax on loss on ordinary activities at standard UK corporation tax rate of 26% (2011: 28%)	(14,227,615)	(18,740,858)
Effects of		
Non-deductible goodwill amortization	479,450	-
Non-deductible interest	10,801,146	8,900,153
Adjustments in respect of prior periods	(290,498)	(616,287)
Total current tax credit	(1,278,342)	(10,456,992)

The major deferred tax assets recognised and movements thereon during the comparative period are as follows

	2012 £	2011 £
Tax losses carried forward	9,909,200	-
Asset at 27 February 2011	-	-
Deferred tax credit in profit and loss account for period	9,909,200	-
Asset at 3 March 2012	9,909,200	-

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

In the March 2011 Budget it was announced that the UK statutory rate of corporation tax would decrease from 26% to 25% from 1 April 2012. On 5 July 2011 the relevant legislation was substantively enacted and accordingly the deferred tax asset at 3 March 2012 takes account of this change. Further reductions of 1% each year until the rate reaches 21% from 1 April 2014 have also been announced but deferred tax has not been recognised at these rates as they had not been substantively enacted at the balance sheet date.

5 Interest expense and interest income

	2012 £	2011 £
Intercompany interest receivable and similar income	1,283,429	1,627,597
Foreign exchange gain	5,615,589	-
Total interest income	<u>6,899,018</u>	<u>1,627,597</u>
Intercompany interest payable and similar charges	<u>81,844,223</u>	<u>68,339,292</u>

6 Debtors

	2012 £	2011 £
Debtors due within one year		
Intercompany receivable	21,818,823	7,130,481
Deferred tax asset	9,909,200	-
Corporation tax receivable	<u>1,098,091</u>	<u>-</u>

7 Debtors

	2012 £	2011 £
Debtors due after one year		
Intercompany interest receivable	711,811	-
Intercompany receivable	<u>195,521,918</u>	<u>-</u>
	<u>196,233,729</u>	<u>-</u>

The debtor due after one year is made up of a U.S. dollar denominated intercompany loan and interest receivable from New CPWM Limited, a wholly owned subsidiary of Best Buy Distributions Limited located at 1 Portal Way, London W3 6RS United Kingdom. The loan has an interest rate of 3.41% due 24 January 2022. The loan arose as a result of the buyout of The Carphone Warehouse Group plc's interest in the profit-sharing agreement between Best Buy Europe Distributions Limited and Best Buy Mobile (a division of Best Buy US).

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

8. Intangible assets

	Goodwill £
Cost	
At 26 February 2011	-
Additions	1 223 771,522
At 3 March 2012	1 223 771,522
Amortisation	
At 26 February 2011	-
Charge for the year	1 844 038
At 3 March 2012	1,844 038
Net book value	
At 3 March 2012	1 221,926,484
At 26 February 2011	-

On 22 February 2012 99.92% of the Best Buy Mobile profit share agreement was transferred from New CPWM Limited to Best Buy Distributions Limited for £1. Following this hive-up the investment in New CPWM Limited has been written down to nil representing its recoverable value with the investment value being transferred to goodwill. The goodwill is being amortised on a straight line basis over 20 years.

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

9 Investments

	2012 £
At 26 February 2011	1 102,319,958
Additions	637 453 136
Transfer to intangible assets	(1,223,770,522)
At 3 March 2012	516,002,572

During the year the company reorganised the structure of its investment in Best Buy Europe Distributions Limited in order to acquire Carphone Warehouse Group plc's stake in Best Buy Mobile. As part of this transaction, a capital reduction demerger was completed of the Best Buy Mobile and Best Buy Europe businesses into New CPWM Limited and New BBED Limited respectively. This transaction resulted in the company's original 50% shareholding in Best Buy Europe Distributions Limited being replaced by 50% investments in New CPWM Limited and New BBED Limited.

The company subsequently acquired a further 10,000,000 of £0.50 A ordinary share capital in New CPWM Limited for £51 571,547. This transaction was completed on 25 January 2012. Subsequent to this date, the company completed a debt for equity swap in relation to outstanding loan receivables of £585 881,588 repayable by New CPWM Limited. The share capital held by Carphone Warehouse Group plc in New CPWM Limited became deferred following the payment of a dividend of £813m, in exchange for full control of Best Buy Mobile.

On 22 February 2012, 99.92% of the Best Buy Mobile profit share agreement was transferred from New CPWM Limited to Best Buy Distributions Limited for £1. Following this hive-up, the investment in New CPWM Limited has been written down to nil, representing its recoverable value, with the investment value being transferred to goodwill.

10. Creditors

	2012 £	2011 £
Amounts falling due within one year		
Intercompany loan payables	-	18,583,401
Accruals	154,683	74,922
	154 683	18 658,323

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

11. Creditors

	2012 £	2011 £
Amounts falling due after one year		
Intercompany loan payables	1,238,841,504	727,332,540
Intercompany interest payable	238,301,765	156,864,387
	<u>1,477,143,270</u>	<u>884,196,927</u>

Intercompany loan payables represent payables to Best Buy China UK LLP for £207,208,000 due 30 June 2018 with an interest rate of 8.5%, Best Buy LLP US dollar denominated note for £510,818,038 due 31 January 2022 with an interest rate of 7.25% BBCAN UK LLP £406,289,000 due 30 June 2018 with an interest rate of 8.5% and BBCAN Financial Services LP for £113,834,000 due 30 June 2018 with an interest rate of 6.25%. Intercompany interest payable relates to the loan payables balances.

12. Reserves

	Share capital £	Profit and loss account £	Total £
At 26 February 2011	438,789,201	(162,738,135)	276,051,066
Issue of share capital	259,667,536	-	259,667,536
Capital contribution		306	306
Loss for the financial period	-	(43,534,055)	(43,534,055)
At 3 March 2012	<u>698,456,737</u>	<u>(206,271,884)</u>	<u>492,184,853</u>

13. Called-up share capital

	2012 £	2011 £
Authorised		
698,456,737 (2011: 438,789,201) ordinary shares of £1 each	<u>698,456,737</u>	<u>438,789,201</u>
Called-up, allotted and fully paid		
698,456,737 (2011: 438,789,201) ordinary shares of £1 each	<u>698,456,737</u>	<u>438,789,201</u>

On 24 January 2012 the company issued a further 259,667,536 of ordinary shares of £1 each at par to its parent undertaking Best Buy LLP.

Best Buy Distributions Limited

Notes to the accounts

Period from 27 February 2011 to 3 March 2012

14. Ultimate parent company and related party transactions

The Company is taking advantage of the exemption granted by paragraph 3c of FRS 8, Related Party Disclosures, not to disclose transactions with entities with the Best Buy Co., Inc. Group which are related parties

During the period the Company had the following disclosable transactions with Best Buy Europe Distributions Limited, a related party

	2012 £	2011 £
Consortium relief utilised within the group	1,278,341	10,456,992

At 3 March 2012 the following amounts were outstanding from Best Buy Europe Distributions Limited

	2012 £	2011 £
Intercompany receivable	839,110	7,446,206

At the balance sheet date, the Company's ultimate parent company and controlling party was Best Buy Co. Inc., a company incorporated in the United States of America. The Company's immediate parent company and controlling entity is Best Buy LLP, a Limited Liability Partnership incorporated in Great Britain.

The parent company of the largest and smallest groups for which Group accounts are prepared of which this Company is a member is Best Buy Co. Inc., a company incorporated in the United States of America.

Copies of the financial statements of Best Buy Co., Inc. are available at www.bestbuy.com. Copies of the financial statements of Best Buy LLP can be obtained from Companies House, Crown Way Cardiff CF14 3UZ.