

Company Registration No. 06576708

Best Buy Distributions Limited

Financial statements

For the period ended 3 February 2018

TUESDAY



L7FOU84Y

LD2

02/10/2018

#23

COMPANIES HOUSE

Best Buy Distributions Limited

Financial Statements 2018

Contents	Page
Officers and professional advisers	1
Strategic Report	2
Directors' report	4
Statement of directors' responsibilities	6
Independent Auditor's Report to the members of Best Buy Distributions Limited	7
Profit and loss account	13
Balance sheet	14
Statement of Changes in Equity	15
Notes to the financial statements	16

Best Buy Distributions Limited

Officers and professional advisers

Directors

Keith Nelsen
Mathew Raymond Watson

Secretaries

Todd Hartman
Jodie Hagstrom Crist

Registered Office

100 New Bridge Street
London
EC4V 6JA

Bankers

Bank of America
2 King Edward Street
London
EC1A 1HQ

Auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Best Buy Distributions Limited

Strategic report

The directors, in preparing this Strategic report, have complied with S414C of the Companies Act 2006.

Principal activities

The Company is a wholly-owned subsidiary of ProTheo IV, LLC. Its ultimate parent company is Best Buy Co., Inc. ("Best Buy"), a US corporation. The principal activities of the Company are to license "know-how" to Best Buy Stores, LP. The directors anticipate that these activities will be maintained.

Business review

The Company's key financial and other performance indicator during the year were as follows:

	2018	2017
	USD	USD
Turnover	260,528,626	308,730,679
Operating Expenses	220,881,733	278,860,457
Net Liabilities	(110,811,430)	(312,770,593)

From 2 February 2014 to 31 May 2014, the Company received 99.92% of the profit sharing income received by CPW Mobile Ltd pursuant to its license agreement with Best Buy Stores, LP. The income stream arising from the license agreement with Best Buy Stores LP is based upon the operating performance of Best Buy Mobile, the business which manages the mobile telephone and mobile broadband operations with Best Buy Stores, LP.

On 31 May 2014, CPW Mobile Ltd assigned the license agreement with Best Buy Stores, LP to the Company. From 1 June 2014 to 3 February 2018, the Company received 100% of the license income directly from Best Buy Stores, LP.

During the period from 29 January 2017 to 3 February 2018, the Company recorded turnover of \$260,528,626 compared to \$308,730,679 for the prior period, 31 January 2016 to 28 January 2017, primarily attributable to the decreasing royalty rates from the licensing agreement. Management expects that the turnover from the license agreement will represent a substantial portion of the Company's total future turnover. Payments due under the license agreement are denominated in US Dollars.

On 1 February 2015, the Best Buy Mobile EVA contract was amended, with the remainder of the value of the contract to be paid out over 5 years from FY16 to FY20. The payments are based on a percentage of mobile net revenue, with the percentage rates being reduced each year (i.e. 5.5% of mobile net revenue in FY18, 4.1% in FY19, and 2.7% in FY20.).

During the period from 29 January 2017 to 3 February 2018, the Company recorded operating expenses of \$220,881,733 compared to operating expenses in the prior period, 31 January 2016 to 28 January 2017, of \$278,860,457, primarily attributable to the lower goodwill amortization due to the reducing balance methodology used. See footnote 8, *Intangible Fixed Assets*, for the description of the methodology used for the amortisation of goodwill.

During the period from 29 January 2017 to 3 February 2018, the Company recorded a net loss of \$115,039,836 compared to a net loss in the prior period, 31 January 2016 to 28 January 2017, of \$91,911,058. The loss in 2018 was primarily driven by the goodwill amortization of \$221,474,722 as a result of the methodology used. The change from the prior period was primarily driven by the lower goodwill amortisation in the period compared to the prior period due to the methodology used.

On 3 February 2018, the Company had (\$110,811,430) in net liabilities compared to net liabilities on 28 January 2017 of (\$312,770,593), primarily attributable to the conversion of \$317,000,000 of the ProTheo IV intercompany loan to equity. This partially offset by an increase in goodwill impairment.

Best Buy Distributions Limited

Strategic report

Principal risks and uncertainties

There are certain longer-term risks and challenges to the Best Buy Mobile business upon which the Company's profitability depends. Specifically:

- Network operators may continue to invest in their own distribution platforms; This could result in a decline in the Best Buy mobile business, driving a decrease in turnover.
- Tariffs may move towards longer term contracts reducing time between upgrades resulting in a decrease in turnover.
- Competition between network operators may weaken, resulting in reduced incentives to customers resulting in a decrease in turnover.

Future Developments

The Company intends to continue its principal activities to license "know-how" to Best Buy Stores, LP.

Approved by the Board of Directors and signed on its behalf by:



Mathew Watson
Director
(Date)

9/20/2018

Best Buy Distributions Limited

Directors' report

The directors present the annual report on the affairs of Best Buy Distributions Limited (the "Company"), together with the audited financial statements and auditor's report for the period from 29 January 2017 to 3 February 2018. The comparative financial period ran from 31 January 2016 to 28 January 2017. The financial statements for the comparative period were prepared in accordance with the Company's ultimate parent's fiscal year-end.

Results and dividends

The results of the Company for the period from 29 January 2017 to 3 February 2018 are set out in the profit and loss account on page 13. The directors do not recommend the payment of a dividend for the period (2017: \$nil).

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

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.

Directors

The directors, who served throughout the period and subsequently, are set out on page 1. Directors of the Company may be indemnified out of the Company's assets against certain liabilities as set forth in the Company's articles of association.

Financial risk management

The activities of the company do not expose it to material financial risks as all of the activity is intercompany related. The company does not use derivative financial instruments.

Post Balance Sheet Events

The subsequent events that occurred after the period 3 February 2018 included the Company paying down the principal on their loan of the \$426,500,000 to \$322,900,000.

Environment

A full analysis of the key regulatory and social risks of the industry in which the ultimate parent company, Best Buy Co., Inc. operates is described in the group's annual report, which does not form part of this report. As a subsidiary entity of Best Buy Co., Inc., the Company operates in accordance with group policies.

Donations

The Company made no charitable or political donations in the period (2017: \$nil).

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 is 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 is 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 have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Best Buy Distributions Limited

Directors' report (continued)

Mathew
Mathew Watson
Director
(Date) 9/20/2018

Best Buy Distributions Limited

Statement of directors' responsibilities

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Best Buy Distributions Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 3rd February 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the impairment of goodwill.
Materiality	The materiality that we used in the current year for the financial statements was \$2.6m which is based on 1% of revenue.

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill**Key audit matter description**

The company's value of goodwill as at 3rd February 2018 totalled \$270.8m (2017: \$494.5m).

Assessment of impairment of goodwill is a judgemental process, which requires consideration of the value in use of the cash generating unit, being the Best Buy Mobile business. The mobile market continues to be challenging and the impairment assessment is particularly sensitive to the future trading results, specifically the short term cash flow forecast of the Mobile business. During the year, an impairment charge of \$49.95m was recorded.

Further information in this area is discussed in the Accounting notes on page 16, critical judgements and key sources of estimation uncertainty in Note 2 and disclosures in Note 14.

How the scope of our audit

We have challenged management's key assumptions relating to the estimated future cash flows applied through assessment of cash flow

responded to the key audit matter	forecast against historical performance and forecast accuracy and consideration of available third party market forecast data. We have considered the appropriateness of the sensitivities applied by management, recalculated the headroom available under the sensitised positions and assessed the associated disclosures in the financial statements in relation to the impairment review. We conducted work over the design and implementation of the controls over the goodwill assessment and no issues were found.
Key observations	We concluded that key assumptions management used to calculate the value in use and that the value in use supports the recognition of an impairment of the carrying value of the goodwill. We concurred with the disclosures made in the financial statements are appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$2.6m
Basis for determining materiality	We determined materiality on the basis of 1% of revenue
Rationale for the benchmark applied	We determined materiality based on revenue as this is the key metric used by management, investors and lenders.

We agreed with the directors that we would report all audit differences in excess of \$130k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

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

assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andy Siddons

Andy Siddons (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

20 September 2018

Best Buy Distributions Limited

Profit and loss account For the period ended 3 February 2018

	Notes	Total 2018 USD	Total 2017 USD
Turnover	3	260,528,646	308,730,679
Gross Profit		260,528,646	308,730,679
Operating Expenses	2	(220,881,733)	(278,860,457)
Goodwill Impairment	2	(49,950,050)	(753,764)
Operating profit (loss)		(10,303,137)	29,116,458
Dividend Income			3,378,880
Investment Income		11,367	35,362
Finance Costs	5	(54,755,465)	(76,485,511)
Finance Costs (Net)	5	(54,744,098)	(73,071,269)
Loss on ordinary activities before taxation	6	(65,047,235)	(43,954,811)
Tax on loss on ordinary activities	7	(49,992,601)	(47,956,247)
Loss for the financial year		(115,039,836)	(91,911,058)

All results arise from continuing activities.

There have been no recognised gains or losses in the current or preceding period other than the losses shown above. Accordingly, no separate statement of comprehensive income is presented.

Best Buy Distributions Limited

Balance sheet As at 3 February 2018

	Notes	2018 USD	2017 USD
Fixed assets			
Intangible assets	8	223,066,806	494,491,578
Investments		<u>223,066,806</u>	<u>494,491,578</u>
Current Assets			
Debtors			
- due within one year	9	92,330,991	94,201,645
- due after one year	9	166,197	166,176
Cash at bank and in hand		<u>27,371,725</u>	<u>22,794,256</u>
		119,868,913	117,162,077
Creditors: Amounts falling due within one year	10	<u>(22,643,808)</u>	<u>(17,625,751)</u>
Net Current Assets		<u>97,225,105</u>	<u>99,536,326</u>
Total assets less current liabilities		<u>320,291,911</u>	<u>594,027,904</u>
Creditors: Amounts falling due after more than one year	11	<u>(431,103,341)</u>	<u>(906,798,497)</u>
Net Liabilities		<u>(110,811,430)</u>	<u>(312,770,593)</u>
Capital			
Called-up share capital	12	317,001,000	1,000
Other reserve	12	4,888,073	4,889,074
Profit and loss account	12	<u>(432,700,503)</u>	<u>(317,660,666)</u>
Shareholder's deficit		<u>(110,811,430)</u>	<u>(312,770,593)</u>

The financial statements of Best Buy Distributions Limited (registered number 06576708), were approved by the board of directors and authorised for issue on 9/20/2018.

They were signed on its behalf by:

Mathew Watson

Mathew Watson
Director

Best Buy Distributions Limited

Statement of Changes in Equity As at 3 February 2018

	Called-up share capital USD	Other reserve USD	Profit and loss account USD	Total USD
Beginning balance as at 31 January 2016	1,000	4,889,074	(225,749,609)	(220,859,535)
Loss as at 28 January 2017	-	-	(91,911,058)	(91,911,058)
Beginning balance as at 29 January 2017	1,000	4,889,074	(317,660,667)	(312,770,593)
Shares recapitalization	317,000,000	-	-	317,000,000
Translation Adjustment	-	(1,001)	-	(1,001)
Loss as at 3 February 2018	-	-	(115,039,836)	(115,039,836)
Ending balance as at 3 February 2018	<u>317,001,000</u>	<u>4,888,073</u>	<u>(432,700,503)</u>	<u>(110,811,430)</u>

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

1. Accounting policies

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

a. General information and basis of accounting

Best Buy Distributions Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

Best Buy Distributions Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to presentation of a cash-flow statement and related party transactions as this information is included in the consolidated results of the parent company available from the details provided in Note 13. Both the functional and presentational currency adopted is US Dollars.

b. Going concern

The directors have considered the financial position and resources of the Company for the foreseeable future. Whilst the Company made a loss during the current and prior period, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, the Company maintains a strong balance sheet with net current assets of \$97,225,105, and total assets less current liabilities of \$320,291,911. In FY18, the Company converted the \$317M remaining balance on the loan becoming due 30 June 2018 to equity. For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

c. Intangible assets - goodwill

Goodwill arising from the hive up of the Best Buy Mobile profit share agreement, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a weighted average basis of royalty rate each year over its useful economic life, through to the end of FY20. Provision is made for any impairment.

d. Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value, had no impairment

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

1. Significant accounting policies (continued)

been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

e. 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.

Unrelieved tax losses and other deferred tax assets are 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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. 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 group companies, net of trade discounts, VAT and other sales-related taxes. Turnover arising from profit sharing payments are recognised as the services are provided.

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

1. Significant accounting policies (continued)

g. Foreign currency

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. Any differences are recorded to gain/loss in the profit and loss account.

In fiscal 2013 the functional currency of the Company changed to USD due to a change in the primary economic environment from GBP to USD.

h. Financial instruments

The Company's financial assets and liabilities are classified as receivables, loans and payables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In fiscal 2018, judgement was used in the key assumptions used to estimate future cash flows for the goodwill impairment calculation.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. There was no impairment in FY18. The carrying amount of goodwill at the balance sheet date was \$223,066,806 after an impairment loss of \$49,950,050 was recognised during FY18 (see note 8).

3. Turnover

An analysis of the Company's turnover is as follows:

	2018 USD	2017 USD
EVA Royalties	260,528,626	308,730,679
	<u>260,528,626</u>	<u>308,730,679</u>

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

4. Auditor's remuneration:

Auditor's remuneration of £16,238 (2017: £16,238) for the auditing of the financial statements is borne by another group company.

5. Finance costs (net)

	2018 USD	2017 USD
Dividend Income	-	3,378,880
Intercompany interest income and similar income	11,367	35,362
Total investment income	<u>11,367</u>	<u>3,414,242</u>
Intercompany interest expense and similar charges	(54,755,465)	(76,485,511)
Total finance costs	<u>(54,744,098)</u>	<u>(73,071,269)</u>

6. Loss on ordinary activities before taxation

	2018 USD	2017 USD
Amortisation of intangible assets	221,474,723	280,038,080
Impairment of intangible assets	49,950,050	753,764
Foreign exchange (Gains) / losses	(659,585)	(1,321,401)
	<u>270,765,188</u>	<u>279,470,443</u>

Impairment of goodwill and amortization of intangible assets are included in administrative expenses.

Foreign exchange gains incurred during the year are due to amounts denominated in GBP which need to be remeasured each period in the Company's functional currency (USD). The foreign exchange gains are from the remeasurement of tax amounts owed in GBP and the remeasurement of bank accounts denominated in GBP.

None of the directors received any remuneration during the period for services to the Company (2017: nil). The Company had no other employees during the period (2017: nil). The directors are paid by the ultimate parent company. See the "Ultimate parent company and related party transactions" note for more information on the ultimate parent company.

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

7. Tax on loss on ordinary activities

Analysis of charge in period:

	2018 USD	2017 USD
Current Tax on loss on ordinary activities		
UK corporation tax charge on losses of the period	50,225,590	47,324,098
Adjustments in respect of prior periods	(232,989)	632,149
Total current tax charge	<u>49,992,601</u>	<u>47,956,247</u>

Factors affecting tax charge for period:

The differences between the total current tax charge of \$49,992,601 (2017: \$47,956,247) and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 USD	2017 USD
Loss on ordinary activities before tax	<u>(65,047,235)</u>	<u>(43,954,811)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate (19.17%:2017: 20.00%)	<u>(12,467,387)</u>	<u>(8,790,962)</u>
Effects of:		
- Non-deductible goodwill amortization	42,449,322	56,007,616
- Non-deductible interest	10,494,797	1,274,759
- Non-deductible goodwill impairment	9,573,760	150,752
- Non-deductible (Non-taxable fx gain)/fx loss	175,098	(658,131)
- Non-deductible loan write-off	-	15,839
- Non-taxable dividend income	-	(675,775)
- Adjustments in respect of prior periods	<u>(232,989)</u>	<u>632,149</u>
Current tax charge for the period	<u>49,992,601</u>	<u>47,956,247</u>

Finance (No.2) Act 2015, which was substantively enacted on 26 October 2015, has set the corporation tax rate at 19% from 1 April 2017 and 18% effective from 1 April 2020. Finance Bill 2016 has reduced the rate further from 1 April 2020 to 17%, which was substantively enacted on 6 September 2016.

Best Buy Distributions Limited

Notes to the financial statements For the period from 29 January 2017 to 3 February 2018

8. Intangible fixed assets

	Goodwill USD
Cost	
At 29 January 2017	1,392,348,217
Additions	
At 3 February 2018	1,392,348,217
Amortisation	
At 29 January 2017	897,856,639
Charge for the year	221,474,722
Impairment	49,950,050
At 3 February 2018	1,169,284,411
Net book value	
At 3 February 2018	223,066,806
At 29 January 2017	494,491,578

On 1 February 2015, the Best Buy Mobile profit share agreement was amended to terminate after five years ending 2020. Starting in 2017, unamortised goodwill is being amortised on a weighted average basis on the royalty rate used each year over the amended four years of remaining life on the agreement. After analysis of future cash flows, it was determined that goodwill is impaired by \$49,950,050 in FY18.

9. Debtors

The intercompany receivable falling due within one year is the Best Buy Mobile EVA contract. The company receives payments quarterly in arrears based on the royalty rates.

	2018 USD	2017 USD
Amounts falling due within one year:		
Intercompany receivable	92,330,991	94,201,645
	<u>92,330,991</u>	<u>94,201,645</u>

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

9. Debtors (continued)

	2018 USD	2017 USD
Amounts falling due after more than one year:		
Intercompany receivable	166,197	166,176
	<u>166,197</u>	<u>166,176</u>

10. Creditors – amounts falling due within one year

	2018 USD	2017 USD
Income tax payable	22,643,808	17,625,751
	<u>22,643,808</u>	<u>17,625,751</u>

11. Creditors – amounts falling due after more than one year

	2018 USD	2017 USD
Intercompany loan payable	426,500,000	898,030,000
Intercompany interest payable	4,489,935	8,639,091
Intercompany payables	113,406	129,406
	<u>431,103,341</u>	<u>906,798,497</u>

Intercompany loan payables represent a payable to ProTheo IV, LLC for \$426,500,000 (originating at \$809,902,000 with \$383,402,000 repaid during previous periods) due 31 January 2022 with an interest rate of 7.25%. The loan is listed on The International Securities Exchange. In FY18, the loan payable to ProTheo IV, LLC originating at \$864,238,980 due 30 June 2018 was converted to equity when it had a balance at \$317,000,000.

Best Buy Distributions Limited

Notes to the financial statements

For the period from 29 January 2017 to 3 February 2018

12. Called-up share capital and reserves

	2018 USD	2017 USD
Called-up, allotted and fully paid		
317,001,000 ordinary shares of \$1 each (2017: 1,000 ordinary shares of \$1 each)	317,001,000	1,000

The Company has one class of ordinary shares which carry no right to fixed income. In FY18, the Company converted the remaining \$317,000,000 note payable to ProTheo IV, LLC, to \$317,000,000 ordinary shares of \$1 each.

The Other reserve includes the currency difference arising from the historic translation of the profit and loss account and balance sheet at different rates.

13. Ultimate parent company and related party transactions

The Company is taking advantage of the exemption granted by FRS 102 Section 33, to not disclose related party transactions with Best Buy Co., Inc. or any subsidiaries of Best Buy Co., Inc., provided that any subsidiary undertaking which is party to the transaction is wholly-owned by a member of the Best Buy Co., Inc. group. The Company is also exempt from disclosing transactions with directors who are also directors of Best Buy Co., Inc.

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 ProTheo IV, LLC, a partnership incorporated in the United States.

The parent company of the largest and smallest groups for which consolidated financial statements are prepared of which the Company is a member is Best Buy Co., Inc., a company incorporated in the United States of America. Best Buy Co., Inc. is located at 7601 Penn Avenue South, Richfield, Minnesota, USA 55423.

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

14. Post Balance Sheet Events

The subsequent events that occurred after the period 3 February 2018 included the company paying down the principal on their loan from ProTheo IV of \$426,500,000 to \$322,900,000.