

Company Registration No. 06576708

Best Buy Distributions Limited

Financial statements

For the period ended 2 February 2019



Best Buy Distributions Limited

Financial Statements 2019

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

Todd Hartman
Mathew Raymond Watson

Secretaries

Todd Hartman
Jodie Hagström 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

Best Buy Distributions Limited (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. Management intends to liquidate the Company in fiscal year 2021, following the termination of the license agreement referred to below at the end of fiscal year 2020. Therefore, the financial statements have been prepared on the basis that the Company is no longer a going concern. This is discussed further in note 1 to the financial statements.

Business review

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

	2019	2018
	USD	USD
Turnover	186,230,220	260,528,626
Operating Expenses	134,069,167	220,881,733
Net Liabilities	116,169,977	110,811,430

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 2 February 2019, the Company received 100% of the license income directly from Best Buy Stores, LP.

During the period from 4 February 2018 to 2 February 2019, the Company recorded turnover of \$186,230,220 compared to \$260,528,626 for the prior period, 29 January 2017 to 3 February 2018, primarily attributable to the decreasing royalty rates from the licensing agreement. Management expects that the turnover from the license agreement will represent the Company's total future turnover until the contract ends in fiscal year 2020. Payments due under the license agreement are denominated in US Dollars. The lower turnover is due to the lower royalty rate in fiscal 2019 compared to the prior period.

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 fiscal 2016 to fiscal 2020. The payments are based on a percentage of mobile net revenue, with the percentage rates being reduced each year (i.e. 4.1% in fiscal 2019 and 2.7% in fiscal 2020).

During the period from 4 February 2018 to 2 February 2019, the Company recorded operating expenses of \$134,069,167 compared to operating expenses in the prior period, 29 January 2017 to 3 February 2018, of \$220,881,733, primarily attributable to the lower goodwill amortization due to the reducing balance methodology used. See note 8, *Intangible Fixed Assets*, for the description of the methodology used for the amortisation of goodwill.

During the period from 4 February 2018 to 2 February 2019, the Company recorded a net loss of \$5,347,955 compared to a net loss in the prior period, 29 January 2017 to 3 February 2018, of \$115,039,836. The loss in 2019 was primarily driven by the goodwill amortization of \$134,372,223 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 and no goodwill impairment for the period. Interest expense is also lower due to the Company's decreased notes payable. This was partially offset by the lower turnover mentioned above.

On 2 February 2019, the Company had \$116,169,977 in net liabilities compared to net liabilities on 3 February 2018 of \$110,811,430, primarily attributable to a decrease in intangible assets due to an increase in goodwill amortization. This is partially offset by the Company paying down the principal on its outstanding loan.

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 until the license agreement ends in fiscal year 2020. As the Company will cease to trade subsequent to this license agreement ending, the financial statements have been prepared on a basis other than going concern. This is discussed further in note 1 to the financial statements.

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



Mathew Watson

Director

(Date)

02/10/2019

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 4 February 2018 to 2 February 2019. The comparative financial period ran from 29 January 2017 to 3 February 2018. 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 4 February 2018 to 2 February 2019 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 (2018: \$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 until the license agreement ends in fiscal year 2020. As the Company will cease to trade subsequent to this license agreement ending, the financial statements have been prepared on a basis other than going concern. The directors are currently considering their options for repaying the outstanding debt, due in 2022. The Company's parent company has provided written confirmation of its willingness to provide support for the company should it be required. This is discussed further in note 1 to 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 2 February 2019 included the Company making a \$40,000,000 payment on their intercompany loan from BBY (Barbados) SRL. This reduced the principal balance on the loan from \$261,000,000 to \$221,000,000.

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 (2018: \$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.

Best Buy Distributions Limited

Directors' report (continued)

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



Mathew Watson

Director

(Date) 02/10/2019

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 2 February 2019 and of its loss for the year 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 income statement;
- the statement of financial position;
- 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 Financial Reporting Council's (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 \$1.85m 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

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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 relating to license rights as at 2 February 2019 totaled \$88.7m (FY18: \$223.1m).

Assessment of impairment of goodwill is a judgmental 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 responded to the key audit matter

We have challenged management's key assumptions relating to the estimated future cash flows applied through assessment of cash flow 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 assessed design and implementation of relevant controls over the goodwill impairment assessment.

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	\$1.85m (FY18: \$2.7m)
Basis for determining materiality	We determined materiality on the basis of 1% of revenue (FY18: 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 to them all audit differences in excess of \$92.5k (FY18: \$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 (Senior statutory auditor)

Andy Siddons

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

02 October 2019

Best Buy Distributions Limited

Profit and loss account For the period ended 2 February 2019

	Notes	Total 2019 USD	Total 2018 USD
Turnover	3	<u>186,230,220</u>	<u>260,528,646</u>
Gross Profit		186,230,220	260,528,646
Operating Expenses	2	(134,069,167)	(220,881,733)
Goodwill Impairment	2	<u>-</u>	<u>(49,950,050)</u>
Operating profit / (loss)		52,161,053	(10,303,137)
Investment income		29,287	11,367
Finance Costs	5	<u>(23,839,019)</u>	<u>(54,755,465)</u>
Finance Costs/(Net)	5	(23,809,732)	(54,744,098)
Profit / (Loss) on ordinary activities, before taxation	6	28,351,321	(65,047,235)
Taxon profit / (loss) on ordinary activities	7	<u>(33,709,868)</u>	<u>(49,992,601)</u>
Loss for the financial year		<u>(5,358,547)</u>	<u>(115,039,836)</u>

All results arise from discontinued 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 2 February 2019

	Notes	2019 USD	2018 USD
Fixed assets			
Intangible assets	8	<u>88,694,583</u>	<u>223,066,806</u>
		88,694,583	223,066,806
Current Assets			
Debtors			
- due within one year	9	55,606,505	92,330,991
- due after one year	9	166,197	166,197
Cash at bank and in hand		<u>16,236,091</u>	<u>27,371,725</u>
		72,008,793	119,868,913
Creditors: Amounts falling due within one year	10	<u>(13,359,554)</u>	<u>(22,643,808)</u>
Net Current Assets		<u>58,649,239</u>	<u>97,225,105</u>
Total assets less current liabilities		<u>147,343,821</u>	<u>320,291,911</u>
Creditors: Amounts falling due after more than one year	11	<u>(263,513,798)</u>	<u>(431,103,341)</u>
Net Liabilities		<u>(116,169,977)</u>	<u>(110,811,430)</u>
Capital			
Called-up share capital	12	317,001,000	317,001,000
Other reserve	12	4,888,073	4,888,073
Profit and loss account	12	<u>(438,059,050)</u>	<u>(432,700,503)</u>
Shareholder's funds		<u>(116,169,977)</u>	<u>(110,811,430)</u>

The financial statements of Best Buy Distributions Limited (registered number 06576708), were approved by the board of directors and authorised for issue on 02/10/2019

They were signed on its behalf by:



Mathew Watson
Director

Best Buy Distributions Limited

Statement of Changes in Equity As at 2 February 2019

	Called-up share capital USD	Other reserve USD	Profit and loss account USD	Total USD
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)
Beginning balance as at 3 February 2018	317,001,000	4,888,073	(432,700,503)	(110,811,430)
Loss as at 2 February 2019	-	-	(5,347,954)	(5,347,954)
Ending balance as at 2 February 2019	317,001,000	4,888,073	(438,048,457)	(116,159,384)

Best Buy Distributions Limited

Notes to the financial statements

For the period from 4 February 2018 to 2 February 2019

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 Company intends to continue its principal activities to license "know-how" to Best Buy Stores, LP until the license agreement ends in fiscal year 2020. As the Company will cease to trade subsequent to this license agreement ending, the financial statements have been prepared on a basis other than going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. The directors are currently considering their options for repaying the outstanding debt, due in 2022. The Company's parent company has provided written confirmation of its willingness to provide support for the company should it be required. The financial statements do not include any provision for the future costs of terminating the company except to the extent that such costs were committed at the balance sheet date.

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 fiscal 2020. Provision is made for any impairment. Critical accounting judgements are made in this process. See note 2 - *Critical accounting judgements and key sources of estimation uncertainty* for more detail on these judgements.

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.

Best Buy Distributions Limited

Notes to the financial statements

For the period from 4 February 2018 to 2 February 2019

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.

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 4 February 2018 to 2 February 2019

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 2019, judgement was used in the key assumptions used to estimate future cash flows for the goodwill impairment calculation including the discount rate, royalty rate, and the future revenue amount.

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. The future cash flows are based on the budgeted net sales revenue on inobile devices for 2020 made by Best Buy Stores, L.P. A proposed royalty rate and the weighted average cost of capital are used to estimate the present value of cash flows for the impairment analysis. The royalty rate is the forecasted royalty from inobile phones sales for Best Buy Stores, LP for fiscal 2020 compared to total forecasted mobile revenue for fiscal 2020. The carrying amount of goodwill at the balance sheet date was \$88,694,583. There was no impairment recognised during fiscal 2019 (see note 8).

Best Buy Distributions Limited

Notes to the financial statements

For the period from 4 February 2018 to 2 February 2019

3. Turnover

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

	2019 USD	2018 USD
EVA Royalties	186,230,220	260,528,626
	<u>186,230,220</u>	<u>260,528,626</u>

4. Auditor's remuneration

Auditor's remuneration of £17,050 (2018: £16,238) for the auditing of the financial statements is borne by another group company.

5. Finance costs (net)

	2019 USD	2018 USD
Intercompany interest income and similar income	29,287	11,367
Total investment income	<u>29,287</u>	<u>11,367</u>
Intercompany interest expense and similar charges	(23,839,019)	(54,755,465)
Total finance costs	<u>(23,809,732)</u>	<u>(54,744,099)</u>

Best Buy Distributions Limited

Notes to the financial statements

For the period from 4 February 2018 to 2 February 2019

6. Loss on ordinary activities before taxation

	2019 USD	2018 USD
Amortisation of goodwill	134,372,223	221,474,723
Impairment of goodwill	-	49,950,050
Foreign exchange (gain)	(455,214)	(659,585)
	<u>133,917,009</u>	<u>270,765,188</u>

Impairment of goodwill and amortisation of goodwill is 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 (2018: nil). The Company had no other employees during the period (2018: 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 4 February 2018 to 2 February 2019

7. Tax on loss on ordinary activities

Analysis of charge in period:

	2019 USD	2018 USD
Current Tax on profit/(loss) on ordinary activities		
UK corporation tax charge on profit/(loss) on ordinary activities	33,740,117	50,225,590
Adjustments in respect of prior periods	(30,249)	(232,989)
	<u>33,709,868</u>	<u>49,992,601</u>

Factors affecting tax charge for period:

The differences between the total current tax charge of \$33,709,868 (2018: \$49,992,601) and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2019 USD	2018 USD
Profit/(Loss) on ordinary activities before tax	<u>28,351,321</u>	<u>(65,047,235)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate (19.00%:2018: 19.17%)	5,386,751	(12,467,387)
Effects of:		
- Non-deductible goodwill amortization	25,530,722	42,449,322
- Non-deductible interest	3,069,207	10,494,797
- Non-deductible goodwill impairment	-	9,573,760
- Non-deductible fx loss/(Non-taxable fx gain)	(257,307)	175,098
- Non-deductible loan write-off	10,744	-
- Adjustments in respect of prior periods	(30,249)	(232,989)
Current tax charge for the period	<u>33,709,868</u>	<u>49,992,601</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 4 February 2018 to 2 February 2019

8. Intangible fixed assets

	Goodwill USD
Cost	
At 3 February 2018	1,392,348,217
Additions	
At 2 February 2019	1,392,348,217
Amortisation	
At 3 February 2018	1,169,284,411
Charge for the year	134,372,223
At 2 February 2019	1,303,656,634
Net book value	
At 2 February 2019	88,694,583
At 3 February 2018	223,066,806

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 not impaired in fiscal 2019.

9. Debtors

The intercompany receivable falling due within one year is the royalty under the license agreement. The company receives payments quarterly in arrears based on the royalty rates.

	2019 USD	2018 USD
Amounts falling due within one year:		
Intercompany receivable	55,606,505	92,330,991
	<u>55,606,505</u>	<u>92,330,991</u>

Best Buy Distributions Limited

Notes to the financial statements

For the period from 4 February 2018 to 2 February 2019

9. Debtors (continued)

	2019 USD	2018 USD
Amounts falling due after more than one year:		
Intercompany receivable	166,197	166,197
	<u>166,197</u>	<u>166,197</u>

10. Creditors – amounts falling due within one year

	2019 USD	2018 USD
Income tax payable	13,298,961	22,643,808
Other accrued expenses	50,000	-
	<u>13,348,961</u>	<u>22,643,808</u>

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

	2019 USD	2018 USD
Intercompany loan payable	261,000,000	426,500,000
Intercompany interest payable	2,384,753	4,489,935
Intercompany payables	129,045	113,406
	<u>263,513,798</u>	<u>431,103,341</u>

Intercompany loan payables represent a payable to BBY (Barbados) SRL for \$261,000,000 (originating at \$809,902,000 with \$548,902,000 repaid during previous periods) due 31 January 2022 with an interest rate of 7.25%. The loan is listed on The International Securities Exchange. During fiscal 2019, the owner of the note switched from ProTheo IV, LLC to BBY (Barbados) SRL. This had no financial impact to the Company. In fiscal year 2018, 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 4 February 2018 to 2 February 2019

12. Called-up share capital and reserves

	2019 USD	2018 USD
Called-up, allotted and fully paid 317,001,000 ordinary shares of \$1 each (2018: 317,001,000 ordinary shares of \$1 each)	<u>317,001,000</u>	<u>317,001,000</u>

The Company has one class of ordinary shares which carry no right to fixed income. In fiscal year 2018, 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 2 February 2019 included the Company paying down the principal on their loan from ProTheo IV of \$261,000,000 to \$221,000,000.