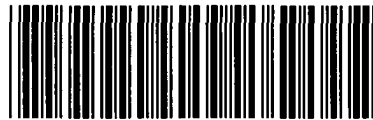


GATENBYSANDERSON MIDCO LIMITED

**Annual report and financial statements for
the year ended 31 December 2018**

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GATENBYSANDERSON MIDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

CONTENTS

Officers and professional advisers	1
Strategic report	2
Directors' report	3
Independent auditors' report to the members of GatenbySanderson Midco Limited	Error! Bookmark not defined.
Profit and loss account	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

GATENBYSANDERSON MIDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

C M Dyson
S J Ellis
J Goldsworthy
K J Gordon
M J Turner

REGISTERED OFFICE

14 King Street
Leeds
West Yorkshire
LS1 2HL

BANKERS

Clydesdale Bank plc
20 Merrion Way
Leeds
LS2 8NZ

SOLICITORS

Addleshaw Goddard LLP
3 Sovereign Square
Sovereign Street
Leeds
LS1 4ER

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

GATENBYSANDERSON MIDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of GatenbySanderson Midco Limited ("the company") during the year was that of a holding company. The activities of GatenbySanderson Midco Limited and the subsidiary undertaking are consolidated in the financial statements of the parent company, GatenbySanderson Holdings Limited.

The directors are not aware at the date of this report of any likely changes in the company's activities in the forthcoming year.

Financial performance

The loss for the year of £2.3m (2017: £2.2m) as shown on page 9 is attributable to administrative expenses and interest repayments accruing on financing.

As detailed in the balance sheet on page 10, at the year ended 31 December 2018 there was net liabilities of £9.4m (2017: £7.1m).

Key Performance Indicators

In the opinion of the directors as the company's principal activity is that of a holding company there are no Key Performance Indicators which are used to monitor performance.

Financial risks and uncertainties

The principal risks facing the company are liquidity and interest rate risk arising from external borrowings. The company does not hedge this risk as its subsidiary is cash generative and will ensure there are sufficient funds to meet repayments as they fall due, through intercompany transfer.

Principal risks and uncertainties

The company has external borrowings and is therefore subject to liquidity and interest rate risk. The company does not hedge this risk and will ensure there are sufficient funds to meet repayments as they fall due.

Going concern

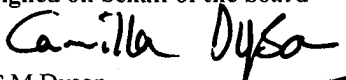
After making enquiries, and with support provided from its subsidiary undertaking, the directors believe that the company has the appropriate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. Further details are shown in note 1 to the financial statements.

Future developments

The company will continue to act as a holding company for the foreseeable future.

The Strategic Report was approved by the Board on 1 May 2019

Signed on behalf of the board


C M Dyson
Director

GATENBYSANDERSON MIDCO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements of the company the year ended 31 December 2018.

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

C M Dyson (appointed 19 February 2018)

S J Ellis

J Goldsworthy

K J Gordon (appointed 6 December 2018)

M J Turner

Future developments

Information about future developments can be found in the strategic report.

Dividends

Information about dividends can be found in the strategic report.

Financial risk management

The key financial risks to the Company are the availability of cashflows to meet business requirements and fluctuations in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not have the level of liquid funding available to meet its requirements.

Maintaining an inadequate amount of liquidity and being unable to access the debt markets when required exposes the Company to the risk of being unable to finance its functions whilst maintaining excess liquidity potentially exposes the Company to the risk of inefficient funding costs.

The Company looks to manage its liquidity by ensuring debt is held with a range of durations and the maturity profile is actively managed by the Company's treasury function.

Interest rate risk

The Company does not consider there to be a material exposure to changes in interest rates. Derivatives and hedge accounting are not used.

GATENBYSANDERSON MIDCO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of information to the auditors

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 auditors 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 auditors 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.

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

Directors' indemnities

As permitted by the Articles of Association the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Signed on behalf of the board on 1 May 2019


C M Dyson
Director

Independent auditors' report to the members of GatenbySanderson Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion, GatenbySanderson Midco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

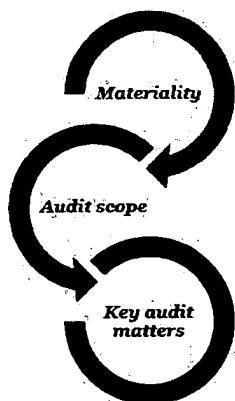
Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Overall materiality: £343,963 (2017: £293,300), based on 1% of total assets.



The Company's principal activity is that of an intermediate holding company and forms one single reporting unit for the purposes of the financial statements. This single reporting unit was subject to an audit of its complete financial information to obtain sufficient appropriate audit evidence as a basis for our opinion.

Investment impairment assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls,

including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Investment impairment assessment</i></p> <p>The Company holds an investment in GatenbySanderson Limited with a carrying value of £34.4 million.</p> <p>We focused on this area because of the magnitude of the balance and the judgements made by management when assessing for the possibility of impairment. These judgements include the nature, timing and extent of the projected cash flows within the discounted cash flow model prepared to assess impairment and associated inputs to the model such as the discount rate.</p>	<p>We obtained management's discounted cash flow model and assessed its appropriateness in accordance with the requirements of FRS 102.</p> <p>We used our knowledge to evaluate the methodology and the assumptions and inputs used by management.</p> <p>We performed sensitivity analysis over the principal assumptions and concluded the model is not materially sensitive to reasonable changes to the assumptions.</p> <p>Overall, we found no issues and were satisfied with the evidence obtained.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company's principal activity is that of an intermediate holding company and forms one single reporting unit for the purposes of the financial statements. This single reporting unit was subject to an audit of its complete financial information to obtain sufficient appropriate audit evidence as a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£343,963 (2017: £293,300).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is an appropriate benchmark as the company's function is that of an intermediate holding company with no trade going through it. This is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £17,198 (2017: £14,650) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
1 May 2019

GATENBYSANDERSON MIDCO LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Note	2018 £	2017 £
Administrative expenses		(506,562)	(334,731)
Other operating income		366,906	164,362
OPERATING LOSS	3	(139,656)	(170,369)
Interest payable and similar expenses	5	(2,173,415)	(2,066,807)
LOSS BEFORE TAXATION		(2,313,071)	(2,237,176)
Tax on loss	6	-	-
LOSS FOR THE FINANCIAL YEAR		<u>(2,313,071)</u>	<u>(2,237,176)</u>

All activities derive from continuing operations. There are no other recognised gains and losses and therefore no separate statement of comprehensive income is presented.

The notes on pages 12 to 18 form part of these financial statements.

GATENBYSANDERSON MIDCO LIMITED

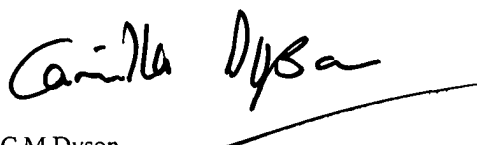
BALANCE SHEET As at 31 December 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Investments	7	<u>34,387,937</u>	<u>34,387,937</u>
CURRENT ASSETS			
Debtors	8	<u>8,284</u>	<u>8,317</u>
CREDITORS: amounts falling due within one year	9	(22,304,577)	(18,828,918)
NET CURRENT LIABILITIES		<u>(22,296,293)</u>	<u>(18,820,601)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,091,644</u>	<u>15,567,336</u>
CREDITORS: amounts falling after more than one year	10	(21,516,542)	(22,679,163)
NET LIABILITIES		<u>(9,424,898)</u>	<u>(7,111,827)</u>
CAPITAL AND RESERVES			
Called up equity share capital	14	<u>1</u>	<u>1</u>
Profit and loss account		<u>(9,424,899)</u>	<u>(7,111,828)</u>
TOTAL SHAREHOLDERS' DEFICIT		<u>(9,424,898)</u>	<u>(7,111,827)</u>

The notes on pages 12 to 18 form part of the financial statements.

These financial statements on pages 9 to 18 of GatenbySanderson Midco Limited, registered number 9083901 were approved by the Board of Directors and authorised for issue on 1 May 2019.

Signed on behalf of the Board of Directors


C M Dyson
Director

GATENBYSANDERSON MIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

	Share capital £	Profit and loss account £	Total shareholders' deficit £
At 1 January 2017	1	(4,874,652)	(4,874,651)
Loss for the financial year	-	(2,237,176)	(2,237,176)
Total comprehensive expense	<u>1</u>	<u>(2,237,176)</u>	<u>(2,237,175)</u>
At 31 December 2017	1	(7,111,828)	(7,111,827)
Loss for the financial year	-	(2,313,071)	(2,313,071)
Total comprehensive expense	<u>1</u>	<u>(2,313,071)</u>	<u>(2,313,070)</u>
At 31 December 2018	<u>1</u>	<u>(9,424,899)</u>	<u>(9,424,898)</u>

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. The accounting policies disclosed below have been applied consistently in the financial statements for both the current and prior year, unless otherwise stated.

General information and basis of accounting

GatenbySanderson Midco Limited is a private limited company incorporated in the United Kingdom under the Companies Act. GatenbySanderson Midco Limited is registered at 14 King Street, Leeds, West Yorkshire, LS1 2HL.

The financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value and in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

GatenbySanderson Midco Limited is consolidated in the financial statements of its parent, GatenbySanderson Holdings Limited. Copies of the financial statements of GatenbySanderson Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The company is a wholly owned subsidiary of GatenbySanderson Holdings Limited and is included in the consolidated financial statements of GatenbySanderson Holdings Limited. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Exemptions for qualifying entities under FRS 102

The company is a qualifying entity under FRS 102 and therefore has taken advantage of disclosure exemptions available to it. Exemptions have been taken in relation to: preparing a statement of cash flows for the company, related party transactions and from disclosing the remuneration of the company key management personnel and the company intends to take the same exemption in future financial periods.

The company has taken advantage of the exemption from the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures of GatenbySanderson Holdings Limited.

Preparation of the financial statements - Going Concern

At the year end the company has net current liabilities and net liabilities. However, its subsidiary has sufficient funds to ensure that financing repayments can be met as they fall due. The principal risk facing the subsidiary company is that in the current economic climate and uncertainty relating to government policy the company may not be able to generate sufficient income from recruitment and associated offerings to cover all its expenditure.

The directors have reviewed the cash position of the subsidiary and the company, together the group, and the cash forecasts at the date of signing the financial statements and consider there is sufficient cash to meet liabilities of the group as they fall due. The debt repayments will be funded by intercompany transactions as required. As a consequence, the directors believe the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Investment

Investment in subsidiaries is measured at cost less impairment.

Financial instruments

Financial liabilities are recognised when the company becomes party to the contractual arrangements of the instrument. Financial liabilities are derecognised only when the contractual terms expire.

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs). 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 company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liabilities are recognised at amortised cost. These include bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability in the balance sheet. The shareholder loan notes issued by the company are accounted for as financial liabilities at amortised cost. Shareholder loans are classified as debt due to their fixed term nature. The group holds a draw down facility .the commitment to receive a loan is measured at cost less accumulated impairment.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable is charged to the profit and loss account.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not 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 assessment 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. 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.

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.

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.

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of investments

The company makes an estimate in assessing the impairment of its' investments. Key judgements include the discount rate of 9.64% and other cash flow assumptions. Recoverable amount is determined by way of a forecasted discounted cash flow model. We test investments for impairment whenever events or circumstances make it more likely than not that impairment may have occurred, such as a significant adverse change in the business climate. The directors consider there are no reasonable changes in assumptions which would lead to impairment.

3. OPERATING LOSS

	2018 £	2017 £
Operating loss is stated after charging:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	-	-

GatenbySanderson Limited bear the cost of the audit.

4. STAFF NUMBERS AND COSTS

	2018 £	2017 £
Directors' emoluments		
Salary	287,060	125,208
Benefits in kind	38,120	16,050
Pension costs	42,768	23,458
	<u>367,948</u>	<u>164,716</u>

	2018 £	2017 £
Emoluments of the highest paid director		
Salary	125,000	100,000
Benefits in kind	557	720
Pension costs	15,104	18,125
	<u>140,661</u>	<u>118,845</u>

Staff costs during the year (including directors)

Wages and salaries	287,060	125,208
Social security costs	38,120	16,050
Pension costs	42,768	23,458
	<u>367,948</u>	<u>164,716</u>

The company made contributions to a pension scheme on behalf of 3 directors (2017: 1 director).
At 31 December 2018 £1,042 of pension contributions were outstanding (2017: £nil).

	2018 No.	2017 No.
Monthly average number of persons employed		
Partner and consultants	<u>3</u>	<u>1</u>

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

5. INTEREST PAYABLE AND SIMILAR EXPENSES

Interest payable and similar expenses

	2018 £	2017 £
Bank loans	123,744	226,521
Shareholder loan notes	1,957,378	1,778,746
Other finance costs	92,293	61,540
	<u>2,173,415</u>	<u>2,066,807</u>

6. TAX ON LOSS

	2018 £	2017 £
CURRENT TAX:		
In respect of the year:		
UK Corporation tax based on results for the year at 19.0% (2017: 19.25%)	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
	<u>-</u>	<u>-</u>
DEFERRED TAX:		
Origination and reversal of timing differences	-	-
Adjustment in respect of previous periods	-	-
	<u>-</u>	<u>-</u>
Total deferred tax (see note 11)	-	-
	<u>-</u>	<u>-</u>
Tax charge on loss	<u>-</u>	<u>-</u>

The average standard rate of tax applied to reported loss is 19.0% (2017: 19.25%).

The main rate of corporation tax is 19%. A reduction in this rate to 17% has been enacted and will take effect from April 2020. Accordingly, deferred tax balances have been valued at this lower rate of 17% to the extent that timing differences are expected to reverse after April 2020.

	2018 £	2017 £
Loss before taxation	(2,313,071)	(2,237,176)
Loss multiplied by the standard average rate of tax of 19.0% (2017: 19.25%)	(439,483)	(430,580)
Expenses not deductible for tax purposes	257,932	342,348
Effects of group relief	181,551	88,232
	<u>-</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7. INVESTMENTS

	2018	2017
	£	£
Subsidiary undertaking	34,387,937	34,387,937

Principal investment

The company has an investment in the following subsidiary undertaking.

Subsidiary undertaking	Country of incorporation	Principal activity	Holding
GatenbySanderson Limited	United Kingdom	Trading company	100%

GatenbySanderson Limited is registered at 14 King Street, Leeds, West Yorkshire, LS1 2HL.

8. DEBTORS

	2018	2017
	£	£
Prepayments and accrued income	8,284	8,317
	8,284	8,317

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans	1,127,820	918,337
Trade creditors	9,200	10,300
Bank overdraft	501,930	-
Amounts owed to Group undertakings	20,632,846	17,874,105
Other taxation and social security	15,134	5,340
Accruals and deferred income	17,646	20,836
Total creditors due within one year	22,304,577	18,828,918

Amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Shareholder loan notes	21,516,542	19,559,163
Bank loans	-	3,120,000
Total creditors due after more than one year	21,516,542	22,679,163

The interest charged on the shareholder loan notes is between 9.50% and 11.35% dependent on the recipient. The loan notes are repayable on 8 November 2020.

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

During the year ended 31 December 2018 PIK notes were issued to pay the accrued interest on the shareholder loan notes as detailed below. The PIK notes are all listed on the The International Stock Exchange (TISE) in Jersey and remain in the same ownership as the original loan notes.

	2018	2017
	£	£
9.5% unsecured A1 PIK Notes 2020	749,901	684,841
10% unsecured A2 PIK Notes 2020	613,137	557,397
10.5% unsecured A3 PIK Notes 2020	130,010	117,656
11.35% unsecured A4 PIK Notes 2020	285,698	256,576
	<u>1,778,746</u>	<u>1,616,471</u>

The bank loans are secured by legal mortgages, fixed charges and floating charges over in aggregate the whole of property, assets and rights (including uncalled capital). The terms of the loans restrict the company from making significant acquisitions or disposals without the consent of the lender. Interest is payable on the bank loans at a variable rate of LIBOR + 3.25% on the principal amount of the A loan due for repayment by variable instalments and fully by 8 November 2019, and LIBOR + 3.75% on the principal amount of the B loan due for repayment by variable instalments and fully by 8 November 2020.

Borrowings are repayable as follows:

	2018	2017
	£	£
Between one and two years	21,516,542	3,120,000
Between two and five years	-	19,559,163
	<u>21,516,542</u>	<u>22,679,163</u>
On demand or within one year	1,127,820	918,337
	<u>22,644,362</u>	<u>23,597,500</u>

11. DEFERRED TAXATION

The movement in the deferred taxation asset during the year was:

	2018	2017
	£	£
Balance brought forward	-	-
Adjustments in respect of prior years	-	-
Deferred tax charge to income statement for the year	-	-
	<u>-</u>	<u>-</u>
Balance carried forward	-	-

12. RELATED PARTY TRANSACTIONS

The company's only related party transactions were with other wholly owned subsidiaries of GatenbySanderson Holdings Limited and as such are not required to be disclosed.

GATENBYSANDERSON MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13. CONTROLLING PARTY

The directors believe there is no ultimate controlling party. The company's immediate parent company is GatenbySanderson Holdings Limited, a company incorporated in the United Kingdom. The parent undertaking of the largest and smallest group, which includes the company and for which group financial statements are prepared, is GatenbySanderson Holdings Limited, a company incorporated in the United Kingdom. Copies of the financial statements of GatenbySanderson Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

14. CALLED UP EQUITY SHARE CAPITAL & RESERVES

	2018		2017	
	No.	£	No.	£
Allotted, called up and fully paid				
Ordinary share of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The profit and loss reserve represents cumulative profits or losses.