Varnish Midco Limited

Annual report and financial statements

Registered number 08960498

28 February 2019

Contents

Company information

Directors	MC Walker M Janzarik A Capo
Company number	08960498
Registered office	11th Floor 200 Aldersgate Street London EC1A 4HD
Auditors	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

Directors' report

The directors present their report and financial statements for the year ended 28 February 2019.

Directors

The directors who held office during the year were as follows:

MC Walker
MJ Janzarik
A Capo

Going Concern

The Company's principal activity in the year was that of a holding company, however on 16th October 2019 its indirect subsidiary, Varnish Intermediate Holdco Limited, sold its investment in its subsidiaries, Victoria Plum Limited and MFI Direct Limited. As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board on 27 February 2020 and signed on its behalf by:

M Janzarik
Director

11th Floor
200 Aldersgate Street
London
EC1A 4HD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VARNISH MIDCO LIMITED

Opinion

We have audited the financial statements of Varnish Midco Limited ("the company") for the year ended 28 February 2019 which comprise the Balance sheet, Statement of Comprehensive Income, Statement of changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Varnish Bidco Limited *(continued)*

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

28 February 2020

Statement of Comprehensive Income

for the year ended 28 February 2019

	Note	2019 £000	2018 £000
Administrative expenses		(4)	(1,485)
Operating loss before exceptional items	2	(4)	(3)
Exceptional items	3	(2,375)	(1,482)
Operating loss		(2,379)	(1,485)
Interest payable	4	(31,500)	(28,125)
Interest receivable	5	2,294	2,049
Loss before taxation		(31,585)	(27,561)
Tax on loss	6	-	-
Loss for the financial year		(31,585)	(27,561)

The statement of Comprehensive Income account has been prepared on the basis that all losses are generated from continuing operations.

The Company has recognised no other comprehensive income in the current or previous financial year.

The notes on pages 10 to 16 form an integral part of these financial statements

Balance Sheet
at 28 February 2019

	Note	2019 £000	£000	2018 £000	£000
Fixed assets					
Investments	7		-		-
Current assets					
Debtors	8	-		81	
		-		81	
Creditors: amounts falling due within one year	9	(294,007)		(5)	
Net current liabilities			(294,007)		76
Total assets less current liabilities			(294,007)		76
Creditors: amounts falling due after more than one year	10		-		(262,498)
Net liabilities			(294,007)		(262,422)
Capital and reserves					
Called up share capital	11		234		234
Share premium account			2,051		2,051
Profit and loss account			(296,292)		(264,707)
Shareholders' deficit			(294,007)		(262,422)

These financial statements were approved by the board of directors on 27 February 2020 and were signed on its behalf by:

MJ Janzarik
Director

Company registered number: 08960498

The notes on pages 10 to 16 form an integral part of these financial statements

Statement of Changes in Equity

	Called up Share capital £000	Share premium account £000	Capital Contribution £000	Profit and loss account £000	Total equity £000
Balance at 1 March 2018	234	2,051	-	(264,707)	(262,422)
Total comprehensive income for the period					
Profit or loss	-	-	-	(31,585)	(31,585)
Total comprehensive income for the period	-	-	-	(31,585)	(31,585)
Balance at 28 February 2019	**234**	**2,051**	**-**	**(296,292)**	**(294,007)**

	Called up Share capital £000	Share premium account £000	Capital Contribution £000	Profit and loss account £000	Total equity £000
Balance at 1 March 2017	234	2,051	383	(237,146)	(234,478)
Total comprehensive income for the period					
Profit or loss	-	-	-	(27,561)	(27,561)
Total comprehensive income for the period	-	-	-	(27,561)	(27,561)
Capital Contribution transferred to creditors	-	-	(383)	-	(383)
Balance at 28 February 2018	**234**	**2,051**	**-**	**(264,707)**	**(262,422)**

The notes on pages 10 to 16 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Varnish Midco Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 08960498 and the registered address is 11th Floor, 200 Aldersgate Street, London, EC1A 4HD.

These financial statements are prepared in accordance with applicable accounting standards including Financial Reporting Standard 102, The financial reporting standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The company has transitioned from previously adopted FRS101 as at 01st March 2016. Details of transitional adjustments and the effects on previously reported financial position and performance are detailed in note 14.

Preparation of consolidated financial statements

The financial statements contain information about Varnish Intermediate Holdco Limited as an individual company and do not contain consolidated financial information. The Company's ultimate parent undertaking, Varnish Topco Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Varnish Topco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Varnish Topco Limited, 11th Floor, 200 Aldersgate Street, London, EC1A 4HD.

Financial reporting standard 102 - reduced disclosure exemptions

In these financial statements, the Company has applied the reduced disclosure exemptions available under FRS 102 in respect of the following disclosures:

- The requirement of Section 7 Statement of Cash Flows;
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- The requirements of 33.1A in respect of transactions with wholly owned subsidiaries;
- The requirement of Section 33 Related Party Disclosures paragraph 33.7.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going Concern

In previous years, the financial statements have been prepared on a going concern basis. However, on 16th October 2019 the directors took the decision to cease trading following the sale by its indirect subsidiary, Varnish Intermediate Holdco Limited, of its investment in its subsidiaries, Victoria Plum Limited and MFI Direct Limited.

Accordingly, the directors have not prepared the financial statements on a going concern basis.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Taxation

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

2 Expenses and auditor's remuneration

Auditor's remuneration of £5,000 is borne by another group entity.

The directors did not receive any remuneration from the Company during the period as the cost of their services is borne by another group entity. Remuneration due to the directors for their services to Varnish Midco Limited has not been disclosed as it is immaterial to these financial statements.

3 Exceptional items

	2019 £000	2018 £000
Provision against debtors	**2,375**	1,482
	2,375	1,482

A provision of £2.4m was made during the year to reflect amounts now not recoverable from group debtors.

4 Interest payable and similar charges

	2019 £000	2018 £000
Investor loans	**31,500**	28,125

5 Interest receivable and similar income

	2019 £000	2018 £000
Loan interest	**2,294**	2,049

Interest receivable and similar income includes income from group undertakings of £2.3m (2018: £2.0m).

Notes *(continued)*

6 Taxation

Recognised in the profit and loss account

	2019 £000	2018 £000
Tax on loss on ordinary activities	-	-

Reconciliation of effective tax rate

	2019 £000	2018 £000
Loss for the year	(31,504)	(27,561)
Total tax expense	-	-
Loss excluding taxation	(31,504)	(27,561)
Tax using the UK corporation tax rate of 19.08% (2017: 20%)	(5,986)	(5,259)
Non-deductible expenses	6,422	5,649
Tax exempt revenues	(436)	(390)
Total tax expense	-	-

7 Fixed Asset Investments

	Shares in group undertakings £000	Total £000
Cost		
At beginning of year	196,605	196,605
Additions	-	-
At end of year	196,605	196,605
Provisions		
At beginning of year	196,605	196,605
Impairment losses	-	-
At end of year	196,605	196,605
Net book value		
At 1 March 2018	-	-
At 28 February 2019	-	-

Notes *(continued)*

	Country of Incorporation	Class of shares held	Ownership	
			2019	2018
Varnish Bidco Limited	England & Wales	Ordinary	**100%**	100%
Varnish Intermediate Holdco Limited*	England & Wales	Ordinary	**100%**	100%
Victoria Plum Limited*	England & Wales	Ordinary	**100%**	100%
M.F.I. Direct Limited*	England & Wales	Ordinary	**100%**	100%

Items marked with * are indirectly held through a subsidiary entity.

The address of the registered office of both Victoria Plum Limited and MFI Direct Limited is Jack Brignall House, Bridgehead Business Park, Hessle, East Yorkshire, HU13 0DG.

The address of the registered office of Varnish Bidco Limited and Varnish Intermediate Holdco Limited is 11th Floor 200 Aldersgate Street London EC1A 4HD.

8 Debtors

	2019	2018
	£000	£000
Amounts owed by group undertakings	**21,346**	19,052
Provision against debtors	**(21,346)**	(18,971)
	-	81

All debtors are due within one year and are receivable on demand. £21.3m of the provision against debtors reflects the amounts not recoverable from group debtors following the refinancing exercise. A further £81k has been provided to reflect group debtors not now owing given that the financial statements are not being prepared on a going concern basis.

9 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Amounts owed to group undertakings	**9**	5
Preferred Finance Securities	**293,998**	-
	294,007	5

The financial statements have not been prepared on a going concern basis and consequently all creditors for 2019 have been shown as falling due within one year.

Amounts owed to group undertakings are repayable on demand.

The preferred Finance Securities have a coupon rate of 12% and mature on 24 April 2024.

10 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Preferred Finance Securities	-	262,498
	-	262,498

Preferred Finance Securities have been restated to current following the preparation of the financial statements on a non-going concern basis.

11 Capital and reserves

Share capital

	Ordinary shares 2019	2018
On issue at 1 March	**23,458,902**	23,458,902
Issued for cash	-	-
On issue at 28 February – fully paid	**23,458,902**	23,458,902

	2019 £000	2018 £000
Allotted, called up and fully paid		
23,458,902 Ordinary shares of £0.01 each	**234**	234
Shares classified in shareholders' funds	**234**	234

12 Related parties

Amounts due to other members of the Varnish Topco Limited group are disclosed in note 9 and note 10.

There were no other related party transactions during the year.

13 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Varnish Topco Limited which is the ultimate parent company, and at the year-end date, the ultimate controlling party was TPG Capital.

With effect from 30 October 2019, there is no registrable person or registrable relevant legal entity in relation to the company.

The smallest and largest group in which results of the Company are consolidated is that headed by Varnish Topco Limited, a company incorporated in England and Wales.