

**Linebush IV Limited**

**Directors' report and financial  
statements**

**Registered number 4011086**

**27 December 2008**

**SATURDAY**



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## **Directors' report**

The directors present their directors' report and financial statements for the year ended 27 December 2008.

### **Principal activities**

The principal activity of the company is the operation of retail convenience stores.

### **Review of the business and future developments**

During the year, the domestic and global economy entered into recession, the likes of which were last encountered in the early 1990's. During this time banks tightened their lending criteria and prices of bank finance escalated. As a company, we observed consumers' focus switch from borrowing to paying off debts and saving as the unemployment rates rose. With the slump and outlook remaining bleak and expected to last for some time to come, it was and is evident that there is less money to spend in the stores. The customers' focus has changed during this time to be more 'deal' driven and we have reacted to the market conditions by offering more promoted lines than in the past and this has been well accepted by our customers. The result of this is that gross margins on certain lines have reduced but more importantly we have retained the loyalty of our customers.

In order to offset any loss in margin, we have continually looked at our costs, switching suppliers where necessary. During the year, our energy contract expired and despite carrying out supplier comparisons, we encountered higher than anticipated charges. In the latter part of the year, interest rates dropped dramatically and continued to do so into the new financial year with base rate falling to its lowest rate ever, the results will be evident in the forthcoming year's financial statements.

The company continues to invest in its existing stores, in terms of refits where necessary and develop its training programme for its employees. At the end of the year, the company was in negotiation to acquire a new store based in Leeds. This was finally completed in February. Despite the economic conditions, the directors look forward to the year ahead.

### **Research and development**

The company continues to invest in the design and layout of its stores and uses new and existing technology to monitor its customers' buying patterns. The directors consider such investment as integral to the continuing success of the business and ensuring its customers are provided with a shopping environment they appreciate and like to shop in.

### **Future outlook**

The external commercial environment is expected to remain competitive in the period ahead as national retailers continue to expand and invest in the market place. Despite this, the directors believe in the sites the company currently trades from and will continue upgrading the stores to maintain and exceed the current level of performance. This coupled with a continual review of strategic buying, pricing and margins should be improvements in the period ahead.

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to competition from both national and independent retailers, employee retention and product availability.

### **Key performance indicators ('KPIs')**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

## **Directors' report** *(continued)*

### **Financial risk management**

The company's operations are exposed to liquidity risk and interest rate risk. The management of the company closely monitor the levels of debt finance (note 12) and the related finance costs (note 3). The policies to mitigate these risks include detailed forecasting, proactive cash management and close relationships with banking partners.

### **Results and dividends**

The company realised a profit for the period after taxation of £10,300 (2007: £37,138). The directors do not recommend the payment of a dividend (2007: £nil).

### **Directors**

The directors during the year and up to the date of signing the financial statements were:

NJ Mills  
MG Stokoe  
Mrs S Mills  
RC Linsell  
LS Furness  
G Lurie  
RS Middleton  
RC Moules  
C Walker  
JR Mills (resigned 16 February 2008)

### **Going concern**

The company currently has net current liabilities, the directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support from related party undertakings and banking partners.

### **Disclosure of information to auditors**

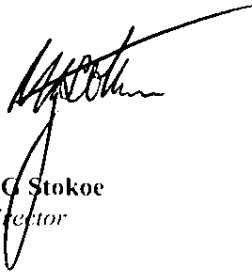
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make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

## Directors' report *(continued)*

### Auditors

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

By order of the board



MG Stokoe  
*Director*

Mills House  
7/11 Earsdon Road  
Whitley Bay  
Tyne and Wear  
NE25 9SX

30 July 2009

## **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).

The financial statements are required by law to 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 judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They 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.



## **KPMG LLP**

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

### **Independent auditors' report to the members of Linebush IV Limited**

We have audited the financial statements of Linebush IV Limited for the year 27 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Linebush IV Limited** *(continued)*

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 27 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

30 July 2009



**Profit and Loss Account**  
*for the year ended 27 December 2008*

	<i>Note</i>	<b>2008</b> £	<b>2007</b> £
<b>Turnover</b>		<b>4,806,732</b>	4,552,424
Cost of sales		(3,559,151)	(3,320,121)
<b>Gross profit</b>		<b>1,247,581</b>	1,232,303
Administrative expenses		(1,291,040)	(1,261,819)
Other operating income		115,587	111,630
<b>Operating profit</b>		<b>72,128</b>	82,114
Loss on disposal of fixed assets		-	-
Interest receivable and similar income	2	418	605
Interest payable and similar charges	3	(47,194)	(50,936)
<b>Profit on ordinary activities before taxation</b>	4	<b>25,352</b>	31,783
Tax on profit on ordinary activities	6	(15,052)	5,355
<b>Profit for the financial year</b>	17	<b>10,300</b>	37,138

All of the company's operations are continuing.

The company has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

**Balance Sheet**  
*at 27 December 2008*

	Note	2008	2007
		£	£
<b>Fixed assets</b>			
Intangible assets	7	782,889	752,889
Tangible assets	8	1,036,246	1,104,704
		<u>1,819,135</u>	<u>1,857,593</u>
<b>Current assets</b>			
Stocks	9	257,631	300,892
Debtors	10	145,849	92,813
Cash at bank and in hand		6,999	2,940
		<u>410,479</u>	<u>396,645</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(570,601)</u>	<u>(671,681)</u>
<b>Net current liabilities</b>		<u>(160,122)</u>	<u>(275,036)</u>
<b>Total assets less current liabilities</b>		<u>1,659,013</u>	<u>1,582,557</u>
Creditors – amounts falling due after more than one year	12	(559,900)	(499,195)
Provisions for liabilities	13	(91,098)	(79,980)
Deferred income	14	-	(5,667)
<b>Net assets</b>		<u>1,008,015</u>	<u>997,715</u>
<b>Capital and reserves</b>			
Called up equity share capital	15	853,338	853,338
Profit and loss account	16	154,677	144,377
<b>Total shareholders' funds</b>	17	<u>1,008,015</u>	<u>997,715</u>

These financial statements were approved by the board of directors on 30 July 2009 and were signed on its behalf by:

  
N.J Mills  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Basis of accounting*

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

As highlighted in note 11 to the financial statements, the company meets its day to day working capital requirements through an overdraft facility which was due for renewal in June 2009. This facility has since been renewed for a further twelve months. The current economic conditions create uncertainty particularly over the future availability of bank finance. The company has assessed its position within the marketplace with regards to risk and considers it is well placed, both now and in the future through its locations and trading model in order to minimise those risks. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility.

The company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be further renewed. However, the company holds ongoing discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. 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, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### *Turnover*

Turnover represents the net amounts receivable excluding value added tax from the principal activity of the company, being that of retail convenient stores. Turnover is recognised at the point of sale which is when the ownership of the goods passes to the customer. All turnover arises in the United Kingdom.

#### *Other operating income*

Other operating income represents the net amounts receivable as agent in respect of lottery commissions, cash back, fees, ATM commissions, Paypoint, and Payzone fees. All income arises in the United Kingdom.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the net attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset, over its expected useful life on a straight line basis as follows:

Leasehold improvements	-	Over the length of lease
Fixtures and fittings	-	Between 5% and 25% per annum

#### *Stocks*

Stocks consist of goods for resale and is stated at the lower of cost and net realisable value. Cost is computed by deducting the gross profit margin from the selling value of stock. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Deferred taxation*

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 resulting 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, except for certain exemptions which under Financial Reporting Standard 19 should not be recognised.

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

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on taxation rates and law enacted at the balance sheet date.

#### *Intangible assets*

Intangible assets comprise goodwill arising on the acquisition of stores. In accordance with FRS 10, for acquisitions made on or after 1 October 1998, goodwill has been capitalised as an intangible asset. The Companies Act 1985 requires that capitalised goodwill must be amortised. The directors have considered the durability of goodwill and believe, after taking into account the quality of the stores, the localised nature of the customer profile, the particular nature of the products sold, the regulatory barriers to selling certain products and the high costs of opening a store, that the goodwill has an indefinite life and does not lose value.

In order to give a true and fair view, the financial statements depart from the specific requirements of the company legislation to amortise goodwill over a finite period. Because of the indefinite life of these intangible assets, it is not possible to quantify the impact of this departure.

Goodwill which is not amortised is subject to an annual impairment review. The carrying value of this goodwill will continue to be reviewed annually for impairment in accordance with Financial Reporting Standard 11 and adjusted to the recoverable amount if required.

Impairment review – The need for any goodwill impairment write down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. The discount rate used in performing the impairment review is the company's weighted average cost of capital adjusted for risks specific to the goodwill.

#### *Cash flow statement*

The company has taken advantage of the exemption available under FRS 1 (revised 1996) not to present a cash flow statement as it qualifies as a small entity.

#### *Operating leases*

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### *Finance leases*

Assets subject to finance leases are capitalised at the present value of the minimum lease payments payable during the lease term with the corresponding obligation to the lessor shown as a liability. Depreciation on leased assets is charged to the profit and loss account using the same rates as for other tangible fixed assets. The finance element of the respective lease payments is accounted for as it falls due.

**Notes (continued)**

**2 Interest receivable and similar income**

	2008 £	2007 £
On UK bank deposits	418	605

**3 Interest payable and similar charges**

	2008 £	2007 £
On bank loans and overdrafts	44,437	48,409
On finance leases	2,757	2,527
	<u>47,194</u>	<u>50,936</u>

**4 Profit on ordinary activities before taxation**

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation:		
- owned assets	131,344	117,535
- leased assets	6,891	5,685
Operating lease rentals		
- land and buildings	119,264	112,994
Assigned lease income (see below)	(5,667)	(8,000)
Management fee payable (note 19)	80,000	120,000
Auditors' remuneration:		
Audit of these financial statements	5,100	4,350
Other services relating to taxation	2,150	3,100

During 2004 the company received £40,000 from a supplier relating to an upfront payment for the signing of a lease agreement/assignment of a lease. This amount is being spread equally over 5 years (the period of lease term) in accordance with applicable accounting standards (see note 14).

## Notes (continued)

### 5 Staff numbers and costs

	2008 £	2007 £
<b>Staff costs</b>		
Wages and salaries	722,669	660,320
Social security costs	35,124	33,576
	<u>757,793</u>	<u>693,896</u>

No director received any remuneration in respect of his services to the company during the period (2007: £nil).

The average monthly number of employees of the company was:

	2008 Number	2007 Number
By activity		
Shop staff	89	78
	<u>89</u>	<u>78</u>

### 6 Tax on profit on ordinary activities

#### *Analysis of charge in period*

	2008 £	2007 £
<i>Current tax</i>		
Current tax on income for the period	3,934	-
Adjustments in respect of previous periods	-	-
<b>Total current tax</b>	<u>3,934</u>	<u>-</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	9,219	(9,846)
Adjustments in respect of previous periods	(2,000)	-
Effect of tax change on opening balance	3,899	4,491
<b>Total deferred tax (note 13)</b>	<u>11,118</u>	<u>(5,355)</u>
<b>Tax on profit/(loss) on ordinary activities</b>	<u>15,052</u>	<u>(5,355)</u>

## Notes (continued)

### 6 Tax on profit on ordinary activities (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2007: lower) than the standard rate of corporation tax in the UK, 20.75% (2007: 19.75%). The differences are explained below.

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	25,352	31,783
	<hr/>	<hr/>
Current tax at 20.75% (2007: 19.75%)	5,261	6,277
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7,783	8,550
Adjustments to tax charge in respect of previous periods	-	(14,827)
Capital allowances in excess of depreciation	(4,082)	-
Utilisation of tax losses and other deductions	(5,028)	-
	<hr/>	<hr/>
Current tax charge for period	3,934	-
	<hr/>	<hr/>

#### Factors that may affect future tax charges

The company qualified for small companies' relief, in the current year the tax rates rose to 21%, there will be a full phased increase in the small companies' rate from 19% to 22% by financial year 2010/2011.

### 7 Intangible assets

	Goodwill £
<i>Cost</i>	
At beginning of year	752,889
Additions	30,000
	<hr/>
At end of year	782,889
	<hr/>

The need for any goodwill impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows based on approved budgets. The discount rate used in performing the impairment review is 10%.

**Notes (continued)**

**8 Tangible fixed assets**

	<b>Leasehold improvements £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<i>Cost</i>			
At beginning of year	543,698	1,062,504	1,606,202
Additions	-	69,777	69,777
At end of year	543,698	1,132,281	1,675,979
<i>Accumulated depreciation</i>			
At beginning of year	144,668	356,830	501,498
Charge for the period	28,170	110,065	138,235
At end of year	172,838	466,895	639,733
<i>Net book value</i>			
<b>At 27 December 2008</b>	<b>370,860</b>	<b>665,386</b>	<b>1,036,246</b>
At 29 December 2007	399,030	705,674	1,104,704

The net book value of assets held under finance leases at 27 December 2008 was £55,131 (£62,022). The accumulated depreciation was £13,782 (2007: £6,891) and depreciation charge of in the period was £6,891 (2007: £6,891).



**Notes (continued)**

**9 Stocks**

	2008 £	2007 £
Goods held for resale	257,631	300,892

**10 Debtors**

	2008 £	2007 £
Trade debtors	22,247	26,373
Amounts owed by related parties (note 19)	63,041	11,257
Other debtors	10,252	8,318
Other tax and social security	-	-
Prepayments and accrued income	50,309	46,865
	145,849	92,813

The related party balance is not charged interest, it is not secured and it has no defined repayment date.

**11 Creditors: amounts falling due within one year**

	2008 £	2007 £
Bank overdraft	-	144,029
Bank loans (see note 12)	103,218	116,877
Trade creditors	352,137	300,024
Obligations under finance leases (note 12)	20,674	20,674
Other taxation and social security	16,892	10,832
Other creditors	3,717	3,571
Accruals and deferred income	70,029	75,674
Corporation tax	3,934	-
	570,601	671,681

**Notes (continued)**

**12 Creditors – amounts falling due after more than one year**

	2008 £	2007 £
Bank loan	558,177	476,798
Amounts due under finance leases	1,723	22,397
	<u>559,900</u>	<u>499,195</u>
Maturity of debt:		
Due within one year	123,892	281,580
Due in more than one year but not more than two years	104,941	141,718
Due in more than two years but not more than five years	454,959	357,477
Due in more than five years	-	-
	<u>683,792</u>	<u>780,775</u>

The bank loans totalling £661,395 (2007: £593,675) bears interest at 1.5% over the base rate and are repayable in equal monthly instalments. The bank borrowings are secured by a mortgage debenture dated 28 September 2001 creating a fixed and floating charge over the assets of the company.

**Finance leases**

Future minimum payments under finance leases are as follows:

	2008 £	2007 £
Within one year	20,674	20,674
One to two years	1,723	20,674
Two to five years	-	1,723
	<u>22,397</u>	<u>43,071</u>

## Notes (continued)

### 13 Provisions for liabilities

	Deferred taxation £
At beginning of year	79,980
Charge to the profit and loss account for the year (see note 6)	11,118
At end of year	<u>91,098</u>
The elements of deferred taxation are as follows:	
Differences between accumulated depreciation and capital amortisation and capital allowances	<u>91,098</u>

### 14 Deferred income

	2008 £	2007 £
Deferred income	-	5,667

Deferred income has arisen on an ATM contract. The duration of this contract is five years and the income is being recognised over this period.

### 15 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
'A' Ordinary shares of £1.20 each	2,743	2,743
'B' Ordinary shares of £1.20 each	768,000	768,000
'C' Ordinary shares of 1p each	82,595	82,595
	<u>853,338</u>	<u>853,338</u>
<i>Allotted and fully paid</i>		
'A' Ordinary shares of £1.20 each	2,743	2,743
'B' Ordinary shares of £1.20 each	768,000	768,000
'C' Ordinary shares of 1p each	82,595	82,595
	<u>853,338</u>	<u>853,338</u>

## Notes (continued)

### 15 Called up share capital (continued)

'A' and 'B' Ordinary shares carry equal voting rights.

'C' Ordinary shares carry no voting rights or rights to receive a dividend.

### 16 Reserves

	Profit and loss account £
At beginning of year	144,377
Profit for the financial year	10,300
	<hr/>
At end of year	<b>154,677</b>
	<hr/>

### 17 Reconciliation of movements in total shareholders' funds

	2008 £	2007 £
Profit for the financial year	<b>10,300</b>	37,138
Opening total shareholders' funds	<b>997,715</b>	960,577
	<hr/>	<hr/>
Closing total shareholders' funds	<b>1,008,015</b>	997,715
	<hr/>	<hr/>

## Notes (continued)

### 18 Lease obligations

The company has annual commitments under operating leases expiring as follows:

	Land and buildings	
	2008	2007
	£	£
In more than five years	116,450	115,650

### 19 Related party disclosures

The company has a management agreement with Mills Group Limited to provide services relating to the development of the outlets as well as the provision of day to day administration duties. During the period the company was charged management fees totalling £80,000 (2007: £120,000) by Mills Group Limited. The companies are related through the common directorships and shareholdings of NJ Mills, MG Stokoe and Mrs S Mills.

At the period end the company was owed £63,041 (2007 £11,257) by Mills Group Limited.

During the period the company was charged rent totalling £44,000 (2007: £43,000) by Closewalk Limited. The companies are related through the common directorships and shareholdings of NJ Mills, MG Stokoe and Mrs S Mills.

The company was also charged rent totalling £18,000 (2007: £17,934) by the GC Stokoe Grandchildrens Trust.

### 20 Ultimate controlling party

There is not deemed to be an immediate or ultimate controlling party due to the split nature of the shareholding.