

Sapphire Midco Limited

Annual report and financial statements
for the period ended 30 September 2020

Registered number 11157151

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Sapphire Midco Limited

Annual report and financial statements for the period ended 30 September 2020

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Sapphire Midco Limited

Directors and registered office

Directors

R Addison
Z E Byng-Thorne

Registered office

Quay House,
The Ambury,
Bath,
BA1 1UA

Sapphire Midco Limited

Strategic report for the period ended 30 September 2020

The directors present their strategic report for the period ended 30 September 2020.

Principal activities

The principal activity of the company is that of an intermediate investment holding company for a group providing media services. The business of the subsidiary trading companies is focused on the provision of printed, on-line and digital content.

Business review and future developments

The company reported a profit of £92,940,000 for the period including dividends receivable of £92,989,000 from a restructuring of the subsidiary companies (2019: £302,000 for the year with no dividends receivable). The company provided financing facilities for the Sapphire Topco Limited group until it was acquired by the Future plc group on 20 April 2020. The company's existing borrowings were fully repaid on this date from Future group funding and the company ceased to trade. The resulting financial position at 30 September 2020 is set out on page 6 with an increase in net assets to £309,181,000 (2019: £796,000) from the restructuring and capitalisation of intercompany liabilities.

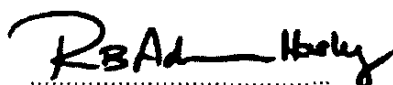
Principal risks and uncertainties

The management of the business and the execution of the company's and group's strategy are subject to a number of risks and these are disclosed in the financial statements of Future plc. The key business risk faced by the company is the impact of any factors affecting the financial performance of the company's subsidiaries and hence the value of the company's investment in these.

Financial risk management

The company holds an investment in a subsidiary which was financed by bank and intercompany loans. External finance is managed by the group as a whole and, as part of this, the company was financed indirectly by group equity and directly by intercompany debt and bank loans with an interest rate cap to manage potential fluctuations in interest rates. External funding was repaid in April 2020 and replaced by Future group intercompany loans which were subsequently capitalised. Realisation of the investment depends on performance of the trading subsidiaries and this is monitored by the directors and by group management as a whole in order to respond to changes in the market and maintain development of services and capacity.

Approved by the board of directors and signed on behalf of the board on 22 January 2021.



R Addison
Director

Sapphire Midco Limited

Directors' report for the period ended 30 September 2020

The directors present their annual report and the unaudited financial statements of the company for the period ended 30 September 2020.

Directors

The directors who served in the period, and subsequently except where stated, are as follows:

R Addison	
Z E Byng-Thorne	(appointed 20 April 2020)
M A Rich	(resigned 26 June 2020)
T G Weller	(resigned 20 April 2020)

Dividends

The directors do not recommend the payment of a dividend.

Going concern

The directors have considered the trading performance and financial position of the company in the context of its acquisition by Future plc on 20 April 2020, the repayment of existing Sapphire group debt on that date, current economic factors and the restructuring on integration into the Future group likely to affect its future development and financing.

The directors have reviewed the company's likely future cash flows following a transfer of trade from the subsidiary companies to Future Publishing Limited and a restructuring of the intermediate holding companies eliminating the remaining external liabilities that were in the company. The group directors have confirmed that settlement of the remaining intercompany balance will not be required until resources are available to the company.

After making enquiries, the directors therefore have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Strategic report

The following items have been included within the strategic report on page 2:

- Principal activities
- Business review and future developments including results
- Principal risks and uncertainties
- Financial risk management

Directors' indemnities

The group maintained liability insurance for its directors and officers. This is a qualifying indemnity provision for the purposes of the Companies Act 2006, and was in place during the financial period up to the date of signing these financial statements.

Sapphire Midco Limited

Directors' report for the period ended 30 September 2020 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the company financial statements (the "financial statements") in accordance with applicable law and regulations.

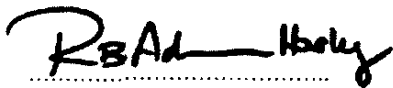
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards comprising FRS101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board of directors and signed on behalf of the board on 22 January 2021.

A handwritten signature in black ink, appearing to read 'R Addison', with a horizontal line underneath.

R Addison
Director

Sapphire Midco Limited

Statement of comprehensive income for the period ended 30 September 2020

	Note	2020 £'000	2019 £'000
Administrative credit/(expenses)		3	(22)
Operating profit/(loss)	4	3	(22)
Income from shares in group undertakings		92,989	-
Interest receivable	6	2,743	8,411
Interest payable and similar charges	7	(2,596)	(7,941)
Profit before taxation		93,139	448
Tax on profit	8	(199)	(146)
Profit and total comprehensive income for the financial period/year		92,940	302

The results for the period relate to the nine months ended 30 September 2020. The comparative trading results relate to the year ended 31 December 2019.

The notes on pages 8 to 13 form part of these financial statements

Sapphire Midco Limited

Statement of financial position as at 30 September 2020

	Note	30 September 2020 £'000	31 December 2019 £'000
Fixed assets			
Investments	9	309,222	-
Current assets			
Debtors: amounts falling due in more than one year	10	-	75,241
Creditors: amounts falling due within one year	11	(41)	(16,044)
Net current (liabilities)/assets		(41)	59,197
Total assets less current liabilities		309,181	59,197
Creditors: amounts falling due after more than one year	12	-	(58,401)
Net assets		309,181	796
Capital and reserves			
Called up share capital	13	-	-
Share premium account		215,445	-
Profit and loss account	14	93,736	796
Total equity		309,181	796

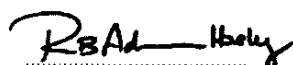
For the period ended 30 September 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements on pages 5 to 13 were approved by the Board of Directors and authorised for issue on 22 January 2021.

Signed on behalf of the Board of Directors



R Addison
Director

Sapphire Midco Limited

Company Registration Number: 11157151

The notes on pages 8 to 13 form part of these financial statements

Sapphire Midco Limited

Statement of changes in equity for the period ended 30 September 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 31 December 2018	-	-	494	494
Profit and total comprehensive income for the financial year	-	-	302	302
At 31 December 2019	-	-	796	796
Profit and total comprehensive income for the financial period	-	-	92,940	92,940
Shares issued in the period	-	215,445	-	215,445
	-			
At 30 September 2020	-	215,445	93,736	309,181

The notes on pages 8 to 13 form part of these financial statements

Sapphire Midco Limited

Notes to the financial statements for the period ended 30 September 2020

1 General information

The company is an intermediate holding company. Its subsidiaries are specialist media businesses in the provision of printed, on-line and digital content. The company is a private company, limited by shares, incorporated and domiciled in England. The address of the registered office is Quay House, The Ambury, Bath, BA1 1UA.

2 Statement of compliance

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the company has undergone transition from reporting under UK accounting standards to IFRS presented in accordance with FRS 101. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and the Companies Act 2006. There has been no impact of the transition to FRS 101 on total equity at 1 January 2019 nor on the reported results for the year ended 31 December 2019.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These financial statements are prepared on a going concern basis, under the historical cost convention and as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. There are not considered to be any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The company is a wholly-owned subsidiary of Future plc and is included in its consolidated financial statements which are publicly available. 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.

The company has taken advantage of the exemption from preparing a cash flow statement, from disclosing key management personnel remuneration and from financial instruments disclosures as it is a qualifying subsidiary included in the publicly available consolidated financial statements of a parent company. The company has also taken advantage of the exemption not to disclose transactions between wholly owned entities in the group. The company discloses transactions with related parties which are not wholly owned group entities.

The company may make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. There are not considered to be any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern

The directors have considered the trading performance and financial position of the company in the context of its acquisition by Future plc on 20 April 2020, the repayment of existing Sapphire group debt on that date, current economic factors and the restructuring on integration into the Future group likely to affect its future development and financing.

The directors have reviewed the company's likely future cash flows following a transfer of trade from the subsidiary companies to Future Publishing Limited and a restructuring of the intermediate holding companies eliminating the remaining external liabilities that were in the company. The group directors have confirmed that settlement of the remaining intercompany balance will not be required until resources are available to the company.

After making enquiries, the directors therefore have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Sapphire Midco Limited

Notes to the financial statements for the period ended 30 September 2020 (continued)

3 Summary of significant accounting policies (continued)

Taxation

The taxation expense or credit comprises current and deferred tax recognised in the profit for the financial year or in other comprehensive income or equity if it arises from amounts recognised in other comprehensive income or directly in equity. Current tax is provided at amounts expected to be paid (or recovered) in respect of the taxable profits for the period using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Investments

Investments are stated at cost less provisions for any impairment. Investments are tested for impairment when an event that might affect asset values has occurred.

Financial assets

Basic financial assets, including amounts owed by group undertakings and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Cash and cash equivalents comprise cash held at bank which is available on demand.

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.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank borrowings and loans and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Issue costs are amortised to the profit and loss account over the estimated life of the relevant borrowings.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary shares are classified as equity instruments.

Sapphire Midco Limited

Notes to the financial statements for the period ended 30 September 2020 (continued)

4 Operating loss

Operating loss is stated after charging:

	2020	2019
	£'000	£'000
Non-recurring professional fees	-	22

5 Information regarding directors and employees

	2020	2019
	£'000	£'000
Directors' remuneration – aggregate emoluments	-	-

The company has no employees other than directors. The directors of the subsidiaries receive no emoluments for their services to this company. Their emoluments are disclosed in the financial statements of TI Media Limited and, where applicable, in the consolidated financial statements of Sapphire Topco Limited.

6 Interest receivable

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	2,743	8,411

7 Interest payable and similar charges

	2020	2019
	£'000	£'000
Interest and similar charges on other loans	2,102	7,623
Interest payable to group undertakings	27	83
Amortisation of issue costs	467	235
	2,596	7,941

Sapphire Midco Limited

Notes to the financial statements for the period ended 30 September 2020 (continued)

8 Tax on profit

	2020	2019
	£'000	£'000
Deferred taxation		
Timing differences	(199)	-
Prior year adjustments	-	(146)
Tax charge	(199)	(146)

Factors affecting the tax (charge)/credit for the year/period

Tax on the profit for the period/year differs from the standard rate of corporation tax in the UK of 19%.
The differences are reconciled below:

	2020	2019
	£'000	£'000
Profit before taxation	93,139	448
Corporation tax at standard rate of 19%	17,696	85

Factors affecting charge for the period/year:

Income from shares in group undertakings not taxable	(17,668)	-
Disallowable expenses	283	983
Group relief received not paid for	(90)	(1,068)
Effect of different corporation and deferred tax rates	(22)	-
Prior year adjustments	-	146
Tax charge on profit	199	146

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. A change to the main rate of corporation tax announced in the 2020 Budget was substantively enacted on 17 March 2020. Accordingly a rate of 19% is applied to deferred tax balances at 30 September 2020 (2019: 17%).

Sapphire Midco Limited

Notes to the financial statements for the period ended 30 September 2020 (continued)

9 Investments

	Investments in subsidiary undertakings £'000
Cost and net book value	
At 31 December 2019	-
Additions	309,222
At 30 September 2020	309,222

The additions in the period reflect the following:

A loan of £77,785,000 owed by Sapphire Holdco Limited was capitalised as consideration for the issue of a further share by the subsidiary. Sapphire Bidco Limited, previously held indirectly, was transferred to Sapphire Midco Limited for consideration of £77,785,000. A loan of £153,651,000 owed by the subsidiary was then capitalised as consideration for the issue of a further share by the subsidiary.

The company owned all of the issued ordinary share capital of Sapphire Bidco Limited and Sapphire Holdco Limited (directly), Future Publishing Limited, TI Media Limited, European Magazines Limited, Time Inc. (UK) Property Investments Limited, Marketforce (UK) Limited and EX TRL Limited indirectly. Sapphire Bidco Limited is an intermediate holding company. Future Publishing Limited and TI Media Limited and their subsidiaries provided media services, principally printed, on-line and digital content together with event management. These are all companies registered in England and Wales at Quay House, The Ambury, Bath, BA1 1UA. The company's investments in subsidiaries also included dormant companies which were registered in England & Wales at 161 Marsh Wall, London, E14 9AP.

A group restructuring to rationalise the intermediate holding companies in the period has resulted in the company now holding Sapphire Bidco Limited directly. A gain of £93m arose from dividends received in the restructuring steps with all intercompany liabilities settled.

10 Debtors

	2020 £'000	2019 £'000
Amounts falling due in more than one year		
Amounts owed by group undertakings	-	75,042
Deferred taxation (note 8)	-	199
	-	75,241

Amounts owed by group undertakings are unsecured and repayable in September 2023. Interest under the agreements allows for a rate of 18%. However, in the absence of distributable reserves, interest is limited by company law to market rates and has been booked at 12.5%.

The company has £nil of tax losses carried forward at the year end (2019: 1,170,000 of interest charged but not deductible until paid carried forward). These result in recognition of a deferred taxation asset at 19% of £nil (2019: £199,000 at 17%).

11 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	41	16,036
Taxation and social security	-	8
	41	16,044

Sapphire Midco Limited

Notes to the financial statements for the period ended 30 September 2020 (continued)

12 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Other loans falling due in more than 5 years	-	57,658
Amounts owed to group undertakings falling due in 2 to 5 years	-	743
	-	58,401

The other loans of £nil (2019: £57,658,000) were unsecured and bore interest at 12% per annum which was capitalised annually and rolled up and was redeemable together with compounded interest on 15 March 2028. The loan liabilities included rolled up interest of £10,884,000 and were stated net of unamortised loan issue costs as at 31 December 2019 of £467,000 which were being amortised over the period to the loan redemption date.

The loan liabilities and interest were fully repaid on 20 April 2020 utilising borrowings from the Future plc group with remaining issue costs being fully amortised at this date.

Amounts owed to group undertakings were unsecured and repayable in September 2023. Interest under the agreement has been booked at 12.5%.

13 Called up share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
4 (2019: 1) ordinary shares of £1	-	-

There is a single class of ordinary shares with no restriction on the distribution of dividends or repayment of capital.

As part of the group restructuring one £1 share was issued with a share premium of £1,096,620 with consideration settled by release of intercompany liabilities, one £1 share was issued with a share premium of £154,413,740 with consideration settled by reassignment of an intercompany receivable and one £1 share was issued with a share premium of £59,934,866 with the consideration settled by release of intercompany liabilities.

14 Reserves

The profit and loss account reserve represents cumulative net losses from the statement of comprehensive income. The share premium account represents the amount by which the issue price of shares exceeds the nominal value of the shares less any share issue expenses. Movements on the reserves are set out in the statement of changes in equity.

15 Related party transactions

During the year, the company was involved in the following related party transactions.

Funds managed by Epiris GP Limited held significant shareholdings in the group until 20 April 2020 and had advanced loan notes to the company of £59,259,000 with interest of £2,069,000 accrued in the period (2019: £7,527,000 accrued in respect of the year). £59,283,000 was paid to redeem the loan notes and accrued interest in the period (2019: £15,011,000 repaid). Members of the senior management team held loan notes amounting to £734,000 with interest of £33,000 accrued in the period (2019: £96,000 accrued in the year). £944,000 was paid to redeem the loan notes and accrued interest in the period (2019: £239,000 repaid).

16 Contingent liabilities

The company is a guarantor in respect of the secured loan borrowings of other group companies parent company which at 30 September 2020 amounted to £82,300,000 (31 December 2019: £nil).

17 Controlling party and consolidated financial statements

Future Holdings 2002 Limited was the immediate parent company and Future plc was the ultimate parent company in the group as of 30 September 2020. This company prepares publicly available consolidated financial statements which include the company. Copies of the Future plc consolidated financial statements can be obtained from Quay House, The Ambury, Bath, BA1 1UA.

No party has a controlling beneficial interest in the company.