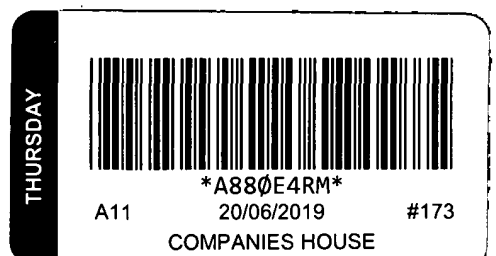


Company Registration No. 06770098

Evening Standard Limited

Annual Report and Financial Statements

For the year ended 30 September 2018



Evening Standard Limited

Annual report and financial statements 2018

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Evening Standard Limited

Annual report and financial statements 2018

Officers and professional advisers

Directors

J D E Byam Shaw (Chairman)
G C Greig
M Malhotra
A O Mullins
J O'Donnell
E Lebedev
Z R Leonard

Secretary

M Malhotra

Registered Office

Northcliffe House
2 Derry Street
Kensington
London
W8 5TT

Bankers

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Evening Standard Limited

Strategic report

The directors of Evening Standard Limited (“the company”) submit their strategic report, providing a review of the Company’s business and a description of the principal risks and uncertainties affecting the Company.

Principal activities

The principal activity of the Company is the publishing of newspapers and websites. The analysis of turnover and operating loss for the year ended 30 September 2018 are included as notes 3 and 4 to the financial statements.

Review of business and future developments

The Company made an operating loss before interest and tax of £9,508,000 (2017 loss: £9,984,000) and has net liabilities of £24,313,000 (2017: £40,439,000).

The Evening Standard is a quality weekday newspaper that distributes for free throughout Greater London. The Company has recorded increased turnover of £65m, which was £1.5m or 2% higher than the previous year, despite the tightening markets for traditional print display and classified advertising experienced during the financial year. As a result, the Company has recorded a 5% reduction in operating losses for the year.

The Company’s commercial strategy of highlighting the benefits of free newspapers with stable distribution compared to paid-for titles has delivered year on year growth in display advertising revenues and a growing share of the quality print advertising market. In addition, the Company’s continuing investment in its digital platforms, standard.co.uk and homesandproperty.co.uk, yielded a 22% year-on-year increase in page views with visitors in the UK growing by 21% and the rest of world by 48%. This helped drive year-on-year growth in digital revenues of 29%.

Homes & Property, the free property supplement published every Wednesday, continued to deliver a significant profit in the year despite the challenging London property market, whilst ES Magazine, the free glossy magazine published every Thursday and Friday, had another strong year and recorded an improved profit for the year. The Company’s strategy of revenue diversification saw a continuing investment in events and live experiences, which delivered a positive net contribution in the year.

The Company had to absorb the impact of rising newsprint prices throughout the year, which along with the investment in digital journalism led to a modest increase in the total cost base. The business also successfully planned and implemented compliance with The General Data Protection Regulation introduced in May 2018 and mitigated the potential revenue risk associated with the new data regime. In late September, the Company announced that it would be re-locating its distribution hub from Greenwich to its print site in Broxbourne to allow for a more efficient logistics operation. Also during the year, the Company issued additional share capital in order to raise shareholder funding of £10,000,000, details of which are contained in note 1.

Outlook

The Company will continue to seek to improve its position within the newspaper market and deliver a quality audience that is attractive to advertisers and sponsors through its unique print distribution, improving digital platforms and expanding its portfolio of live events. There will be continuing focus on improving the Company’s financial performance by improving its net advertising yields, continued cost control, development of key strategic events and investment in new business opportunities where identified.

Evening Standard Limited

Strategic report (continued)

Key performance indicators

In order to monitor the development, performance and financial position of the business, the Company uses key performance indicators such as total revenue, operating margin, average daily circulation, monthly page views, visits and unique users, advertising yield, average daily paginations and advertising ratios. Management have included above what they consider to be the most significant KPIs. These KPIs have been analysed in the review of business section.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are described below:

Price volatility of newsprint

Newsprint represents a significant proportion of the Company's costs. Newsprint prices are subject to increasing volatility arising from variations in supply, demand, and currency valuations and these variations can be significant. The outcome of the negotiations surrounding the UK's future trading relationship with Europe may have a further impact on exchange rate fluctuations.

Exposure to changes in the economy and advertising patterns

General economic conditions and the financial health of our advertising clients affect the performance of our business. In addition, the removal of the cover price several years ago from the newspaper has the effect of placing further reliance on advertising spending which has historically been cyclical, with companies spending less on advertising in times of economic slowdown. The Company has a continuing commitment to invest in editorial and to maintain high levels of quality in our brands and products, which helps us to reduce the effect of these fluctuations by maintaining the strength of our products in their markets.

Legal and regulatory

The Company ensures its staff is made aware of their obligations to operate ethically and entirely within the law. This is reinforced through a rigorous and strictly enforced Code of Conduct that has been issued to all staff of the Company.

Following the closure in September 2014 of the Press Complaints Commission, the Company decided not to join the new system of self-regulation established by other parts of the industry. This was the result of the Company believing that questions remained to be answered about how the Independent Press Standards Organisation (IPSO) would operate. In lieu of subscribing to IPSO the Company strengthened its internal complaints handling mechanism, notably by increasing the relevant staffing resource. The Company also made clearer to readers of its titles how they could complain about published content or the behaviour of journalists. Overall the number of complaints received about editorial matters has risen, but that appears largely to reflect the fact that more material is being published on the Company's websites and our online audiences have grown, as well as the better signposting of our in-house complaints system. Senior editorial executives have been updated on the current state of play and in particular have been made aware of which issues tend to give rise to complaints from readers. The Company will of course continue to monitor the situation. It has also been in ongoing discussions with IPSO about the possibility of joining the wider system of self-regulation. Some of the questions which the Company had about IPSO's operation have been satisfactorily answered; other points may be sufficiently clarified in the coming year.

Aside from its in-house Code of Conduct and related policies and guidance, the business is subject to all applicable laws and regulations, including those pertaining to defamation, contempt, privacy, anti-bribery, anti-slavery, consumer protection, health and safety, data protection and employment. Additionally, there are specific regulations set out by Audit Bureau of Circulation (ABC) to which the Company must adhere. Changes to, or breaches of, such laws or regulations could adversely affect the future results and reputation of the Company. Staff is made aware of health and safety and employment rights through the Company's intranet. Controls are also in place surrounding compliance with the ABC's regulations and those of other regulatory bodies.

The impact of technological and market changes on our competitive advantage

The business operates within a highly competitive environment that can be subject to rapid change. Our products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. The structural change in advertising markets resulting in a significant migration from printed products to digital platforms has affected our results but also provides future opportunities.

Evening Standard Limited

Strategic report (continued)

Credit risk

The Company is exposed to credit risk as its balance sheet includes significant receivables balances. Management mitigate this risk through rigorous monitoring and collection of receivables balances, regular communication with major agencies and credit insurance.

Liquidity and cash flow

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Company has used long term debt finance provided by its shareholders at zero interest. The Company ensures it has sufficient funds in place by preparing detailed cash flow forecasts and providing sufficient notice of any future requirements to its shareholders.

Key suppliers

The loss of a key supplier due to disaster or economic downturn, or a significant worsening of commercial terms with key suppliers could adversely affect the Company's results and the Company's ability to produce key products and services. The Company has disaster recovery plans in place and resources are also devoted to ensuring the relationships with key suppliers are maintained and upheld and that alternative suppliers are available. In 2012, the Company entered into an IT services contract with a subsidiary of one of its shareholders on behalf of the Company and other group companies and recharges relevant costs to the respective group companies on a systematic basis. The Company bears the risk in this contract. Any strategic decisions to relocate, sell, restructure or close related Group companies could therefore have a negative impact on the cost base of the Company. Consistency in board directors across the Group and holistic decision making substantially mitigates this risk.

Impact of a major disaster or outbreak of disease

Any disaster, such as a geopolitical event or a pandemic, such as influenza, which significantly affects the wider environment or infrastructure in a location where the Company has material operations, could adversely affect the Company. Such an event might affect our ability to produce and deliver our products, reduce the demand for them, or significantly affect our cost base. The Company has plans in place to manage the impact of these risks via its Disaster Recovery plan.

Adverse results from litigation or other proceedings

From time to time the Company is party to litigation regarding defamation and privacy claims, the outcome of which is subject to significant uncertainty. An adverse outcome could result in reputational harm, as well as requiring the company to pay out significant monetary damages and legal costs. This could adversely affect the Company's results, as well as its ability to conduct business as it is presently conducted.

Network and information systems and other technology disruption

Network and information systems and other technologies are important to the Company's business activities. The Company also relies on third party providers for certain technology and 'cloud based' systems and services that support a variety of business operations. Failure or misuse of these systems and technologies can cause a disruption in the Company's operations, customer or advertiser dissatisfaction, damage to reputation or brand, a loss of customers or revenues and other financial losses.

Information security breach or cyberattack

An information security breach would cause reputational damage with potential for a resultant loss of revenue. A breach of data protection legislation could result in financial penalties for the business affected and potentially the Group. The investigation and management of an incident would result in the diversion of management time.

Evening Standard Limited

Strategic report (continued)

Reader/listener promotions

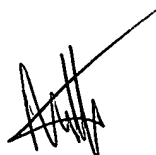
The Company runs reader promotions and competitions, which could significantly impact the Company's reputation if they were found to be conducted inappropriately. Controls are in place to ensure that competitions and promotions are closely reviewed and monitored before they begin and whilst they are in progress.

Employees

Under the Company's general policy of decentralised management, it is the responsibility of the management in each department to encourage the involvement and participation of the employees in the Company.

The methods used depend on the varying sizes of the departments but management make every effort to ensure regular contact and exchange of information with staff. It is the Company's policy to give full and fair consideration to suitable applications from disabled persons for employment. Where employees become disabled in the course of their employment, they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

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



M Malhotra
Director

12 December 2018

Evening Standard Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2018. The comparative accounts were for the year ended 01 October 2017.

Financial risk management and policies

Details of financial risk management and policies can be found in the Strategic Report on p3 and p4 and form part of this report by cross-reference.

Future developments

Details of future developments can be found in the Strategic Report on p2.

Results and dividends

The loss after taxation for the period amounted to £11,565,000 (2017 loss: £11,780,000). In light of the retained losses to date, no dividend has been proposed or declared (2017: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, including companywide briefings, departmental updates and a special edition for employees of the annual financial statements. (Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.) The Company also regularly gathers feedback from employees via staff surveys, the results of which are used to inform the people strategy.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Directors' report. The Company has recorded an operating loss in the period and requires further funding for the foreseeable future.

As explained further in Note 1, the Company meets its day-to-day working capital requirements through long term shareholder loans as and when required. In 2018, the Company's shareholders extended the terms of repayment of all such borrowings to 31 December 2025 and the Company issued shares to raise additional capital of £10,000,000. Whilst there is no formal shareholder funding facility agreed and therefore there is material uncertainty which may cast significant doubt on the Company's ability to remain a going concern, Mr Evgény Lebedev a director of the majority shareholder and companies under his control, have confirmed to the other directors his on-going commitment to provide adequate funding for at least twelve months from the date of approval of these financial.

Nevertheless, the directors currently have no reason to believe that the Company will not have access to adequate resources to continue in operational existence for the foreseeable future and based on expressions of support received from shareholders, the Directors are confident that further funding will be available in due course when required, and they have therefore adopted the going concern basis in preparing the financial statements.

Evening Standard Limited

Directors' report (continued)

Directors

The names of the directors of the Company who held office during the year and up to the date of approval of the financial statements were:

J D E Byam Shaw (Chairman)
G C Greig
M Malhotra
A O Mullins
J O'Donnell
E Lebedev
Z R Leonard

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Capital structure

The Company's capital structure consists of Voting and Non-Voting Ordinary Shares as follows:

Class of share	Number of shares	Percentage of total share capital
Ordinary Shares of £1	10,675	99%
Non-Voting Ordinary Shares of £1	75	1%

The ultimate parent company is Lebedev Holdings Limited, which owns 88.8% of the 10,675 ordinary voting shares of Evening Standard Limited. It does not own any of the 75 ordinary non-voting shares issued by Evening Standard Limited. The ultimate controlling party is Evgeny Lebedev, 100% shareholder of Lebedev Holdings Limited.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



M Malhotra
Director

12 December 2018

Evening Standard Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Evening Standard Limited

Independent auditor's report to the members of Evening Standard Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Evening Standard Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account and statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company reported a net loss before tax of £11,565,000 during the year ended 30 September 2018 and at that date it had net liabilities of £24,313,000. The company requires continuous financial support from the shareholders but there is no formal funding arrangement in place. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Evening Standard Limited

Independent auditor's report to the members of

Evening Standard Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Evening Standard Limited
Independent auditor's report to the members of
Evening Standard Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

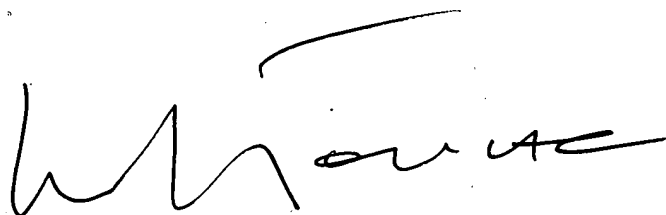
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12 December 2018

Evening Standard Limited

Profit and loss account and statement of other comprehensive income Year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Turnover	1, 3	65,403	63,897
Cost of sales		(52,777)	(53,317)
Gross profit		<u>12,626</u>	<u>10,580</u>
Net operating expenses	4	(22,134)	(20,564)
Operating loss		<u>(9,508)</u>	<u>(9,984)</u>
Finance costs (net)	7	<u>(2,057)</u>	<u>(1,796)</u>
Loss on ordinary activities before taxation		(11,565)	(11,780)
Tax credit/(charge) on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Retained loss for the financial year attributable to the equity shareholders of the Company	19	<u>(11,565)</u>	<u>(11,780)</u>
Total comprehensive income/(loss) attributable to equity shareholders of the Company		<u>(11,565)</u>	<u>(11,780)</u>

All amounts relate to continuing activities in the current and prior year.

Evening Standard Limited

Balance sheet As at 30 September 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	12	1,433	1,078
Investments	13	-	-
		<u>1,433</u>	<u>1,078</u>
Current assets			
Stock	14	372	80
Debtors	15	17,737	14,941
Cash at bank and in hand		<u>6,510</u>	<u>3,454</u>
		24,620	18,475
Creditors: amounts falling due within one year	16	(14,800)	(11,802)
Net current assets		<u>9,819</u>	<u>6,673</u>
Total assets less current liabilities		11,252	7,751
Creditors: amounts falling due after more than one year	16	(25,537)	(38,154)
Provisions for liabilities	17	(10,028)	(10,036)
Net liabilities		<u>(24,313)</u>	<u>(40,439)</u>
Capital and reserves			
Called up share capital	18	11	1
Share premium account	19	18,278	8,288
Other reserves	19	37,599	19,908
Profit and loss account	19	<u>(80,201)</u>	<u>(68,636)</u>
Shareholders' deficit		<u>(24,313)</u>	<u>(40,439)</u>

The financial statements of Evening Standard Limited (registered number 06770098) were approved by the Board of Directors on 12 December 2018.

Signed on behalf of the Board of Directors



M Malhotra
Director

Evening Standard Limited

Cash flow statement Year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Net cash outflow from operating activities	9	(9,175)	(5,747)
Cash flows from investing activities			
Interest received	10	17	21
Capital expenditure	10	(786)	(961)
Net cash flows from investing activities		<u>(769)</u>	<u>(940)</u>
Cash flows from financing activities			
Receipt of borrowings		3,000	-
Share issue		10,000	-
Net cash flows from financing activities		<u>13,000</u>	<u>-</u>
Increase / (decrease) in cash in the year	11	<u>3,056</u>	<u>(6,687)</u>
Cash and cash equivalents at the beginning of the year		<u>3,454</u>	<u>10,141</u>
Cash and cash equivalents at the end of the year		<u>6,510</u>	<u>3,454</u>

Evening Standard Limited

Statement of changes in equity Year ended 30 September 2018

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained Earnings £'000	Total £'000
Balance at 02 October 2016		1	8,288	19,908	(56,855)	(28,659)
Loss for the year		-	-	-	(11,780)	(11,780)
Total comprehensive loss for the year		-	-	-	(11,780)	(11,780)
Balance at 01 October 2017		1	8,288	19,908	(68,636)	(40,439)
Loss for the year		-	-	-	(11,565)	(11,565)
Total comprehensive income for the year		-	-	-	(11,565)	(11,565)
Capital contribution on shareholder loans	19	-	-	17,691	-	17,691
Share issue during the year	18	10	9,990	-	-	10,000
Balance at 30 September 2018		11	18,278	37,599	(80,201)	(24,313)

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

1. Accounting policies

Basis of preparation

Evening Standard Limited is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on pages 2 to 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The functional currency of Evening Standard Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it under Section 1 Paragraph 12 in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments and remuneration of key management personnel. The parent of the group whose consolidated financial statements the Company's financial statements are included is Lebedev Holdings Limited and its financial statements are readily available as set out in note 24. Exemption has not been taken from the requirement to prepare a cash flow statement.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Going concern

The Company recorded an operating loss before tax of £11,565,000 during the year ended 30 September 2018 and at that date it had net liabilities of £24,313,000. The Company requires further funding and intends to meet its day-to-day working capital requirements through long term finance provided by the shareholders. The shareholders have continued to provide further finance since the year end to meet the funding requirements of the Company and Mr Evgeny Lebedev a director of the majority shareholder and companies under his control, has confirmed to the other directors his on-going commitment to provide adequate funding for at least twelve months from the date of approval of these financial statements although no formal funding arrangement is in place. See the director's report on page 6 for further consideration.

On this basis, and having given due consideration to the Company's forecasts and projections, the directors believe that the Company will have adequate resources to continue in operational existence for the foreseeable future and consider it appropriate to adopt the going concern basis in preparing these financial statements. However, should the financial support be discontinued the going concern basis may not be valid, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and adjustments would have to be made to reduce the value of assets to their recoverable amount and to provide for further liabilities that may arise. In accordance with Accounting Standards and the UK Financial Reporting Council's Guidance for Directors on Going Concern, the directors have therefore concluded that the combination of these circumstances represents material uncertainty which may cast significant doubt on the Company's ability to remain as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

1. Accounting policies (continued)

Going concern continued

In this regard readers should note that the effect of recording interest free shareholder loans in accordance with FRS 102 is to discount the loan principal at an effective interest rate based on comparable market data. This results in the carrying value liability being stated at £25,537,000 (2017: £38,154,000) compared to the loan principal outstanding of £47,650,000 (2017: £44,650,000) details of which are set out in note 16.

Financial year

The results for 2018 represent the 52 weeks from 02 October 2017 to 30 September 2018. The comparative accounts were for the 52 weeks from 03 October 2016 to 01 October 2017.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods or services provided in the normal course of business net of value added tax (VAT), trade discounts and commission where applicable. Print advertising revenue is recognised on publication or over the period of the campaign. Digital revenues are recognised on publication for advertising or delivery of service for other digital revenues. Events revenue is recognised on the date or period of the event and syndication revenue is recognised based on contractual guarantees and the date of publication.

Barter transactions

Turnover and costs in respect of barter transactions for advertising are recognised only where there is persuasive evidence of the value at which, if it had not been exchanged, the advertising would have been sold for cash in a similar transaction.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and provision for impairment.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write down the cost of tangible assets by equal annual instalments over their estimated useful lives as follows:

Plant and equipment	3-5 years
Furniture and fittings	3-10 years

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

1. Accounting policies (continued)

Financial Instruments (continued)

Financial assets and liabilities are only offset in the statement of financial position 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.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Evening Standard Limited

Notes to the financial statements **Year ended 30 September 2018**

1. Accounting policies (continued)

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive are also spread on a straight-line basis over the lease term.

Foreign exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date. All exchange differences are taken to the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the period end date, and are discounted to present value where the effect is material.

Taxation

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

Deferred tax is provided in full on timing differences that 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.

Pension costs

The Company operates a defined contribution scheme. This means that the pension charge reported in these financial statements is the same as the cash contributions due in the period.

Intercompany recharges

The Company receives revenues from and is charged costs incurred on its behalf by its fellow subsidiaries, ESTV Limited, Independent Print Limited and a connected company, Independent Digital News And Media Limited. Advertising revenues are shown as revenue. Costs recharged from Independent Print Limited and Independent Digital News And Media Limited are treated as costs in the profit and loss account. Reimbursement of costs incurred by the Company on behalf of Independent Print Limited and Independent Digital News And Media Limited are treated as other operating income. Details of these items are set out in notes 4 and 23.

Related party transactions

The Company has taken advantage of the exemption in Section 33 of FRS 102 as a subsidiary, not to disclose transactions with other wholly-owned members of the group headed by Lebedev Holdings Limited, a company whose consolidated financial statements are available to the public.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Forecasting

The Group prepares forecasts based on Board-approved budgets and three-year outlooks. These are used to support judgements made in the preparation of the Company's financial statements including the recognition of deferred tax assets, the Company's going concern assessment and for the purposes of impairment reviews. Longer term forecasts use long-term growth rates applicable to the relevant businesses. The directors' considerations regarding the uncertainty underlying the going concern basis of preparation are found in note 1.

Key source of estimation uncertainty

The Company holds interest free shareholder loans and the application of FRS 102 requires the directors to determine an effective interest rate based on an equivalent market rate of similar financial instruments. This involves estimation and the carrying value of the loans could be materially impacted by changes in the effective rate used. Details are set out in note 7.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

3. Turnover

	2018 Turnover £'000
By activity:	
Newspaper Publishing	<u>65,403</u>
Geographical market by destination and source:	
United Kingdom	<u>65,403</u>

Included within turnover is £354,743 (2017: £232,323) of advertising revenue which was provided in return for goods and services.

	2017 Turnover £'000
By activity:	
Newspaper Publishing	<u>63,897</u>
Geographical market by destination and source:	
United Kingdom	<u>63,897</u>

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

4. Operating loss

The operating loss of £9,508,000 (2017: loss of £9,984,000) is stated after charging/(crediting) the following:

	2018 £'000	2017 £'000
Distribution costs	12,995	12,694
Depreciation of tangible fixed assets	431	280
Operating lease costs		
- property rental	2,963	2,852
- motor vehicles	58	42
Auditor's remuneration		
- fees for the audit of the company	58	54
- non-audit fees - taxation compliance	6	6
Restructuring costs:		
- redundancy and reorganisation	585	572
- IT Project / digital investment	-	70
Other operating costs	9,988	7,653
Total administrative expenses	14,089	11,531
Other operating income	(4,950)	(3,661)
Net operating expenses	22,134	20,564

The company recharges certain payroll, rent and IT support costs to other group entities contained within other operating costs. The amount recharged is included as other operating income.

5. Employees

	2018 Number	2017 Number
Monthly average number of persons (including Directors) employed by the Company by activity:		
Newspaper publishing	357	323
	2018 £'000	2017 £'000
Total staff costs (including Directors) comprised:		
Wages and salaries	19,174	18,329
Social security costs	2,250	2,232
Pension contributions	1,203	1,185
	22,627	21,746

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

6. Directors' emoluments

The emoluments of the directors of the Company were as follows:

	2018 £'000	2017 £'000
Emoluments	809	706
Company contributions to money purchase pension scheme	11	10
	<u>820</u>	<u>716</u>

Retirement benefits are accruing to one director under a money purchase scheme.

	2018 £'000	2017 £'000
Highest paid director		
Emoluments	321	300
Company contributions to money purchase pension scheme	-	-
	<u>321</u>	<u>300</u>

7. Finance costs

	2018 £'000	2017 £'000
Bank interest receivable	17	21
Interest payable on shareholder loans	(2,074)	(1,817)
	<u>(2,057)</u>	<u>(1,796)</u>

Interest payable on shareholder loans which are interest free includes a notional interest charge of £2,074,000 (2017: £1,817,000) which arises on the unwinding of the present value of the loans using the effective interest rate applied to these loans upon recognition.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

8. Tax

The tax charge for the year is made up as follows:

	2018 £'000	2017 £'000
Current tax:		
Adjustment in respect of previous periods	-	-
Foreign tax suffered	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustment in respect of previous periods	-	-
Total deferred tax	-	-
Total UK corporation tax	-	-

a) Current tax

The tax charge for the period can be reconciled to the profit per the income statement as follows:

(Loss)/profit on ordinary activities before taxation	(11,565)	(11,780)
Tax on profit at standard UK tax rate of 19% (2017: 19.5%)	(2,197)	(2,297)

Factors affecting current tax charge for the year:

Expenses not deductible for tax purposes	609	565
Deferred tax not recognised	1,588	1,730
Effect of overseas tax rates	-	-
Effect of group relief / other reliefs	-	2
Total current tax charge	-	-

On 1st April 2017 the main rate of UK corporation tax reduced from 20% to 19% and has remained at this level throughout the current financial year. The main rate of UK corporation tax, as outlined in The Finance Bill 2017, reduces to 17% from 19% on 1st April 2020. Deferred tax assets and liabilities have therefore been measured at 17% (2017: 17%) as it is anticipated the timing differences will reverse at this point.

b) Deferred tax

A deferred tax asset has not been recognised in respect of trading losses, fixed asset movements and other short term timing differences as it is currently more likely than not that there will not be suitable profits in the foreseeable future against which this asset may be utilised. The deferred tax asset not recognised is £9,368,411 based on a tax rate of 17%.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

9. Reconciliation of operating loss to operating cash flows

	2018 £'000	2017 £'000
Operating loss	(9,508)	(9,984)
Depreciation and amortisation	431	280
(Increase) / decrease in stock	(292)	48
(Increase) / decrease in debtors	(2,796)	3,664
Increase / (decrease) in creditors due within one year	2,999	(380)
(Decrease) / increase in provisions	(8)	625
Net cash (outflow)/inflow from operating activities	(9,175)	(5,747)

10. Analysis of cash flows

	2018 £'000	2017 £'000
Cash flows from investing activities		
Interest received	17	21
Net cash inflow	17	21
Purchase of tangible fixed assets	(786)	(961)
Net cash outflow	(786)	(961)

11. Analysis and reconciliation of net debt

	2017 £'000	Interest accrued £'000	FRS 102 adjustment for implied interest £'000	Cash flow in year £'000	2018 £'000
Cash in hand, at bank	3,454	-	-	3,056	6,510
Debt due after one year	(38,154)	(2,074)	17,691	(3,000)	(25,537)
Net debt	(34,700)	(2,074)	17,691	56	(19,027)

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

12. Tangible fixed assets

	Plant and equipment £'000	Furniture and fittings £'000	Total £'000
Cost			
At 01 October 2017	1,557	506	2,063
Additions	760	26	786
At 30 September 2018	2,317	532	2,849
Accumulated depreciation			
At 01 October 2017	631	354	985
Charge for the year	398	33	431
At 30 September 2018	1,029	387	1,416
Net book value			
At 30 September 2018	1,288	145	1,433
At 01 October 2017	926	152	1,078

13. Fixed asset investments

	Subsidiaries £
Cost	
At 01 October 2017 and 30 September 2018	21
Net book value	
At 01 October 2017 and 30 September 2018	21

The Company owns 21 Ordinary shares (70%) of £1 in ES London Limited. ES London Limited provides advertising services and opportunities through digital sites and related domain names, operates principally within the United Kingdom and is registered in England and Wales at Northcliffe House, 2 Derry Street London W8 5HF. For the year ended 30 September 2018, ES London Limited reported a profit of £1,110 (2017: loss of £22).

In the opinion of the directors, the value of ES London Limited is not less than its book value.

14. Stock

	2018 £'000	2017 £'000
Raw materials and consumables	372	80

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

15. Debtors

	2018 £'000	2017 £'000
Amounts due within one year:		
Trade debtors	11,921	11,441
Amounts owed by group companies	467	527
Deferred tax	5	5
Other debtors	543	131
Prepayments and accrued income	4,802	2,837
	<u>17,737</u>	<u>14,941</u>

The amounts due from group undertakings are on demand and interest free.

16. Creditors

	2018 £'000	2017 £'000
Amounts due within one year:		
Trade creditors	6,163	3,748
VAT payable	32	633
Taxation and social security	602	530
Other creditors	86	66
Amounts owed to group undertakings	363	202
Accruals and deferred income	7,554	6,623
	<u>14,800</u>	<u>11,802</u>

Amounts falling due after more than one year:

Loans	<u>25,537</u>	<u>38,154</u>
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All loans are interest free and repayable in full by 31 December 2025. Under FRS 102 the directors are obliged to apply a fair value interest rate to shareholder loans.

On 8 March 2018 loan amendment agreements were signed extending the date on which the interest free shareholder loans must be repaid. This amounted to a substantial modification of the existing loans and on this date and as required by FRS 102 section 11 the existing loans were derecognised and then subsequently recognised as a new financial instrument. The Directors have reassessed the effective interest rate applied to shareholder loans with 9% (2017: 5%) being applied to all shareholder loans based on comparative market data. Besides the £3,000,000 additional loan received during the year, the reduction in the carrying value of the loans held within creditors results from the change in the effective interest rate and the cash value payable on 31 December 2025 is £47,650,000 (2017: £44,650,000).

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

17. Provisions for liabilities

	Libel £'000	Contract discounts £'000	Total £'000
At beginning of year	650	9,386	10,036
Charged during year	94	8,503	8,597
Released during the year	-	(274)	(274)
Utilised during year	(84)	(8,247)	(8,331)
At end of year	<u>660</u>	<u>9,368</u>	<u>10,028</u>

It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within two years of the balance sheet date.

18. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	10,675	1,000
Non-voting ordinary shares of £1 each	75	75
	<u>10,750</u>	<u>1,075</u>

On 7 March 2018, a special resolution was approved by the board to issue up to 9,675 ordinary shares of £1 each. This issue was made on 8 March 2018.

The non-voting Ordinary Shares rank pari passu with the Ordinary Shares except they have no votes.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

19. Reserves

	2018			
	Share premium account	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At beginning of financial year	8,288	19,908	(68,636)	(40,440)
Retained loss for the financial year	-	-	(11,565)	(11,565)
Reserves	-	17,691	-	17,691
Share issue during the year	9,990	-	-	9,990
At end of year	<u>18,278</u>	<u>37,599</u>	<u>(80,201)</u>	<u>(24,324)</u>

	2017			
	Share premium account	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At beginning of financial year restated	8,288	19,908	(56,856)	(28,660)
Retained loss for the financial year	-	-	(11,780)	(11,780)
Reserves	-	-	-	-
	<u>8,288</u>	<u>19,908</u>	<u>(68,636)</u>	<u>(40,440)</u>

20. Commitments

At 01 October 2017 the Company had total minimum lease commitments under non-cancellable operating leases as follows:

	2018		2017	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	£'000	£'000	£'000	£'000
Operating leases:				
Within one year	1,265	621	1,344	530
In the second to fifth years	3,905	1,017	4,317	1,759
Total	<u>5,170</u>	<u>1,638</u>	<u>5,661</u>	<u>2,290</u>

The annual rental lease commitments due to Associated Newspapers Limited are £1,264,662 until February 2022.

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

21. Pension arrangements

The Company operates a defined contribution pension scheme under which contributions are paid by the employer and employees. The scheme remains open to eligible new employees. The pension charge for the year was £1,202,669 (2017: £1,184,803) and £111,430 (2017: £104,053) in respect of employers and employees contributions for September 2018 was payable at 30 September 2018.

22. Share Options

20 equity settled share options with a 10 year life have been granted to certain key management personnel on 30 September 2011 at an exercise price of £8,300 per share. Given the history of losses, current debt levels and ownership structure, management believes that these options have a fair value of £nil and hence no charge has been recorded in the financial statements.

23. Related party transactions

The on-going costs of the Company have been funded by way of shareholder loans, which are interest free and under FRS 102 a fair value interest rate of 9% has been applied. The amount due from the Company at 30 September 2018 to Mr Alexander Lebedev and companies in which he has an interest was £2,237,523 (2017: £3,565,420) and to Mr Evgeny Lebedev was £16,940,941 (2017: £25,074,700). In addition to this, further loans of £6,358,772 (2017: £9,514,115) were due to Daily Mail and General Holdings Limited, a shareholder, at 30 September 2018.

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis.

The Company provides and receives various services to and from subsidiaries of Daily Mail and General Holdings Limited, a shareholder with a minority interest in the Company. During the year the Company received revenues of £9,405,069 (2017: £10,329,682) in relation to advertising sales and was recharged costs of £22,929,509 (2017: £22,185,354) by Associated Newspapers Limited and Harmsworth Printing Limited, whilst the net amount due to the Company in respect of these services on 30 September 2018 was £1,921,819 (2017: £919,875).

The Company received revenue of £nil (2017: £nil) from Independent Print Limited, an 100% owned subsidiary of Lebedev Holdings Limited. The Company made sales in respect of management and consultancy services of £85,862 (2017: £82,302) to Independent Print Limited and was recharged costs of £411,831 (2017: £1,354,778) during the year from Independent Print Limited. The net amount owed to the Company in respect of these services on 30 September 2018 was £7,791 (2017: owed £191,470 to Independent Print Limited).

Evening Standard Limited

Notes to the financial statements Year ended 30 September 2018

23. Related party transactions (continued)

The Company made sales of £4,816,215 (2017: £4,954,695) to and purchases of £1,350,800 (2017: £1,266,025) from Independent Digital News and Media Limited, a company under common control. The net amount owed to the Company in respect of these services on 30 September 2018 was £391,658 (2017: £849,847).

The Company has a 70% shareholding in ES London Limited. During the year the Company received revenue of £10,000 (2017: £10,000) and incurred costs of £40,000 (2017: £40,000) from its subsidiary for services received. In addition, the Company settled third party costs of £28,890 (2017: £30,026) on behalf of ES London Limited. The amount due to the Company on 30 September 2018 was £375,837 (2017: £336,947) and the amount due to ESL London Limited was £363,334 (2017: £323,334).

The company made sales of £675,842 (2017: £1,029,779) to ESTV Limited, a 100% owned subsidiary of Lebedev Holdings Limited. The net amount owed to the Company in respect of these services on 30 September 2018 was £86,153 (2017: £179,432).

During the year, the Company received services from companies in which directors have an interest totalling £314,530 (2017: £276,844) and received revenue of £905,477 (2017: £863,610). The net amount owed by these companies at 30 September 2018 was £47,342 (2017: £35,889).

The Company from time to time provides free advertising to other companies in the group when no paid for third party advertising is available.

24. Ultimate parent company and controlling party

The directors regard the immediate and ultimate parent company as Lebedev Holdings Limited, which is incorporated in the United Kingdom.

The ultimate controlling party is Mr Evgeny Lebedev, 100% shareholder of the ultimate parent company.

The largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up is that of Lebedev Holdings Limited, incorporated in the United Kingdom and registered in England and Wales. Copies of the Report and financial statements are available from the registered office of the parent and Company:

Lebedev Holdings Limited
2 Derry Street
London
W8 5HF