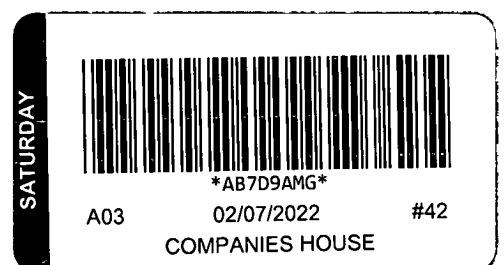


Company Registration No. 06770098

Evening Standard Limited

Annual Report and Financial Statements

For the 53 weeks ended 3 October 2021



Evening Standard Limited

Annual report and financial statements 2021

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Evening Standard Limited

Annual report and financial statements 2021

Officers and professional advisers

Directors

M Malhotra
E Lebedev
C M G Yardley

Secretary

R J L Mead (Appointed 16 June 2021)
M Malhotra (Resigned 31 March 2021)

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 online news content. The analysis of turnover and operating loss for the year ended 3 October 2021 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 £11,847,000 (2020 loss: £14,680,000). It has net liabilities of £28,998,000 (2020: £16,226,000).

The Evening Standard is a quality weekday newspaper that distributes for free throughout Greater London. The Company's primary source of revenue is advertising sales which represents over 90% of turnover. The year was significantly impacted by the coronavirus pandemic ("COVID-19"). As a result of this, turnover dropped to £28,067,000 (2020: £44,066,000), which was 36% lower than the previous year. Additionally, due to a decrease in turnover, our operating loss margin increased by 9% to 42% (2020: 33%).

The coronavirus pandemic continued to cause an industry wide reduction in advertising revenue which when combined with fewer people travelling by public transport in Greater London and a lack of future visibility resulted in a number of challenges across the sector. The Evening Standard continued to serve its audience at home with its Covid home delivery service although as the year progressed and commuter numbers recovered it has continued to adapt the mix of copy. Continued investment in our digital first strategy resulted in an increase in digital revenue of £815,000 or 13% from the prior year. Challenges on print revenues required the company to be diligent on costs and as a result the total costs of sales reduced by £11,037,000 or 32% from the prior year position through a reduction in the number and size of newspapers printed alongside a reduction in all discretionary spend.

In prior year, new shareholder loan agreements were entered into to extend the maturities of existing shareholder loans from 31 December 2025 to 31 December 2035 and an additional shareholder financing facility was agreed providing up to £20,000,000, of which £16,000,000 was drawn down as of 3 October 2021, details of which are contained in note 16 and the directors' report.

Outlook

Since summer of 2021, there has been consistent improvement in commuter numbers and the company has seen this translate into improved print revenue. The Evening Standard continues to place Digital and Mobile content development as the most significant initiative as the pandemic has accelerated changes in reader behaviour. Additionally, the business will launch a number of new live events using the power of our media to create new revenue streams. There will also be continued focus on improving the company's financial performance, cost control and development of new business.

Evening Standard Limited

Strategic report (continued)

Section 172(1) statement

The Directors have acted in ways in which they consider, in good faith, would be likely to promote the success of Evening Standard Limited for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

The Directors will sometimes engage directly with certain stakeholders on specific issues, but often stakeholder engagement will take place at an operational level. The board will consider information from across the business to help it understand the impact of its operations and the interests and views of stakeholders. It will review strategic, financial and operational performance as well as information regarding risk and regulatory compliance. This information is provided to the board through reports prior to each board meeting, and through presentations on key issues.

These activities ensure that the board has an overview of engagement with stakeholders which enable them to comply with their legal duty under Section 172 of the Companies Act 2006.

Approach to engagement

Employees. During the year there have been a number of Director presentations to all staff both in person and over video-conferencing. These have provided an overview of performance and strategic direction for the business. Additionally, there have been staff surveys conducted to understand employee concerns and engagement.

Suppliers. Supplier engagement is largely devolved to an operational level, and operational executives are expected to develop strong relationships with all key suppliers. Individual Directors have met with some key suppliers during the year to discuss important issues.

Community. The business approach is to use our position of an iconic media publisher to create positive change for people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us. Senior members of the editorial team are involved in numerous community groups which help shape the editorial direction of the products including the launch of fund-raising campaigns which this year included our food for London campaign in collaboration with The Felix Project.

Environment. The business recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements systems to minimise adverse effects that might be caused by its operations. Initiatives have been designed and implemented to manage and reduce the Company's environmental footprint which includes reducing emission to air and water, reducing amount of solid waste sent to landfills and improving energy use and efficiency.

Readers. The Directors have established a Code of Conduct that sets clear journalistic guidelines to ensure products not only comply with legal requirements but also aim for a higher level of editorial independence and integrity. The Code of Conduct also establishes a robust complaints procedure to ensure that any issues are properly investigated and appropriately responded to. On a more general level, to assist in the strategic direction of the products and the business, the Evening Standard undertakes snapshot surveys of reader response to key issues, which provide valuable information on which to base decisions.

Customers. The primary customers of the Company are advertisers. The business believes in developing very strong relationships at an operational level with customers. These relationships are supported and augmented as necessary by the Directors. Significant proportion of company revenue comes through small number of customers, who are closely communicated at a senior level.

Evening Standard Limited

Strategic report (continued)

Section 172(1) statement (continued)

Approach to engagement (continued)

Fairness. The Directors aim to understand the view of the Company's shareholders and always act in their best interest. In order to do this, the Directors work closely with the shareholders to ensure operations, strategy and performance are aligned with their long-term objectives, while complying with the Articles of Association of the Company, and in line with the highest standards of conduct as laid out in Group policies.

This year has provided additional challenge in maintaining these relationships, with face to face meetings replaced by phone and video conferencing. The business has invested in the technology to ensure that communications can still be effectively maintained.

The following are some examples of how Directors have had regard to the matters set out in Section 172 (a)-(f) when discharging their duties, and the effect of those interactions on certain decisions made.

- 1.) Distribution. Following feedback from readers, consultation with suppliers and employees, the business has gradually shifted from home delivery copy back to stations and streets to reflect the change in economic behaviour.
- 2.) Values. The company undertook a programme of employee workshops to develop a series of values that reflected the company, its employees, and beliefs.
- 3.) New Product Development. The company continued to invest in new product development to help shape the future of the company and adapt to changing consumer behaviour. These products include an improved suite of digital content solutions and live events targeting small and medium sized business. During the development phase of these products there was extensive discussion with employees and customers.
- 4.) Office move. The company has begun to look for a new office premise as it will need to move in October 2022. It has already involved employees in this discussion.

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 financial KPIs outlined on page 2.

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 significant changes in energy prices will flow through directly onto newsprint prices. The company continues to closely monitor paginations and circulation levels to attempt to mitigate the impact of newsprint prices.

Exposure to changes in the economy and advertising patterns

The Company is highly reliant on advertising revenue which has been historically cyclical with companies spending less during an economic slowdown. They are currently three macro factors which are impacting this, the conflict in Ukraine, which has caused some clients to review their spending, the long-term effects of the Covid lockdown which have changed some companies spending patterns and the overall economic environment with inflationary pressures and inconsistent economic growth. The Company has a continuing commitment to invest in its editorial team 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 the markets.

Evening Standard Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Legal and regulatory

The Company ensures its staff are 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 The 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 are 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.

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 (see note 16). 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.

Evening Standard Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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 coronavirus, 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. The impact of the coronavirus is further explained in the Review of business and future developments section.

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. Controls are in place to ensure robust information security which are closely reviewed, monitored, and updated regularly.

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.

Evening Standard Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Environmental and reduced carbon emissions targets

There is reputational risk on three fronts: the Company uses significant production resources which are energy intensive; it transports newspapers around London in vans; and sometimes poly wraps the magazine in plastic wrap. The Company looks to address environmental concerns by sourcing newsprint from northern hemisphere sustainable forests.

Talent

The Company's ability to identify, attract, retain and develop the right people for senior and business-critical roles could impact the Company's performance. The Company is investing in management training, coaching and talent development. Along with this the Company is developing an inclusive and open culture.

Approved by the Board of Directors and signed on behalf of the Board 21 June 2022.



Charles Yardley

C M G Yardley
Director

Evening Standard Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 3 October 2021. The comparative accounts were for the year ended 3 October 2021.

Financial risk management and policies

Details of financial risk management and policies can be found in the Strategic Report on page 5 and form part of this report by cross-reference.

Future developments

Details of future developments can be found in the Strategic Report on page 2.

Results and dividends

The loss after taxation for the period amounted to £14,394,000 (2020 loss: £17,158,000). In light of the retained losses to date, no dividend has been proposed or declared (2020: £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.

Energy and carbon reporting

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting ("SECR") covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

We note that in prior year due to national lockdowns caused by the Covid-19 pandemic, energy and carbon usage was at historically lower levels. During the current financial year, with business operations returning to normal Total Gross Emission have returned to more normalised levels mainly due to an increase in business transportation.

	2021	2020	
Total energy use covering electricity and transport	3,505,828	1,691,614	kWh
Total emissions generated through combustion of gas (Scope 1)	-		tCO2e
Total emissions generated through use of purchased electricity (Scope 2)	95	83	tCO2e
Total emissions generated through business travel (Scope 3)	623	276	tCO2e
Total gross emissions	718	359	tCO2e
Intensity ratio (total gross emissions)	22	11	kgCO2e per sqft
Intensity ratio (transport emissions only)	1	1	kgCO2e per mile
Intensity ratio (electricity emissions only)	3	3	kgCO2e per sqft

Evening Standard Limited

Directors' report (continued)

Energy and carbon reporting (continued)

Energy efficiency actions

The Company is committed to responsible energy management and will practice energy efficiency throughout the organisation, wherever it is cost effective. The Company recognises that climate change is one of the most serious environmental challenges currently threatening the global community and understands that it has a role to play in reducing greenhouse gas emissions.

The Company has implemented the policies below for the purpose of increasing the businesses energy efficiency in the relevant financial year:

- Reviewed and re-routed distribution operation which enabled a reduction in distribution routes by three.
- The company has adopted hybrid working practices which has reduced office footprint with knock on effect on commuter impacts on the environment.
- Implemented and encouraged video conferencing, including investment in fully remote enabled meeting rooms.

Methodology used in the calculation of disclosures

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency 28/10/2019) used in conjunction with Government GHG reporting conversion factors.

Going concern

The Company recorded a loss before tax of £14,394,000 during the year ended 3 October 2021 and at that date it had net liabilities of £28,998,000. The Company requires further funding and intends to meet its day-to-day working capital requirements through long term finance provided by the shareholders. As mentioned in the Strategic report, a shareholder financing facility was agreed in the prior year providing up to £20,000,000, of which a further £9,000,000 was drawn down as of 3 October 2021 (2020: £7,000,000). Notwithstanding this agreement, Mr Evgeny Lebedev, who is 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 other formal funding arrangement is in place.

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 a 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.

In this regard readers should note that the effect of recording 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 £23,373,000 (2020: £13,460,000) compared to the loan principal outstanding of £68,650,000 (2020: £59,650,000). The repayment date on all loans is 31 December 2035.

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 (resigned 21 January 2022)
M Malhotra
E Lebedev
J Paton (resigned 21 March 2022)
C M G Yardley

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	20,375	99.6%
Non-Voting Ordinary Shares of £1	75	0.4%

The ultimate parent company is Lebedev Holdings Limited, which owns 94.5% of the 20,375 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, majority 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 on 21 June 2022.



Charles Yardley

C M G Yardley
Director

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

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 Evening Standard Limited (the "Company")

- give a true and fair view of the state of the company's affairs as at 3 October 2021 and of its profit 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 cash flow statement;
- the statement of changes in equity; and
- the related notes 1 to 25.

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's ability to continue as a going concern is related to that of its parent company Evening Standard Limited, which requires continuous financial support from its shareholders though there is no other formal funding arrangement in place apart from the £20,000,000 shareholder funding facility of which £16,000,000 has been drawn down at the balance sheet date. The company has net liabilities of £28,998,000 and net current liabilities of £1,359,000. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, 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.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Evening Standard Limited

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 group's and the parent 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 group or the parent 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)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the revenue recognition in relation to cut off and our specific procedures performed to address it are described below:

- assessing the design and implementation of the key internal controls in place in respect of revenue cut off; and
- performing substantive audit procedures which included performing cut off testing to check that a sample of sales transactions were recorded in the proper accounting period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 group and of the parent company and their 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

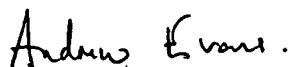
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Andrew Evans (Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

21 June 2022

Evening Standard Limited

Profit and loss account and statement of other comprehensive income For the 53 weeks ended 3 October 2021

	Notes	2021 £'000	2020 £'000
Turnover	1, 3	28,067	44,066
Cost of sales		(23,607)	(34,644)
Gross profit		<u>4,460</u>	<u>9,422</u>
Other net operating expenses	4	(18,445)	(21,055)
Restructuring costs	4	(352)	(4,253)
Other operating income	4	2,490	1,206
Operating loss		<u>(11,847)</u>	<u>(14,680)</u>
Finance costs (net)	7	<u>(2,547)</u>	<u>(2,478)</u>
Loss on ordinary activities before taxation		<u>(14,394)</u>	<u>(17,158)</u>
Tax on loss	8	<u>-</u>	<u>-</u>
Retained loss for the financial year attributable to the equity shareholders of the Company		<u><u>(14,394)</u></u>	<u><u>(17,158)</u></u>
Total comprehensive expense attributable to equity shareholders of the Company		<u><u>(14,394)</u></u>	<u><u>(17,158)</u></u>

All amounts relate to continuing activities in the current and prior year. The notes on pages 20 to 37 form part of these financial statements.

Evening Standard Limited

Balance sheet As at 3 October 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	12	772	1,071
Investments	13	-	-
		<u>772</u>	<u>1,071</u>
Current assets			
Stock	14	387	416
Debtors	15	10,253	9,924
Cash at bank and in hand		<u>1,497</u>	<u>6,069</u>
		<u>12,137</u>	<u>16,409</u>
Creditors: amounts falling due within one year	16	(13,496)	(10,023)
Net current (liabilities) / assets		<u>(1,359)</u>	<u>6,386</u>
Total assets less current liabilities		(587)	7,457
Creditors: amounts falling due after more than one year	16	(23,373)	(13,460)
Provisions for liabilities	17	(5,038)	(10,223)
Net liabilities		<u>(28,998)</u>	<u>(16,226)</u>
Capital and reserves			
Called up share capital	18	20	20
Share premium account	19	28,269	28,268
Other reserves	19	68,100	66,479
Profit and loss account	19	<u>(125,387)</u>	<u>(110,993)</u>
Shareholders' deficit		<u>(28,998)</u>	<u>(16,226)</u>

The financial statements of Evening Standard Limited (registered number 06770098) were approved by the Board of Directors on 21 June 2022.

Signed on behalf of the Board of Directors

 Charles Yardley

C M G Yardley
Director

Evening Standard Limited

Cash flow statement For the 53 weeks ended 3 October 2021

	Notes	2021 £'000	2020 £'000
Net cash outflow from operating activities	9	(13,323)	(9,535)
Cash flows from/(used in) investing activities			
Interest received	10	-	25
Capital expenditure	10	(249)	(123)
Net cash flows used in investing activities		<u>(249)</u>	<u>(98)</u>
Cash flows from financing activities			
Receipt of borrowings	11	9,000	12,000
Net cash flows from financing activities		<u>9,000</u>	<u>12,000</u>
(Decrease) / increase in cash in the year	11	<u>(4,572)</u>	<u>2,367</u>
Cash and cash equivalents at the beginning of the year		<u>6,069</u>	<u>3,703</u>
Cash and cash equivalents at the end of the year		<u>1,497</u>	<u>6,069</u>

Evening Standard Limited

Statement of changes in equity For the 53 weeks ended 3 October 2021

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained Earnings £'000	Total £'000
Balance at 29 September 2019		20	28,268	37,616	(93,835)	(27,931)
Loss for the year		-	-	-	(17,158)	(17,158)
Total comprehensive expense for the year		-	-	-	(17,158)	(17,158)
Capital contribution on shareholder loans	19	-	-	28,863	-	28,863
Balance at 27 September 2020		20	28,268	66,479	(110,993)	(16,226)
Loss for the year		-	-	-	(14,394)	(14,394)
Total comprehensive expense for the year		-	-	-	(14,394)	(14,394)
Capital contribution on shareholder loans	19	-	1	1,621	-	1,622
Balance at 3 October 2021		20	28,269	68,100	(125,387)	(28,998)

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

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 7.

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. Exemption has been taken under s. 401 of the Companies Act 2006 not to prepare consolidated accounts as it was, at the end of the year, a subsidiary of Lebedev Holdings Limited, of which consolidated financial statements including the Company's financial statements, are readily available as set out in note 24.

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 a loss before tax of £14,394,000 during the year ended 3 October 2021 and at that date it had net liabilities of £28,998,000. The Company requires further funding and intends to meet its day-to-day working capital requirements through long term finance provided by the shareholders. As mentioned in the Strategic report, an additional shareholder financing facility was agreed during the prior year providing up to £20,000,000, of which a further £9,000,000 was drawn down as of 3 October 2021 (2020: £7,000,000). Notwithstanding this agreement, Mr Evgeny Lebedev, who is 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 other formal funding arrangement is in place.

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 a 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 For the 53 weeks ended 3 October 2021

1. Accounting policies (continued)

Going concern (continued)

In this regard readers should note that the effect of recording 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 £23,373,000 (2020: £13,460,000) compared to the loan principal outstanding of £68,650,000 (2020: £59,650,000). The repayment date on all loans is 31 December 2035.

Financial year

The results for 2021 represent the 53 weeks from 28 September 2020 to 3 October 2021. The comparative accounts were for the 52 weeks from 30 September 2019 to 27 September 2020.

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) and commission where applicable. The company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of agency spend over the contract period. 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 cost less accumulated depreciation and provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and equipment	20-33% straight line
Fixtures and fittings	10-33% straight line

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.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

1. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

1. Accounting policies (continued)

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.

Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Stocks

Stocks represent the cost of newsprint valued at the lower of cost and net realisable value.

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.

Job retention scheme

Government grants in respect of the Coronavirus Job Retention Scheme (CJRS) are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating to revenue. Grants relating to revenue are recognised in income over the period in which the related costs are recognised.

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. The restructuring provision movement is presented separately in the profit and loss account to provide more information to the users of the financial statements.

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.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

1. Accounting policies (continued)

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 subsidiary, ESTV Limited, and connected companies, Independent Digital News And Media Limited and Independent Print 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.

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.

In the opinion of the Directors there are no critical accounting judgements or key sources of estimation uncertainty applicable to these financial statements.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

3. Turnover

	2021 Turnover £'000	2020 Turnover £'000
By activity:		
News Publishing	26,962	42,849
Events	<u>1,105</u>	<u>1,217</u>
	<u>28,067</u>	<u>44,066</u>
Geographical market by destination and source:		
United Kingdom	<u>28,067</u>	<u>44,066</u>

Included within turnover is £432,000 (2020: £747,000) of advertising revenue which was provided in return for goods and services.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

4. Operating loss

The operating loss of £11,847,000 (2020: loss of £14,680,000) is stated after charging / (crediting) the following:

	2021 £'000	2020 £'000
Distribution costs	9,733	11,511
Depreciation of tangible fixed assets	547	546
Operating lease costs		
- property rental	1,265	1,265
- motor vehicles	485	545
Auditor's remuneration		
- fees for the audit of the company	68	68
- non-audit fees - taxation compliance	6	6
Other operating costs	10,409	12,000
Total administrative expenses	12,780	14,430
Other operating income - recharges	(4,068)	(4,886)
Other net operating expenses	18,445	21,055
Government grants	-	(1,206)
Covid insurance payout	(2,490)	-
Restructuring programme	352	4,253
Total operating expenses	16,307	24,102

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

Government grants represent amounts received in respect of Coronavirus Job Retention Scheme. The company also took advantage of the VAT deferral scheme and will settle any outstanding amounts as they fall due.

The company received interim payments in respect of a Covid-19 insurance claim in relation to business interruption, which is currently in the process of being settled.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

5. Employees

	2021 Number	2020 Number
Monthly average number of persons (including Directors) employed by the Company by activity:		
News Publishing	229	316
Events	7	4
	<u>236</u>	<u>320</u>
	2021	2020
	£'000	£'000
Total staff costs (including Directors) comprised:		
Wages and salaries	13,240	17,511
Social security costs	1,564	2,048
Pension contributions	1,345	1,523
	<u>16,149</u>	<u>21,082</u>

6. Directors' emoluments

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

	2021 £'000	2020 £'000
Emoluments	685	924
Company contributions to money purchase pension scheme	4	4
Compensation for loss of office	23	625
	<u>712</u>	<u>1,553</u>

Retirement benefits are accruing to two directors under a money purchase scheme.

	2021 £'000	2020 £'000
Highest paid director		
Emoluments	483	336
Company contributions to money purchase pension scheme	4	-
Compensation for loss of office	-	357
	<u>487</u>	<u>693</u>

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

7. Finance costs (net)

	2021 £'000	2020 £'000
Bank interest receivable	-	25
Interest payable on shareholder loans	(2,547)	(2,503)
	<u>(2,547)</u>	<u>(2,478)</u>

Interest payable on shareholder loans includes a notional interest charge of £2,547,000 (2020: £2,503,000) which arises on the unwinding of the present value of the loans using the effective interest rate applied to these loans upon recognition.

8. Tax

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

	2021 £'000	2020 £'000
Current tax:		
Adjustment in respect of previous periods	-	-
Foreign tax suffered	-	-
Total current tax	<u>-</u>	<u>-</u>
Total UK corporation tax	<u>-</u>	<u>-</u>

a) Current tax

The tax charge for the period can be reconciled to the profit per the Profit and loss account and statement of other comprehensive income as follows:

Loss on ordinary activities before taxation	(14,394)	(17,158)
Tax on loss at standard UK tax rate of 19% (2020: 19%)	<u>(2,735)</u>	<u>(3,260)</u>
Factors affecting current tax charge for the year:		
Expenses not deductible for tax purposes	276	606
Deferred tax not recognised	2,276	2,641
Income not taxable	(17)	-
Loan relationship credit	191	-
Effects of group relief/ other reliefs	<u>9</u>	<u>13</u>
Total current tax charge	<u>-</u>	<u>-</u>

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

8. Tax (continued)

In the March 2021 Budget it was announced that the Corporation Tax rate will be increased to 25% from 1 April 2023, however this was not substantially-enacted at the balance sheet date, so deferred tax balances have not been adjusted to reflect this announcement.

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 £22,752,000 (2020: £15,057,000) based on a tax rate of 19%.

9. Reconciliation of operating loss to operating cash flows

	2021 £'000	2020 £'000
Operating loss	(11,847)	(14,680)
Depreciation	547	546
Decrease / (increase) in stock	29	(158)
(Increase) / decrease in debtors	(340)	6,474
Increase / (decrease) in creditors due within one year	3,473	(2,662)
(Decrease) / increase in provisions	(5,185)	945
Net cash outflow from operating activities	(13,323)	(9,535)

10. Analysis of cash flows

	2021 £'000	2020 £'000
Cash flows from investing activities		
Interest received	-	25
Net cash inflow	-	25
Purchase of tangible fixed assets	(249)	(123)
Net cash outflow	(249)	(123)

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

11. Analysis and reconciliation of net debt

	2020	Interest accrued	FRS 102 adjustment for implied interest	Cash flow in year	2021
	£'000	£'000	£'000	£'000	£'000
Cash in hand, at bank	6,069	-	-	(4,572)	1,497
Debt due after one year	(13,460)	(2,547)	1,634	(9,000)	(23,373)
Net debt	(7,391)	(2,547)	1,634	(13,572)	(21,876)

12. Tangible fixed assets

	Plant and equipment	Furniture and fittings	Total
	£'000	£'000	£'000
Cost			
At 27 September 2020	2,960	548	3,508
Additions	222	27	249
Disposals	(1)	-	(1)
At 3 October 2021	3,181	575	3,756
Accumulated depreciation			
At 27 September 2020	1,975	462	2,437
Charge for the year	499	48	547
At 3 October 2021	2,474	510	2,984
Net book value			
At 3 October 2021	707	65	772
At 27 September 2020	985	86	1,071

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

13. Fixed asset investments

	Subsidiaries £
Cost	
At 27 September 2020 and 3 October 2021	21
Net book value	
At 27 September 2020 and 3 October 2021	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 3 October 2021, ES London Limited reported a profit before taxation of £425 (2020: profit of £115).

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

14. Stock

	2021 £'000	2020 £'000
Raw materials and consumables	387	416

15. Debtors

	2021 £'000	2020 £'000
Amounts due within one year:		
Trade debtors	5,969	4,674
Amounts owed by group companies	780	283
Deferred tax	5	5
Other debtors	37	273
Prepayments and accrued income	3,462	4,562
Government grants	-	127
	10,253	9,924

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

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

16. Creditors

	2021 £'000	2020 £'000
Amounts due within one year:		
Trade creditors	7,697	2,667
VAT payable	346	365
Taxation and social security	498	582
Other creditors	40	270
Amounts owed to group undertakings	75	80
Accruals and deferred income	4,840	6,059
	<u>13,496</u>	<u>10,023</u>
Amounts falling due after more than one year:		
Shareholder loans	<u>23,373</u>	<u>13,460</u>

The amounts owed to group undertakings are interest free and repayable on demand.

In prior year, new shareholder loan agreements were entered into to extend the maturities of existing interest free shareholder loans from 31 December 2025 to 31 December 2035. Under FRS 102 section 11, the existing loans were derecognised at a carrying value of £33,030,000 and then subsequently recognised as a financial instrument at £7,423,000. The impact of this adjustment of £27,568,000 is recognised in Note 19 in prior year as capital contribution from the Company's shareholders. The cash value of the interest-free loans is £52,650,000 (2020: £52,650,000).

In prior year, an additional shareholder financing facility was agreed providing up to £20,000,000, of which a further £9,000,000 was drawn down as of 3 October 2021 (2020: £7,000,000). The Company will pay interest on the outstanding amount of the new shareholder loans at a rate of 12% a year. Under FRS 102 section 11, the directors are required to apply a fair value interest rate to shareholder loans based on comparative market data. The directors assessed the effective interest rate applied to shareholders loans as 13.5%. As a result, a further £1,621,000 (2020: £1,295,000) was recognised in note 19 as a capital contribution from the Company's shareholders. The carrying value of these loans at 3 October 2021 was £14,421,000. Interest at 13.5% on those loans amounted to £1,268,000 (2020: £81,000).

The carrying value of shareholder loans at 3 October 2021 was £23,373,000 (2020: £13,460,000). The shareholder loan liability excluding the impact of discounting would amount to £68,650,000 (2020: £59,650,000).

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Notes to the financial statements For the 53 weeks ended 3 October 2021

17. Provisions for liabilities

	Liabel £'000	Contract discounts £'000	Restructuring provision £'000	Total £'000
At 27 September 2020	750	5,709	3,764	10,223
Charged during year	-	2,052	-	2,052
Utilised during year	(568)	(2,905)	(3,764)	(7,237)
At 3 October 2021	<u>182</u>	<u>4,856</u>	<u>-</u>	<u>5,038</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 and hence not discounted. Contract discounts are further explained in Note 1, Turnover.

18. Called up share capital

	2021 £	2020 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	20,375	20,375
Non-voting ordinary shares of £1 each	75	75
	<u>20,450</u>	<u>20,450</u>

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

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

19. Reserves

	2021			
	Share premium account	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At beginning of financial year	28,268	66,479	(110,993)	(16,246)
Retained loss for the financial year	-	-	(14,394)	(14,394)
Capital contribution	1	1,621	-	1,622
At end of year	<u>28,269</u>	<u>68,100</u>	<u>(125,387)</u>	<u>(29,018)</u>

The movement in reserves relates to capital contribution on shareholder loans due to de-recognition and subsequent recognition of fair value interest on shareholder loans in accordance with FRS102 as further explained in note 16 above.

	2020			
	Share premium account	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At beginning of financial year restated	28,268	37,616	(93,835)	(27,952)
Retained loss for the financial year	-	-	(17,158)	(17,158)
Capital contribution	-	28,863	-	28,863
	<u>28,268</u>	<u>66,479</u>	<u>(110,993)</u>	<u>(16,246)</u>

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

20. Commitments

At 3 October 2021 the Company had total minimum lease commitments under non-cancellable operating leases as follows:

	2021		2020	
	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000
Operating leases:				
Within one year	1,265	218	1,265	485
In the second to fifth years	97	47	1,382	28
Total	<u>1,362</u>	<u>265</u>	<u>2,647</u>	<u>513</u>

The annual rental lease commitments due to Associated Newspapers Limited are £1,265,000 until October 2022. No amounts are falling due after five years.

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 £1,345,000 (2020: £1,523,000) in respect of employers and £105,000 (2020: £146,000) employee's contributions was payable at 3 October 2021.

22. Share options

At balance sheet date, all remaining equity settled share options with a 10 year life expired (2020: 15 remained). The options were 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.

Evening Standard Limited

Notes to the financial statements For the 53 weeks ended 3 October 2021

23. Related party transactions

Key management are those persons having authority and responsibility for planning, controlling, and directing the activities of the Company. In the opinion of the Board, the Company key management are the Directors. Information regarding their compensation is given in note 6.

The on-going costs of the Company have been funded by the way of shareholder loans as detailed in note 16 above. At 3 October 2021, the amount due from the Company to Mr Evgeny Lebedev was £14,403,000 (2020: £7,697,000) and to Lebedev Holdings Limited was £827,000 (2020: £729,000). In addition to this, further loans of £1,963,000 (2020: £1,729,000) were due to Daily Mail and General Holdings Limited, a shareholder at 3 October 2021.

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 received 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 £865,000 (2020: £3,123,000) in relation to advertising sales and was recharged costs of £3,022,000 (2020: £2,812,000) by Associated Newspapers Limited, whilst the net amount payable in respect of these services at 3 October 2021 was £4,076,000 (2020: net payable £1,785,000). Additionally, the Company was recharged costs of £3,258,000 (2020: £7,510,000) by Harmsworth Printing Limited and the amount payable at 3 October 2021 was £743,000 (2020: £nil).

The Company made sales in respect of management and consultancy services of £111,000 (2020: £112,000) to and was recharged costs of £nil (2020: £nil) from Independent Print Limited, a company under common control. The net amount owed to the Company in respect of these services on 3 October 2021 was £215,000 (2020: owed £9,000 to Independent Print Limited).

The Company made sales of £3,587,000 (2020: £4,072,000) to and purchases of £2,061,000 (2020: £1,580,000) 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 3 October 2021 was £619,000 (2020: £961,000).

The Company has a 70% shareholding in ES London Limited. During the year the Company received revenue of £10,000 (2020: £10,000) and incurred costs of £40,000 (2020: £40,000) from its subsidiary for services received. In addition, the Company settled third party costs of £29,000 (2020: £28,744) on behalf of ES London Limited. The amount due to the Company on 3 October 2021 was £138,615 (2020: £108,455) and the amount due to ES London Limited was £120,000 (2020: £80,000).

The Company made sales of £362,000 (2020: £707,000) to and purchases of £nil (2020: £nil) from ESTV Limited, a 100% owned subsidiary of Lebedev Holdings Limited. The net amount owed to the Company in respect of these services on 3 October 2021 was £225,000 (2020: £174,000).

During the year, the Company received services from companies in which directors have an controlling interest totalling £661,000 (2020: £320,000) and received revenue of £nil (2020: £nil). The net amount due to the Company was £nil (2020: £nil) and the net amount payable to these companies at 3 October 2021 was £nil (2020: £nil). The nature of the service provided is media and branding consultancy.

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

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24. Post Balance sheet

The Company has agreed a further £7million, 12% preference shareholder debt facility in March 2022. This facility is considered adequate for the funding of the business for the next 12 months.

25. 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, the majority 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