

Company Registration No. 06770098

Evening Standard Limited

Annual Report and Financial Statements

For the 52 weeks ended 27 September 2020



Evening Standard Limited

Annual report and financial statements 2020

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Evening Standard Limited

Annual report and financial statements 2020

Officers and professional advisers

Directors

J D E Byam Shaw
M Malhotra
E Lebedev
J Paton
C M G Yardley

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 online news content. The analysis of turnover and operating loss for the year ended 27 September 2020 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 £14,680,000 (2019 loss: £11,363,000), this includes a charge in the year of £4,253,000 (2019: £469,000) for restructuring as per note 17. It has net liabilities of £16,226,000 (2019: £27,931,000).

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 second half of the year was significantly impacted by the coronavirus pandemic (“COVID-19”). As a result of this, turnover in the second half of the year reduced to just 40% of the prior year position, and full year turnover was £44,066,000 (2019: £64,031,000), which was 31% lower than the previous year.

The coronavirus pandemic caused an industry wide reduction in advertising revenue which when combined with fewer people travelling by public transport in central London and a lack of future visibility resulted in a number of publications choosing to cease operation during the period, and some of which continue to remain out of circulation. During this period the Evening Standard continued to serve its audience by adapting distribution methods to incorporate home delivery ensuring continued reach despite the fundamental changes to working practices. A reduced ability to generate revenue combined with higher home delivery costs required the Company to reduce its cost base where possible. As a result the total operating costs reduced by £19,041,000 or 26% from the prior year position through a reduction in the number and size of newspapers printed alongside a reduction in all discretionary spend. In addition, the Company initially took advantage of the Government introduced job retention scheme prior to restructuring the business to create a sustainable cost base and ensure the future viability of the business. Further details can be found in Note 4.

During the 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 £7,000,000 was drawn down as at 27 September 2020, details of which are contained in note 16 and the directors’ report.

Outlook

The company has recently completed a significant restructuring as a result of difficult market conditions. However, the changes reflect the evolution of the Company’s business priorities which are being led by the changing behaviours and demands of our readers and customers. Our focus is on building a digital and mobile platforms, alongside the printed paper, whilst also developing a live events business and introducing new digital led products and initiatives. There will also be continued focus on improving the company’s financial performance, cost control and development of new business across the 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 key some key suppliers during the year to discuss important issues.

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.

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.

- a. Remote working. The business moved to a fully remote working model in March as a response to the Coronavirus pandemic. The employees were surveyed during May to understand their views on the new ways of working. As a result of this survey the business adapted its plan for return to the office and made changes to the office environment.

Evening Standard Limited

Strategic report (continued)

Section 172(1) statement (continued)

Approach to engagement (continued)

- b. Digital re-platforming. The directors were made aware of the feedback from users and advertisers regarding improvements that should be made to the digital environment. As a result of this investment was made to re-platform the digital assets onto an improved content management system.
- c. Home Delivery. The distribution of the Evening Standard was significantly impacted by the Coronavirus pandemic. Before making decisions on how the product would continue to be published, the Directors sought input from key suppliers and employees. These conversations identified the opportunity to establish a new distribution channel direct to people's homes, which the Directors decided was the best course of action to maintain a viable distribution level.
- d. Restructuring. Towards the end of the financial year the Company undertook a sizeable restructuring programme. The Directors ensured that the company fulfilled its consultation requirements with employees and where appropriate with unions, and used this consultation to adapt and improve the restructuring plans.

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.

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. The effects of Brexit have been felt to some degree, but may adversely affect specific categories, for example travel and financial markets, and as a consequence the marketing budgets the Company depends on. 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.

Evening Standard Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Legal and regulatory (continued)

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.

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 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.

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Strategic report (continued)

Principal risks and uncertainties (continued)

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.

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.

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.

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



C M G Yardley
Director

19 January 2021

Evening Standard Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 27 September 2020. The comparative accounts were for the year ended 29 September 2019.

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 £17,158,000 (2019 loss: £13,634,000). In light of the retained losses to date, no dividend has been proposed or declared (2019: £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.

Current reporting year (Oct'19 – Sep'20)

Total energy use covering electricity and transport	1,691,614	kWh
Total emissions generated through combustion of gas (Scope 1)	-	tCO2e
Total emissions generated through use of purchased electricity (Scope 2)	83.15	tCO2e
Total emissions generated through business travel (Scope 3)	275.69	tCO2e
Total gross emissions	358.84	tCO2e
Intensity ratio (total gross emissions)	10.99	kgCO2e per sqft
Intensity ratio (transport emissions only)	0.58	kgCO2e per mile
Intensity ratio (electricity emissions only)	2.55	kgCO2e per sqft

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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.
- Moved to fully remote working because of Covid-19. This will be reviewed once situation eases but the Company anticipates embedding greater level of flexible working, reducing 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. Whilst triggered by Covid-19, this sets the business up for much more effective remote working in the long term.

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 £17,158,000 during the year ended 27 September 2020 and at that date it had net liabilities of £16,226,000. 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 during the year providing up to £20,000,000, of which £7,000,000 was drawn down as at 27 September 2020. 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 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 £13,460,000 (2019: £27,820,000) compared to the loan principal outstanding of £59,650,000 (2019: £47,650,000). The repayment date on all loans is 31 December 2035.

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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
G C Greig (resigned 1 August 2020)
M Malhotra
A O Mullins (resigned 20 January 2020)
J O'Donnell (resigned 31 January 2020)
E Lebedev
Z R Leonard (resigned 23 December 2019)
J Paton
M J Soutar (appointed 7 October 2019; resigned 31 May 2020)
C M G Yardley (appointed 15 June 2020)

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



M Malhotra
Director

19 January 2021

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 of Evening Standard Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 27 September 2020 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
- the statement of other comprehensive income;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity;
- 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 £17,158,000 during the year ended 27 September 2020 and at that date it had net liabilities of £16,226,000. The company requires continuous financial support from the shareholders and notwithstanding the £20,000,000 shareholder facility, there is no other 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

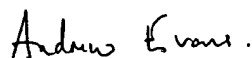
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



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

19 January 2021

Evening Standard Limited

Profit and loss account and statement of other comprehensive income For the 52 weeks ended 27 September 2020

	Notes	2020 £'000	2019 £'000
Turnover	1, 3	44,066	64,031
Cost of sales		(34,644)	(53,685)
Gross profit		<u>9,422</u>	<u>10,346</u>
Other net operating expenses	4	(21,055)	(21,709)
Restructuring costs	4	(4,253)	-
Other operating income	4	1,206	-
Operating loss		<u>(14,680)</u>	<u>(11,363)</u>
Finance costs (net)	7	<u>(2,478)</u>	<u>(2,271)</u>
Loss on ordinary activities before taxation		<u>(17,158)</u>	<u>(13,634)</u>
Tax credit 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><u>(17,158)</u></u>	<u><u>(13,634)</u></u>
Total comprehensive expense attributable to equity shareholders of the Company		<u><u>(17,158)</u></u>	<u><u>(13,634)</u></u>

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

Evening Standard Limited

Balance sheet As at 27 September 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	12	1,071	1,494
Investments	13	-	-
		<u>1,071</u>	<u>1,494</u>
Current assets			
Stock	14	416	258
Debtors	15	9,924	16,397
Cash at bank and in hand		<u>6,069</u>	<u>3,703</u>
		16,409	20,358
Creditors: amounts falling due within one year	16	(10,023)	(12,685)
Net current assets		<u>6,386</u>	<u>7,673</u>
Total assets less current liabilities		7,457	9,167
Creditors: amounts falling due after more than one year	16	(13,460)	(27,820)
Provisions for liabilities	17	(10,223)	(9,278)
Net liabilities		<u>(16,226)</u>	<u>(27,931)</u>
Capital and reserves			
Called up share capital	18	20	20
Share premium account	19	28,268	28,268
Other reserves	19	66,479	37,616
Profit and loss account	19	<u>(110,993)</u>	<u>(93,835)</u>
Shareholders' deficit		<u>(16,226)</u>	<u>(27,931)</u>

The financial statements of Evening Standard Limited (registered number 06770098) were approved by the Board of Directors on 19 January 2021.

Signed on behalf of the Board of Directors



M Malhotra
Director

Evening Standard Limited

Cash flow statement For the 52 weeks ended 27 September 2020

	Notes	2020 £'000	2019 £'000
Net cash outflow from operating activities	9	(9,535)	(12,300)
Cash flows from/(used in) investing activities			
Interest received	10	25	29
Capital expenditure	10	(123)	(536)
Net cash flows used in investing activities		(98)	(507)
Cash flows from financing activities			
Receipt of borrowings	16	12,000	-
Share issue	18	-	10,000
Net cash flows from financing activities		12,000	10,000
Increase / (decrease) in cash in the year	11	2,367	(2,807)
Cash and cash equivalents at the beginning of the year		3,703	6,510
Cash and cash equivalents at the end of the year		6,070	3,703

Evening Standard Limited

Statement of changes in equity For the 52 weeks ended 27 September 2020

	Note	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained Earnings £'000	Total £'000
Balance at 30 September 2018		10	18,278	37,599	(80,201)	(24,314)
Loss for the year		-	-	-	(13,634)	(13,634)
Total comprehensive expense for the year		-	-	-	(13,634)	(13,634)
Capital contribution on shareholder loans	19	-	-	17	-	17
Share issue during the year	18	10	9,990	-	-	10,000
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)

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

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 6.

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. Exemption has not been taken from the requirement to prepare a cash flow statement and the requirements to disclose key management personnel remuneration.

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 £17,158,000 during the year ended 27 September 2020 and at that date it had net liabilities of £16,226,000. 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 year providing up to £20,000,000, of which £7,000,000 was drawn down as at 27 September 2020. 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 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 52 weeks ended 27 September 2020

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 £13,460,000 (2019: £27,820,000) compared to the loan principal outstanding of £59,650,000 (2019: £47,650,000). The repayment date on all loans is 31 December 2035.

Financial year

The results for 2020 represent the 52 weeks from 30 September 2019 to 27 September 2020. The comparative accounts were for the 52 weeks from 1 October 2018 to 29 September 2019.

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 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.

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

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 52 weeks ended 27 September 2020

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 52 weeks ended 27 September 2020

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.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty 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.

Selection of effective interest rate on shareholder loans

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 notes 7 and 16.

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

3: Turnover

	2020 Turnover £'000	2019 Turnover £'000
By activity:		
News Publishing	42,849	62,686
Events	1,217	1,345
	<u>44,066</u>	<u>64,031</u>
Geographical market by destination and source:		
United Kingdom	<u>44,066</u>	<u>64,031</u>

Included within turnover is £747,000 (2019: £1,180,000) of advertising revenue which was provided in return for goods and services.

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

4. Operating loss

The operating loss of £14,680,000 (2019: loss of £11,363,000) is stated after charging / (crediting) the following:

	2020 £'000	2019 £'000
Distribution costs	11,511	12,450
Depreciation of tangible fixed assets	546	475
Operating lease costs		
- property rental	1,265	1,265
- motor vehicles	545	621
Auditor's remuneration		
- fees for the audit of the company	68	60
- non-audit fees - taxation compliance	6	6
Redundancy and reorganisation	-	469
Other operating costs	12,000	11,823
Total administrative expenses	14,430	14,719
Other operating income - recharges	(4,886)	(5,460)
Other net operating expenses	21,055	21,709
Government grants	(1,206)	-
Restructuring programme	4,253	-
Total operating expenses	24,102	21,709

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.

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

5. Employees

	2020 Number	2019 Number
Monthly average number of persons (including Directors) employed by the Company by activity:		
News Publishing	316	372
Events	4	6
	<u>320</u>	<u>378</u>
	2020 £'000	2019 £'000
Total staff costs (including Directors) comprised:		
Wages and salaries	17,511	20,426
Social security costs	2,048	2,482
Pension contributions	1,523	1,535
	<u>21,082</u>	<u>24,443</u>

6. Directors' emoluments

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

	2020 £'000	2019 £'000
Emoluments	924	812
Company contributions to money purchase pension scheme	4	11
Compensation for loss of office	625	-
	<u>1,553</u>	<u>823</u>

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

	2020 £'000	2019 £'000
Highest paid director		
Emoluments	336	347
Company contributions to money purchase pension scheme	-	-
Compensation for loss of office	357	-
	<u>693</u>	<u>347</u>

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

7. Finance costs (net)

	2020	2019
	£'000	£'000
Bank interest receivable	25	29
Interest payable on shareholder loans	(2,503)	(2,300)
	<u>(2,478)</u>	<u>(2,271)</u>

Interest payable on shareholder loans includes a notional interest charge of £2,503,000 (2019: £2,300,000) 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:

	2020	2019
	£'000	£'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	(17,158)	(13,634)
Tax on loss at standard UK tax rate of 19% (2019: 19%)	<u>(3,260)</u>	<u>(2,590)</u>
Factors affecting current tax charge for the year:		
Expenses not deductible for tax purposes	606	649
Deferred tax not recognised	2,641	1,945
Income not taxable	-	(4)
Effects of overseas tax rates	-	-
Effects of group relief/ other reliefs	13	-
Total current tax charge	<u>-</u>	<u>-</u>

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

8. Tax (continued)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax rate will be held at 19%. As substantive enactment is before the balance sheet date, deferred tax balances as at 27 September 2020 is measured at the rate of 19%.

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 £15,057,000 (2019: £11,109,000) based on a tax rate of 19%.

9. Reconciliation of operating loss to operating cash flows

	2020 £'000	2019 £'000
Operating loss	(14,680)	(11,363)
Depreciation	546	475
(Increase) / decrease in stock	(158)	114
Decrease in debtors	6,474	1,340
Decrease in creditors due within one year	(2,662)	(2,116)
Increase / (decrease) in provisions	945	(750)
Net cash outflow from operating activities	(9,535)	(12,300)

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

10. Analysis of cash flows

	2020 £'000	2019 £'000
Cash flows from investing activities		
Interest received	24	29
Net cash inflow	<u>24</u>	<u>29</u>
Purchase of tangible fixed assets	(123)	(536)
Net cash outflow	<u>(123)</u>	<u>(536)</u>

11. Analysis and reconciliation of net debt

	2019 £'000	Interest accrued £'000	FRS 102 adjustment for implied interest £'000	Cash flow in year £'000	2020 £'000
Cash in hand, at bank	3,703	-	-	2,367	6,070
Debt due after one year	(27,820)	(2,503)	28,863	(12,000)	(13,460)
Net debt	<u>(24,117)</u>	<u>(2,503)</u>	<u>28,863</u>	<u>(9,633)</u>	<u>(7,390)</u>

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

12. Tangible fixed assets

	Plant and equipment £'000	Furniture and fittings £'000	Total £'000
Cost			
At 29 September 2019	2,837	548	3,385
Additions	123	-	123
At 27 September 2020	2,960	548	3,508
Accumulated depreciation			
At 29 September 2019	1,466	425	1,891
Charge for the year	509	37	546
At 27 September 2020	1,975	462	2,437
Net book value			
At 27 September 2020	985	86	1,071
At 29 September 2019	1,371	123	1,494

13. Fixed asset investments

	Subsidiaries £
Cost	
At 29 September 2019 and 27 September 2020	21
Net book value	
At 29 September 2019 and 27 September 2020	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 27 September 2020, ES London Limited reported a profit before taxation of £115 (2019: profit of £1,665).

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

14. Stock

	2020 £'000	2019 £'000
Raw materials and consumables	416	258

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

15. Debtors

	2020 £'000	2019 £'000
Amounts due within one year:		
Trade debtors	4,674	10,508
Amounts owed by group companies	283	124
Deferred tax	5	5
Other debtors	273	706
Prepayments and accrued income	4,562	5,053
Government grants	127	-
	<u>9,924</u>	<u>16,397</u>

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

16. Creditors

	2020 £'000	2019 £'000
Amounts due within one year:		
Trade creditors	2,667	2,938
VAT payable	365	661
Taxation and social security	582	600
Other creditors	270	547
Amounts owed to group undertakings	80	40
Accruals and deferred income	6,059	7,899
	<u>10,023</u>	<u>12,685</u>
Amounts falling due after more than one year:		
Shareholder loans	<u>13,460</u>	<u>27,820</u>

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

In 2019, all loans were 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 2 March 2020 a new agreement was signed and a £5,000,000 interest free loan has been advanced subsequently.

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

16. Creditors (continued)

On 14 July 2020 new shareholder loans were granted providing up to £20,000,000 of additional funding which could be called upon by the Company. The Company will pay interest on the outstanding amount of the new shareholder loans at the rate of 12% a year and the loans are repayable in full on 31 December 2035. As at 27 September 2020, £7,000,000 has been drawn at the balance sheet date. The terms of the loan agreement is that interest is accrued each year and only repayable upon maturity on 31 December 2035. FRS 102 section 11 requires the directors to recognise the shareholder loans at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument determined at initial recognition. Based on comparative market data, the Directors assessed the effective interest rate applied to shareholder loans as 13.5%. As a result, £1,295,000 was recognised in note 19 as a capital contribution from the Company's shareholders. The carrying value of these loans as at 27 September 2020 was £5,787,000. Interest at 13.5% on those loans amounted to £81,000 (2019: £nil).

Additionally, on 14 July 2020 loan amendment agreements were signed extending the date on which all interest free shareholder loans must be repaid from the previous date of 31 December 2025 to 31 December 2035. This amounted to a substantial modification of the existing shareholder loans and on this date and, as required by FRS 102 section 11, the existing loans were derecognised at a carrying value of £33,030,000 and then subsequently recognised as a new financial instrument at £7,423,000. The impact of this adjustment of £27,568,000 is recognised in Note 19 as capital contribution from the Company's shareholders. The Directors assessed the effective interest rate applied to shareholder loans as 13.5% being applied to those shareholder loans based on comparative market data. The cash value of the interest-free loans, which are repayable in full on 31 December 2035, is £52,650,000 (2019: £47,650,000).

The carrying value of shareholder loans at 27 September 2020 was £13,460,000 (2019: £27,820,000). The shareholder loan liability excluding the impact of discounting would amount to £59,650,000 (2019: £54,079,000) and are repayable on 31 December 2035 (2019: 31 December 2025).

17. Provisions for liabilities

	Liabel	Contract discounts	Restructuring provision	Total
	£'000	£'000	£'000	£'000
At 29 September 2019	750	8,528	-	9,278
Charged during year	-	3,735	4,253	7,988
Utilised during year	-	(6,554)	(489)	(7,043)
At 27 September 2020	<u>750</u>	<u>5,709</u>	<u>3,764</u>	<u>10,223</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. Contract discounts are further explained in Note 1, Turnover.

In late 2020, a restructuring programme was announced. Consequently, a provision of £4,253,000 has been recognised with £3,764,000 outstanding as at 27 September 2020.

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

18. Called up share capital

	2020	2019
	£	£
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.

19. Reserves

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

The movement in reserves relates 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.

	2019		
	Share premium account	Other reserves	Profit and loss account
	£'000	£'000	£'000
At beginning of financial year restated	18,278	37,599	(80,201)
Retained loss for the financial year	-	-	(13,634)
Capital contribution	-	17	-
Share issue during the year	9,990	-	-
	<u>28,268</u>	<u>37,616</u>	<u>(93,835)</u>
			<u>(27,951)</u>

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

20. Commitments

At 27 September 2020 the Company had total minimum lease commitments under non-cancellable operating leases as follows:

	2020		2019	
	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000
Operating leases:				
Within one year	1,265	485	1,265	545
In the second to fifth years	1,382	28	2,644	473
Total	<u>2,647</u>	<u>513</u>	<u>3,909</u>	<u>1,018</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 £1,505,000 (2019: £1,535,000) and £146,000 (2019: £137,000) in respect of employers and employees contributions for September 2020 was payable at 27 September 2020.

22. Share Options

15 (2019: 20) equity settled share options with a 10 year life remain unexpired at the balance sheet date. 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.

23. Related party transactions

The on-going costs of the Company have been funded by the way of shareholder loans as detailed in note 16 above. At 27 September 2020, the amount due from the Company at 27 September 2020 to Mr Evgeny Lebedev was £7,697,000 (2019: £14,632,000) and to Lebedev Holdings Limited was £729,000 (2019: £nil). In addition to this, further loans of £1,729,000 (2019: £6,932,000) were due to Daily Mail and General Holdings Limited, a shareholder at 27 September 2020.

During the year, the Company carried out a number of transactions with related parties in the normal course of business 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 £3,123,000 (2019: £7,333,000) in relation to advertising sales and was recharged costs of £2,812,000 (2019: £6,349,000) by Associated Newspapers Limited, whilst the net amount payable in respect of these services at 27 September 2020 was £1,785,000 (2019: net receivable £514,000). Additionally, the Company was recharged costs of £7,510,000 (2019: £15,782,000) by Harmsworth Printing Limited and the amount payable at 27 September 2020 was £nil (2019: £1,283,000).

Evening Standard Limited

Notes to the financial statements For the 52 weeks ended 27 September 2020

23. Related party transactions (continued)

The Company made sales in respect of management and consultancy services of £112,000 (2019: £105,000) to and was recharged costs of £nil (2019: £28,000) from Independent Print Limited, a company under common control. The net amount owed to the Company in respect of these services on 27 September 2020 was £9,000 (2019: owed £9,000 to Independent Print Limited).

The Company made sales of £4,072,000 (2019: £5,272,000) to and purchases of £1,580,000 (2019: £1,982,000) 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 27 September 2020 was £961,000 (2019: £238,000).

The Company has a 70% shareholding in ES London Limited. During the year, the company received revenue of £10,000 (2019: £10,000) and incurred costs of £40,000 (2019: £40,000) from its subsidiary for services received. In addition, the Company settled third party costs of £29,000 (2019: £28,000) on behalf of ES London Limited. The amount due to the Company on 27 September 2020 was £108,000 (2019: £77,000) and the amount due to ESL London Limited was £80,000 (2019: £40,000).

The Company made sales of £707,000 (2019: £742,000) to and purchases of £nil (2019: £9,000) from ESTV Limited, a 100% owned subsidiary of Lebedev Holdings Limited. The net amount owed to the Company in respect of these services on 27 September 2020 was £174,000 (2019: £47,000).

During the year, the Company received services from companies in which directors have an interest totalling £320,000 (2019: £308,000) and received revenue of £nil (2019: £1,036,000). The net amount due to the Company was £nil (2019: £10,000) and the net amount owed by these companies at 27 September 2020 was £nil (2019: £nil).

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, 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