

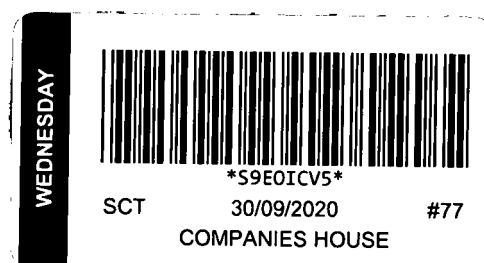


JPIMEDIA HOLDINGS LIMITED
Report for the period from
28 September 2018 to
4 January 2020

COMPANIES HOUSE

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JPIMEDIA HOLDINGS LIMITED GROUP

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

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JPIMEDIA HOLDINGS LIMITED GROUP

COMPANY INFORMATION FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Chairman	Parminder Sandhu
Directors	David Duggins Dean Merritt Parminder Sandhu
Company Secretary	Peter McCall
Registered Office	1 King Street London England EC2V 8AU
Solicitors	MacRoberts LLP Capella 60 York Street Glasgow United Kingdom G2 8JX Ashurst LLP London Fruit and Wool Exchange 1 Duval Square London United Kingdom E1 6PW
Bankers	Lloyds Bank 25 Gresham Street London United Kingdom EC2V 7HN
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London United Kingdom WC2N 6RH

JPIMEDIA HOLDINGS LIMITED GROUP

STRATEGIC REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

The Directors present their Strategic Report, the Directors' report and the Audited Financial Statements for the Group, comprising JPIMedia Holdings Limited (the "Company") and its subsidiaries ("the Group"), for the 66 week period from incorporation to 4 January 2020.

Activities and business review

The Company was incorporated on 28 September 2018 as Erastro 19 Limited. On 17 November 2018, the Company and its subsidiaries acquired the trading business and assets of Johnston Press plc and its subsidiaries from the Administrators of those companies in order to form the operating activities of the Group. The Group is one of the largest regional and local multimedia organisations in the United Kingdom which provides information services to communities through a portfolio of 172 publications and hundreds of websites.

The Group has four key revenue areas: Print advertising, digital advertising, newspaper sales and contract printing which are discussed further on page 5.

On 19 November 2018 the Company changed its name to JPIMedia Holdings Limited.

Strategy and future outlook

The Group has focussed its investment into growing its digital business, while protecting its revenue and cash flow from Print publishing operations.

Highlights of the investment into digital during the period include:

- Upgraded systems, website and mobile platforms to support a superior user experience across its digital assets.
- The Digital Acceleration project across its newsrooms to focus on digital first content creation, including data informed, relevant, timely local content for its consumers.
- Launching paywalls across five of its main digital assets, offering consumers a seamless choice of web, mobile and app subscription.
- Increasing its data analysis capabilities across all areas of the business, including sales and editorial.

The Group has continued its roll out of subscription paywalls in the post balance sheet period.

Key objectives to optimise performance with our existing resources are:

- Grow subscriber digital revenue

The major focus will be on expanding the Group's digital subscribers to generate sustainable, reader generated revenues. The Group has invested in new digital platforms and enhanced editorial capabilities and content in order to grow page views and increase engagement with its audiences.

- Grow advertising digital revenue

The Group has invested in superior digital assets and internal resources to drive increased audience and page views, with a direct increase in digital advertising revenues. As a result of the investment the Group has seen a significant increase in page views and audience, providing the foundation to gain a greater share of the digital advertising market.

- Optimise print advertising and circulation revenues, and contract print revenue

Changes in consumer behaviour have led to a falling demand for print media. However, despite revenue declines, print advertising and circulation remain the primary revenue source for the Group. The Group has focussed on protecting print advertising revenues, managing cover prices and ensuring the efficient and creation and delivery of its newspapers.

- Raise the profile of trust in all titles with audiences and customers

The Group employs professional Editorial staff and adheres to the highest standards in producing trusted content. Trusted local content is key to our consumers in a world with a proliferation of information sources. The Group is actively marketing its trusted, local products to its consumers, differentiating itself from other information sources. Flagship titles include The Scotsman, the Yorkshire Post and the News Letter. A full list of titles, which provide essential reading to communities across the United Kingdom is available online via the JPIMedia website: <https://www.jpimedia.co.uk/newsbrands/>

Principal risks and uncertainties

There are a number of potential risks and uncertainties which have been identified by the Company that could have a material impact on the Group's long-term performance. The most significant are summarised below:

- **Economy**

The impact of changes in the economy and United Kingdom economic performance, including from Brexit and the Coronavirus (COVID-19) pandemic, may have a continued impact on the Group's operations. The significance of this risk has increased during the period because of the current COVID-19 pandemic and the nationwide containment measures put in place to control it. The COVID pandemic has had an impact on advertising and consumer revenues in the short term. While the business has been able to mitigate much of the effect in the short term, a sustained recession impacting the wider economy will impact the Group. The Group seeks to forecast forthcoming economic conditions through continuous monitoring of its revenue outlook, and adjusting its cost base accordingly.

JPIMEDIA HOLDINGS LIMITED GROUP

STRATEGIC REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Principal risks and uncertainties (continued)

- **Business continuity event (e.g. pandemic, epidemic, natural or manmade disaster)**

The Group faces business continuity risk associated with an event such as a pandemic, epidemic, terrorist incident, natural or manmade disaster or similar (each an "Event"). The COVID-19 pandemic has accelerated the introduction of remote working, and the Group has seen minimal disruption in its operations. As well as an immediate impact on operations, an Event may have an impact on future demand and operations. A sustained or more severe future lockdown as a result of the COVID-19 pandemic (or other similar Event) could impact on operations. The safety of employees on their commute, as well as in the workplace, is a priority and containment measures to control the pandemic are likely to continue to affect working practices for an extended period of time. The Group has implemented a number of operational actions designed to preserve liquidity and reduce costs in response to COVID-19.

- **Print-based revenues**

Print advertising and circulation revenues continue to decline. A sustained acceleration in decline rates over and above historical market rates would put additional pressure on the Group's cash generation. The Group aims to mitigate these risks by continuing to develop its digital advertising and digital subscription offerings through partnerships, mobile apps and new digital-based products and new websites. The Group has invested in and reorganised its sales function to ensure a more proactive and effective approach to advertising sales. The Group continues to manage cover prices and distribution to manage print circulation revenues.

- **Digital revenue risk**

A decline in Digital revenues, or a lower growth rate than expected over the short to medium term would put pressure on the Group's ability to grow revenues. The Group has invested in new digital platforms, enhanced digital editorial skills and content in order to grow page views and digital advertising revenue. The group has also launched digital subscription paywalls in the period, with a view to growing this sustainable new digital income stream. By August 2020 the Group had 13 separate subscription sites.

- **Investment in growth**

The Group's ability to invest in new digital product development and technology could be limited by its cash generation which could hinder the Group's ability to grow. The Group continues to invest in digital opportunities in a rapidly changing environment and seeks to limit the impact of these constraints through focussed investment allocation and execution.

- **Liquidity and Going Concern**

The Group has significant cash resources and operating headroom to support the activities of the business, however, it is highly levered. The Group's interest cost in 2020 is forecast to be £5.5m. Following the disposal of JPIMedia Publications Limited and repayment of £65m of borrowings during the period, long term debt maturing November 2023 of £55m remains repayable. Further downward pressure on revenues could reduce operating cash flow below the level required to service interest commitments. The Group mitigates liquidity risk by having in place appropriate controls to forecast and manage its future cash flows.

- **Refinancing**

Failure to repay, refinance, satisfy or otherwise retire the Bonds at their maturity in November 2023 would give rise to a default under the Notes Purchase Agreement and could have a material impact on the Group's operations and its ability to continue as a going concern. The Group will explore options for the restructuring or refinancing of the debt prior to their maturity in November 2023.

Operating and financial performance

The results for the Group from the 66 week period from incorporation to 4 January 2020 are set out in the consolidated income statement on page 14:

JPI MEDIA HOLDINGS LIMITED GROUP

STRATEGIC REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Operational highlights

• Establishment of the trading Group

On 17 November 2018 the Company and its subsidiaries acquired the principal assets and business of Johnston Press plc (now dissolved) and its subsidiaries forming the trading business of the Group which commenced trading on the acquisition day. The Group's acquisition was for a net consideration of £180.9m and comprised:

- the issuance of £88.0m of convertible promissory notes ('Equity Notes') by JPIMedia Holdings Limited, convertible into JPIMedia Holdings Limited share capital; and
- the issuance of £85.0m of convertible promissory notes ('Debt Notes') by JPIMedia Limited, convertible into JPIMedia Limited notes under a Notes Purchase Agreement, and
- cash and deferred consideration of £7.9m.

The assets which the Group acquired on 17 November 2018 are as set out below and in further detail in Note 15:

	£ 000's
Total current assets	32,478
Total non-current assets	136,852
Total liabilities	(12,901)
Net assets acquired	156,429
Goodwill balance arising an acquisition	24,442
	180,871

• Investment in digital development

- Upgraded systems, website and mobile platforms to support a superior user experience across its digital assets.
- The Digital Acceleration project across its newsrooms to focus on digital first content creation, including data informed, relevant, timely local content for its consumers.
- Launching paywalls across five of its main digital assets, offering consumers a seamless choice of web, mobile and app subscription.
- Increasing its data analysis capabilities across all areas of the business, including sales and editorial

• Sale of JPIMedia Publications Limited

The Group completed the sale of JPIMedia Publications Ltd (the i newspaper) to dmg media Ltd, a subsidiary of Daily Mail and General Trust PLC, for £49.4 million on 29 November 2019. The Group subsequently paid £2.2m to dmg media Limited as an agreed working capital contribution and repaid £45.0m of its outstanding debt. The Group continues to explore opportunities to participate in the further consolidation within the sector.

Financial highlights

• Revenue – continuing operations

Newspaper sales were £52.2m in the period. Newspaper sales volumes declined during the period, with the resulting revenue decline partially offset by cover price increases.

Total advertising revenues were £72.5m (comprising print advertising sales of £49.3m, and digital advertising of £23.2m). Print advertising was impacted by structural decline, in part linked to reduced newspaper circulation. This was particularly pronounced in the Classified advertising category (Employment, Property and Motors). Digital advertising performance was varied across individual categories. National digital grew largely from programmatic revenues driven by higher digital page views, and classified verticals suffered from structural competitive pressures. Contract printing revenues of £13.7m were impacted by lost business following reduced sales volumes generally in the UK print publishing industry. Other sundry revenue, totalling £7.5m includes syndication, leaflets, reader offers and events.

• Operating loss and Adjusted EBITDA

The statutory result in the Group's first period of operations was an operating loss from continuing operations of £34.5m. Total Adjusted EBITDA of £32.3m was reported in the period, comprising £17.7m for the Group's continuing operations and £14.6m for discontinued operations (The 'i'). A reconciliation between the operating loss and the adjusted EBITDA presented in a table on page 7, and includes adjustments for exceptional costs incurred during this initial trading period.

The consolidated loss for the period was £59.9m, including net finance costs of £13.2m, and loss on sale of JPIMedia Publications Limited "the i" of £16.3m (Note 10).

• Cash flows

The Group generated cash from operating activities of £29.9m. The Group generated £49.6m from the sale of JPI Media Publications Limited and repaid debt in the period of £65m. The Group held cash of £23.5m on 4 January 2020.

JPIMEDIA HOLDINGS LIMITED GROUP

STRATEGIC REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Financial highlights (continued)

- **Liquidity/Debt repayments**

In order to fund the acquisition and the working capital of the Group, two facilities were put in place:

- Facility A - £35.0m secured loan note with an interest rate of Libor (minimum 1.0%) + 7% which expired in November 2020 (see below), issued on 17 November 2018.
- Facility B - £85.0m secured loan note with an interest rate of Libor (minimum 1.0%) + 9% which expires in November 2023, issued on acquisition on 17 November 2018.

In the period, the Group repaid Facility A in full, and repaid £30m of the Facility B. The Group's closing balance of noteholder debt is £55m (Note 20). The Group's interest rate on borrowings for the financial period was between 8% and 10%, with external interest costs for the current period of £11.6m. This long term debt matures in November 2023.

- **Net asset position**

On 4 January 2020, the Group had net assets of £28.1m. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have assessed the relevant factors and in particular the risks on the Group's business model potentially impacted by the COVID-19 pandemic.

- On 30 January 2020 the World Health Organisation (WHO) declared a Health Emergency and on 11 March 2020 a global pandemic following the outbreak of Coronavirus (COVID-19).
- IAS 10, Events After the Reporting Period, describes an adjusting post balance sheet event as one which provides evidence of conditions which existed at the balance sheet date which may lead to adjustments in the Group's Financial Statements and describes a non-adjusting post balance sheet event as one which is indicative of conditions that arose after balance sheet date. In accordance with guidance issued by the Financial Reporting council issued in May 2020, the impact of COVID-19 is treated as a non-adjusting post balance sheet event.
- The pandemic is a rapidly evolving situation resulting in a high level of uncertainty nationally and has the potential to have a significant impact on the Group.
- The lockdown post year end required many of our employees to work remotely from home and for our print operations to adapt to the changed workflow and interactions with our suppliers and distributors. Revised working protocols remain in place.
- We are not reliant on any critical suppliers that cannot operate as a result of COVID-19.
- Advertising and circulation revenues in 2020 have both been adversely impacted as a result of the pandemic. The Group took appropriate cost reduction measures, including use of the UK Government's furlough scheme for employees.
- Whilst we do expect lower revenue performance in 2020 as a result of COVID-19, consistent with the UK macroeconomic position, we expect to be able to return to more normal revenue performance once conditions improve.

Whilst the ultimate extent of the effect of this matter on the Group cannot be precisely determined at present, the Directors are satisfied it does not impact the Company's or Group's going concern. Accordingly, the financial statements have been prepared on a going concern basis.

The impact of the pandemic on the carrying value of our intangible and other assets and liabilities is also uncertain at present and will be assessed by the Directors through the current financial reporting period with it being likely to lead to an impairment review of goodwill and the publishing titles in the financial year ending 2 January 2021.

JPIMEDIA HOLDINGS LIMITED GROUP

STRATEGIC REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Reconciliation of statutory operating loss and adjusted EBITDA

To provide investors and other users of the Group's Financial Statements with additional understanding of the underlying trading performance of the Group, the financial impact of a number of significant accounting and operational items have been made to determine the adjusted results included in the Financial highlights.

The adjustments include the cost of commencing activities, restructuring and organisational change, and strategic review (including disposal). The Directors believe that it is appropriate to additionally present the Alternative Performance Measures used by management in running the business, and that it will present a more meaningful and comparable financial result.

The adjusted results provide supplementary analysis of the 'underlying' trading of the Group.

	66 weeks ending 4 January 2020 £'000
Statutory operating loss	(34,501)
Adjustments:	
Continuity of supply payments	11,004
Restructuring, redundancy and reorganisation costs	5,992
Aborted transaction fees	1,401
Dilapidations provision	500
Transition and strategic costs	1,271
Administrator recovery	(78)
Administrator provisions release	(735)
Subscription revenue – fair value adjustment	206
Impairment of intangible assets	1,798
Impairment of goodwill	14,032
Impairment of tangible fixed assets	5,181
Other exceptional costs	298
Adjusted operating profit	6,369
Depreciation and amortisation	11,377
Adjusted EBITDA (continuing operations)¹	17,746
Discontinued operations - adjusted EBITDA ²	14,547
Total Adjusted EBITDA	32,293

¹ Adjusted EBITDA is stated after charging £1.1m bonus awarded to the senior employees at the discretion of the Board, based on achievement of individual performance targets and progressing operational objectives as well as integrating the acquisition, and considering disposal options during the period.

² Discontinued operations ("the i") – adjusted EBITDA is the equivalent of Operating profit (excluding depreciation, amortisation, impairment and exceptional items, shown in Note 10).

JPIMEDIA HOLDINGS LIMITED GROUP

STRATEGIC REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Reconciliation of statutory operating loss and adjusted EBITDA (continued)

The nature of the key adjustments identified above are:

- **Continuity of supply payments**
Continuity of supply payments were made to key suppliers subsequent to the 17 November 2018 acquisition, to ensure uninterrupted supplies of goods and services which management chose to pay in order to continue normal operations and revenue generation.
- **Restructuring, redundancy and reorganisation costs**
The £6.0m of restructuring and redundancy costs includes £3.6m of redundancy costs, £1.8m of consultancy costs to transform the editorial and advertising teams, and £0.6m of property restructuring costs.
- **Aborted transaction costs**
Professional advisor fees were incurred in the aborted disposal of the regional business in late 2019.
- **Dilapidations provision**
On 17 November 2018, the Group acquired businesses from Johnston Press plc (now dissolved) and entered into licence to occupy agreements for the business premises with the appointed administrator. The Group entered into subsequent lease agreements during the period, which resulted in the end of the licence to occupy arrangements. The dilapidations provision charge of £0.5m, is an unavoidable cost provision charged in relation to the transfer of the lease from Johnston Press plc group (now dissolved) to the Group.
- **Transition and strategic costs**
Transition and strategic costs comprises £1.3m of professional advisory fees incurred following the acquisition of the principal assets and business of Johnston Press plc (now dissolved).
- **Administrator recovery**
During the period, £78k was recovered on the receivable balances acquired from certain of the Johnston Press plc Group companies that entered Administration in November 2018.
- **Administrator provision release**
The £0.7m release of the administrator provision due to the final payment of fees to the administrator of Johnston Press plc (now dissolved) being lower than the estimate on acquisition date.
- **Subscription revenue – fair value adjustment**
In accordance with IFRS 3 the Group recognised an opening balance sheet adjustment for the service obligation to fulfil newspaper sales subscriptions of £206k. This is deemed as a one-off statutory adjustment by management. This amount is included within the Newspaper Sales revenue line of the Income Statement.
- **Other exceptional costs**
Other costs includes £0.2m of Libel settlement costs and £0.1m of Management Incentive Plan set up costs.

On behalf of the Board,



D K Duggins
Director
30 September 2020
JPIMedia Holdings Limited
Registered in England and Wales No.11595120

JPI MEDIA HOLDINGS LIMITED GROUP

DIRECTORS' REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

The Directors present their report and the audited consolidated Financial Statements for the 66 week period from incorporation ended 4 January 2020.

Directors of the Group

The Directors, who held office during the period and up to the date of signing, unless otherwise stated, were as follows:

P S Sandhu	(appointed 8 January 2019)
D K Duggins	(appointed 28 September 2018)
D E Merritt	(appointed 17 November 2018)
J J Ensall	(appointed 17 November 2018, resigned 7 January 2019)

No Director had any material transactions with the Group other than those set out in the related parties disclosure note (Note 28).

Dividends

No dividends were declared or paid during the period ended 4 January 2020.

Going Concern

The financial position of the Group, its cash flows and liquidity position are described in the Strategic Report.

In addition, Note 2 of the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk, liquidity risk and cash flow risk. These Financial Statements have been prepared on a going concern basis. The Directors consider the use of the going concern basis of accounting to be appropriate, despite facing revenue declines since the end of the period due to the coronavirus pandemic. The Directors have reduced operating costs and participated in the Government Furlough scheme to offset revenue declines. The Directors have seen advertising and circulation revenues improve as the restrictions due to lockdown have been lifted.

The Group incurred a number of significant 'one-off' expenses in the accounts period which will not recur, including Continuity of Supply payments of £11.0m and Aborted sale costs of £1.4m.

The Group has significant cash resources and operating headroom to support the activities of the business. Positive net operating cash flow predictions are expected to support the Group's ability to meet interest obligations as and when they fall due for the foreseeable future.

Following the disposal of JPIMedia Publications Limited and repayment of £65m of borrowings throughout the period, long term debt of £55m maturing November 2023 remains.

In assessing the longer term viability of the Group, the Directors note the ongoing interest obligations on these borrowings, together with the requirement for the £55m loan balance to be repaid by November 2023, and that sufficient cash flows are required to be generated by the Group over the period to November 2023 in order to meet these longer term obligations. If cash flows below the amounts required are generated over the period, alternative financing arrangements will be required to be put in place prior to the end of November 2023. The Directors will continue to review the operations and capital structure of the Group with due regard to the debt maturity in November 2023.

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Events after the reporting period and future developments

On 10 January 2020, the Group paid £2.2m to JPIMedia Publications Limited. This payment represented an agreed working capital contribution made in connection with the disposal of JPIMedia Publications Limited to DMG Media Limited on 29 November 2019.

On 30 January 2020 the World Health Organisation (WHO) declared a Health Emergency and on 11 March 2020 a Global Pandemic following the outbreak of Coronavirus (COVID-19). The pandemic has affected trading and operations since the balance sheet date, with lower Group revenues due to lockdown restrictions and economic confidence. However, the Directors of the JPIMedia Group have seen group advertising and circulation revenues improve as the lockdown restrictions have been lifted. However, the slowdown, and decline in future cash flows, is likely to lead to an impairment review of goodwill and the publishing titles in the financial year ending 2 January 2021.

IAS 10, Events After the Reporting Period, describes an adjusting post balance sheet event as one which provides evidence of conditions which existed at the balance sheet date which may lead to adjustments in the Group's Financial Statements and describes a non-adjusting post balance sheet event as one which is indicative of conditions that arose after balance sheet date. In accordance with guidance issued by the Financial Reporting Council issued in May 2020, the impact of COVID-19 is treated as a non-adjusting post balance sheet event.

Further details in relation to COVID-19 is included in the Strategic Report.

JPIMEDIA HOLDINGS LIMITED GROUP

DIRECTORS' REPORT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

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

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 are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company Financial Statements respectively; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 418 of the Companies Act 2006, each director in office at the date the directors' report is approved confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he 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 auditors are aware of that information.

We confirm that to the best of our knowledge the:

1. Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
2. strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

On behalf of the Board,



D K Duggins

Director

30 September 2020

JPIMedia Holdings Limited Group

Registered in England and Wales No.11595120

JPIMEDIA HOLDINGS LIMITED GROUP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JPIMEDIA HOLDINGS LIMITED FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Independent auditors' report to the members of JPIMedia Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- JPIMedia Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 4 January 2020 and of the group's loss and cash flows for the 66 week period (the "period") then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report for the period from 28 September 2018 to 4 January 2020 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Balance Sheet as at 4 January 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the 66 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

JPIMEDIA HOLDINGS LIMITED GROUP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JPIMEDIA HOLDINGS LIMITED FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 4 January 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

JPIMEDIA HOLDINGS LIMITED GROUP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JPIMEDIA HOLDINGS LIMITED FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2020

JPIMEDIA HOLDINGS LIMITED GROUP

CONSOLIDATED INCOME STATEMENT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Notes	4 January 2020 £'000
Continuing operations		
Revenue	4	145,949
Cost of sales		(114,748)
Gross profit		31,201
Operating expenses before exceptional items		(25,538)
Exceptional items:		
Impairment of goodwill	11	(14,032)
Impairment of intangible fixed assets	12	(1,798)
Impairment of tangible fixed assets	13	(5,181)
Continuity of supply expenses	5	(11,004)
Restructuring, redundancy and reorganisation costs	5	(5,992)
Aborted transaction fees	5	(1,401)
Administrator recovery	5	78
Administrator provision release	5	735
Transition and strategic costs	5	(1,271)
Other	5	(298)
Total operating expenses		(65,702)
Operating loss	5	(34,501)
Financing		
Interest receivable	8	166
Finance costs	8	(13,381)
Total net finance (expense)/income		(13,215)
Loss before tax		(47,716)
Tax credit	9	4,149
Loss from continuing operations		(43,567)
Net loss from discontinued operations	10	(16,345)
Consolidated loss for the period		(59,912)

The accompanying notes are an integral part of these Financial Statements.

JPIMEDIA HOLDINGS LIMITED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Retained losses £'000	Total £'000
Loss for the period	(59,912)	(59,912)
Total other comprehensive income for the period	-	-
Total comprehensive loss for the period	(59,912)	(59,912)

The accompanying notes are an integral part of these Financial Statements.

JPIMEDIA HOLDINGS LIMITED GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Notes	4 January 2020 £'000
Non-current assets		
Goodwill	11	90
Intangible assets	12	43,632
Tangible assets	13	15,809
Assets classified as held for sale	16	–
		59,531
Current assets		
Inventories	17	1,778
Trade and other receivables	18	19,960
Cash and cash equivalents	18	23,506
		45,244
Total assets		104,775
Current liabilities		
Trade and other payables	18	(18,572)
Finance lease	20	(225)
Short-term provisions	23	(11)
		(18,808)
Non-current liabilities		
Borrowings	20	(55,000)
Finance lease	20	(308)
Deferred tax liabilities	22	(2,088)
Long-term provisions	23	(500)
		(57,896)
Total liabilities		(76,704)
Net assets		28,071
Equity		
Share capital	24	23
Share premium	25	87,960
Retained losses		(59,912)
Total shareholders' funds		28,071

The accompanying notes are an integral part of these Financial Statements.

The consolidated Financial Statements of JPIMedia Holdings Ltd, registered in England and Wales (number 11595120), were approved by the Board of Directors and authorised for issue on 30 September 2020. They were signed on its behalf by:



D K Duggins
Director

JPIMEDIA HOLDINGS LIMITED GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Notes	Share capital £'000	Share premium £'000	Retained losses £'000	Total £'000
Opening balances at 28 September 2018		–	–	–	–
Loss for the period		–	–	(59,912)	(59,912)
Other comprehensive loss for the period		–	–	–	–
Total comprehensive loss for the period		–	–	(59,912)	(59,912)
Contributions by and distributions to owners:					
Issue of share capital	24, 25	23	87,960	–	87,983
Total contributions by and distributions to owners		23	87,960	–	87,983
Equity as at 4 January 2020		23	87,960	(59,912)	28,071

The accompanying notes are an integral part of these Financial Statements.

JPIMEDIA HOLDINGS LIMITED GROUP

CONSOLIDATED CASH FLOW STATEMENT FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Notes	4 January 2020 £'000
Cash flow from operating activities		
Cash generated from operations	26	29,926
Net cash inflow from operating activities		29,926
Investing activities		
Interest received	8	166
Proceeds on disposal of tangible assets		15
Proceeds on disposal of assets held for sale (excluding sale of subsidiaries)		187
Expenditure on digital intangible assets	12	(3,238)
Purchases of tangible assets	13	(2,584)
Acquisition of business	15	(7,006)
Proceeds on disposal of subsidiary		49,386
Net cash inflow from investing activities		36,926
Financing activities		
Issue of B shares		31
Issue of debt		35,000
Debt repayment	26	(65,000)
Interest paid	8	(11,358)
Debt issue costs	26	(1,750)
Capital repayment of finance lease rental payments	26	(221)
Interest element of finance lease rental payments		(48)
Net cash used in financing activities		(43,346)
Net increase in cash and cash equivalents		23,506
Cash and cash equivalents at the beginning of period		–
Cash and cash equivalents at the end of the period	18	23,506

The accompanying notes are an integral part of these Financial Statements.

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

1. Basis of preparation

General information

JPI Media Holdings Ltd ('JPI Media' or 'the Company') is a private limited company domiciled and incorporated in England and Wales under the Companies Act 2006. The registered office is 1 King Street, London, EC2V 8AU, United Kingdom. The principal activities of the Group are to provide news and information services in the United Kingdom through a portfolio of multimedia publications and websites.

The consolidated Financial Statements of the company and its subsidiaries as at and for the period ended 4 January 2020 comprise the Company and its subsidiaries (together referred to as the 'Group'). The reporting period is for the 66 weeks from the Group's incorporation date, 28 September 2018.

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation. The consolidated Financial Statements were authorised for issue by the Board of Directors on September 2020.

These Financial Statements are presented in British pounds, which is the functional currency of all entities in the Group. All financial information has been rounded to the nearest thousand except when otherwise indicated.

These Financial Statements have been prepared under the historical cost basis.

Going concern

These Financial Statements have been prepared on a going concern basis. The Directors consider the use of the going concern basis of accounting to be appropriate, despite facing revenue declines since the end of the period due to the coronavirus pandemic. The Directors have reduced operating costs and participated in the Government Furlough scheme to offset revenue declines. The Directors have seen advertising and circulation revenues improve as the restrictions due to lockdown have been lifted.

The Group incurred a number of significant 'one-off' expenses in the accounts period which will not recur, including Continuity of Supply payments of £11.0m and Aborted sale costs of £1.4m.

The Group has significant cash resources and operating headroom to support the activities of the business. Positive net operating cash flow predictions will support the Group's ability to meet interest obligations as and when they fall due.

Following the disposal of JPI Media Publications Limited and repayment of £65m of borrowings throughout the period, long term debt of £55m maturing November 2023 remains.

In assessing the longer term viability of the Group, the Directors note the ongoing interest obligations on these borrowings, together with the requirement for the £55m loan balance to be repaid by November 2023, and that sufficient cash flows are required to be generated by the Group over the period to November 2023 in order to meet these longer term obligations. If cash flows below the amounts required are generated over the period, alternative financing arrangements will be required to be put in place prior to the end of November 2023. The Directors will continue to review the operations and capital structure of the Group with due regard to the debt maturity in November 2023.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRS Standards relevant to the Group's operations that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

Accounting standard	Requirements	Mandatory application
IFRS 16 – Leases	Establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.	<p>For periods beginning on or after 1 January 2019, IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset for most of those leases previously treated as operating leases. The Group will adopt the modified retrospective approach in the next period's Financial Statements, therefore requiring no restatement of comparative period's financial information.</p> <p>The effect on the FY20 opening balance sheet is the recognition of a £4.4m asset and an equal and opposite liability. Based on the portfolio at 4 January 2020, the depreciation charge on the assets is expected to be £1.4m whilst the interest charge on the liability is expected to be £0.3m. The net impact of not including these operating lease charges within EBITDA in the next financial period is an EBITDA upside of £1.7m.</p>

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies (continued)

Basis of consolidation

The Group Financial statements consolidate the Financial Statements of JPI Media Holdings Limited and all its subsidiary undertakings drawn up to 4 January 2020. No profit and loss account is presented for JPI Media Holdings Limited as permitted by section 408 of the Companies Act 2016.

Subsidiaries are included in the Group's Financial Statements using the acquisition method of accounting. The results of subsidiaries acquired or disposed of during the period are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. Purchase consideration is allocated to the assets and liabilities on the basis of their fair value at the date of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Entities in which the Group holds an interest on a long term basis are jointly controlled by the Group and one or more ventures under the contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method.

Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, are treated as associates. In the Group Financial Statements, associates are accounted for using the equity method.

Where necessary, adjustments are made to the Financial Statements of subsidiaries, associates and joint ventures to bring the accounting policies used into line with those used by the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the Income Statement as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, including publishing titles, are recognised at their fair value at the acquisition date, except for:

- deferred tax assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively; and
- non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', are recognised and measured at fair value less costs to sell.

Non-current assets held for sale

Non-current assets (and disposal Groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

Assets and disposal Groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies (continued)

Intangible assets

The Group's principal intangible assets are publishing titles. The Group does not capitalise internally generated publishing titles. Titles are recorded at fair value at the date of acquisition. These publishing titles have a finite life and consequently are amortised over their useful economic life. The carrying value of the titles is reviewed when there are indicators that an impairment has occurred with testing undertaken to determine any diminution in the recoverable amount below carrying value. The recoverable amount is the higher of the fair value less costs to sell and the value in use which is based on the net present value of estimated future cash flows. The discount rate is post-tax and reflects current market assessments of time value of money and risks specific to asset for which estimates of future cash flows have not been adjusted. Any impairment loss is recognised as an expense immediately. A reversal of an impairment loss is recognised immediately in the Group Income Statement given these assets are not carried at revalued amounts.

For the purpose of impairment testing, publishing titles are allocated to each of the Group's cash generating units. Cash-generating units are determined by Grouping assets at the lowest levels for which there are separately identifiable cash flows. Cash generating units are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill, then to reduce the carrying value of tangible and intangible assets and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Digital intangible assets

Digital intangible assets relate to the Group's local websites and computer software, which form the core platform for the Group's digital revenue activities and support the Editorial and Sales functions. These assets are being amortised using the straight-line method over the expected life, of three to five years. Amortisation for the period has been charged through cost of sales. Digital intangible assets are tested for impairment only when there is an indication that the recoverable amount is less than the carrying amount. Costs incurred in the development of websites are only capitalised if the criteria specified in IAS 38 are met.

Other intangible assets

The Group's other intangible assets include brands and customer lists. Other intangible assets are amortised using the straight-line method over the expected life of five years and are tested for impairment at each reporting date or more frequently where there is an indication that the recoverable amount is less than the carrying amount.

Revenue recognition

The Group recognises revenue when goods/services are provided and the performance obligation is fulfilled. The Group recognises revenue from the following major sources:

Circulation revenue

The Group sells newspapers through wholesalers and distributors. Revenue is recognised when the performance obligation has been fulfilled being when the goods have been delivered to or purchased by a reader. A receivable is recognised by the Group when the wholesaler and distributor confirms the number of copies sold as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Print and digital subscriptions

Subscriptions revenues are recognised across the length of the subscription with the provision of a newspaper being the single performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies (continued)

Advertising revenue

Advertising revenue is recognised on publication of the advertisement, which is when the performance obligation has been fulfilled. If an advertising campaign relates to a longer duration of time, revenue will be recognised over the period of the campaign, reflecting the pattern in which the performance obligation was fulfilled.

Contract print

Printing revenue is recognised when the service is provided or product printed is complete reflecting fulfilment of the performance obligation.

Other revenue

Other revenues include syndication, provision of leaflets, readers' offers and events. The performance obligation is fulfilled, and revenue is recognised on publication of the product, holding of the event, when goods have been purchased by a reader or at a point when the service is provided, depending on the nature of the other revenue.

Tangible assets

Tangible asset balances are shown at cost, net of depreciation and any provision for impairment.

Cash generating units are determined by Grouping assets at the lowest levels for which there are separately identifiable cash flows. Cash generating units are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of Goodwill and then to tangible fixed assets and intangible assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Depreciation is provided on all tangible assets, excluding land, at varying rates calculated to write-off cost over the useful lives. The principal rates employed are:

Freehold land	Nil
Freehold and Long Leasehold property	2.5% reducing balance
Leasehold buildings	Over term of lease
Plant and machinery	6.67% to 33% straight-line
Motor vehicles	25% straight-line

Printing presses are depreciated over 9 to 14 years on a straight-line basis. Any direct enhancements to the presses are depreciated such that these assets are coterminous with the underlying press or their useful economic life if that is determined to be shorter. Ancillary press equipment is depreciated over their economic useful life, which ranges between 5 and 15 years on a straight-line basis.

The approach taken for assets acquired from Johnson Press plc (now dissolved), is for the depreciation charge to remain at the same value for the assets i.e. if an asset original useful life of 10 years, and a remaining useful life of 5 years, the asset would be depreciated at an increased rate based on the new remaining useful life.

Inventories

Inventories, largely paper, plates and ink, are stated at the lower of cost and net realisable value. Cost incurred in bringing materials to their present location and condition comprises: (a) raw materials and goods for resale at purchase cost on a first-in first-out basis, and (b) work in progress at cost of direct materials, labour and certain overheads. Net realisable value comprises selling price less any further costs expected to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the consolidated reporting position.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables

Trade receivables do not carry any interest. Conversion to a readily known amount of cash occurs over a short period and is subject to an insignificant risk of changes in value. Therefore balances are initially recognised at fair value and subsequently at amortised cost.

The Group recognises a loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group recognises lifetime ECL for trade receivables, lease receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the debtor;
- (b) A breach of contract, such as a default or past due event;
- (c) It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the income statement.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Trade payables

Trade payables are not interest bearing. Payments occur over a short period and are subject to an insignificant risk of changes in value. Therefore balances are stated at their nominal value.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, the present value of the minimum lease payments. The asset is recognised within tangible assets and the corresponding liability to the lessor is included within obligations under finance leases. Lease payments are apportioned between finance charges which are charged to the consolidated income statement and reductions in the lease obligation.

Rentals payable under operating leases are charged to the Group Income Statement on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

Where the Group is a lessor, rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group 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 reporting date and are discounted to present value where the effect is material.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

2. Significant accounting policies (continued)

Current tax and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In applying the Group's accounting policies, which are described in Note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

Acquisition of Group

On 17 November 2018 the Company and its subsidiaries acquired the principal assets and business of Johnston Press Plc (now dissolved) for net consideration of £180.9m and formed the trading business of the JPIMedia Holdings Limited Group. The acquisition has been treated as a business combination under IFRS 3, because the entire trading business of the Johnston Press plc Group was acquired by the Group. The transaction led to a change in ownership of the trading business and assets whereby the former bondholders of the Johnston Press Plc Group, are now the owners of the JPIMedia Holdings Group.

The consideration paid for the principal assets and business of Johnston Press Plc was deemed as being £180.9m consisting of:

- the issuance of £88m of convertible promissory notes ('Equity Notes') by JPIMedia Holdings Ltd, convertible into JPIMedia Holdings Ltd share capital
- the issuance of £85m of convertible promissory notes ('Debt Notes') by JPIMedia Ltd, convertible into JPIMedia Ltd notes under a Notes Purchase Agreement, and;
- amounts to be paid to the administrator of £7.9m.

Immediately following receipt of the consideration, the Administrators distributed the Equity Note and the Debt Note to the Johnston Press group's secured creditors thereby discharging £173m of outstanding bonds owed by the Johnston Press group.

A provision for continuity of supply costs was not included within the opening balance sheet because these payments were discretionary and not contracted liabilities at the acquisition date. Continuity of supply payments of £12.7m (£11.0m continuing operations, £1.7m discontinued operations) were made to key suppliers subsequent to the 17 November 2018 acquisition, to ensure uninterrupted supplies of goods and services required to continue normal operations and revenue generation. See Note 5 for details.

Impairment of publishing titles and print business

Key areas of judgement in the value in use calculation include the identification of appropriate CGUs. The Group has identified the regional business and print business CGUs. This is considered to be the lowest level at which cash inflows generated are largely independent of the cash inflows from other groups of assets and has been consistently applied across the Group.

Key sources of estimation uncertainty

Impairment of publishing titles and print business

The Group is required to test, whether intangible and tangible assets have suffered any impairment based on the recoverable amount of its cash generating units, when there are indicators for impairment. Determining whether the regional business and the print business are impaired requires an estimation of the value in use of the CGUs to which these assets are allocated. Key sources of estimation uncertainty in the value in use calculation include the estimation of future cash flows of CGUs affected by expected changes in underlying revenues and direct costs as well as corporate and central cost allocations through the forecast period, the long-term growth rates and a suitable discount rate to apply to the aforementioned cash flows in order to calculate the net present value. The discount rate selected for the regional business CGU was 16%, using the Capital Asset Pricing Method ("CAPM") with a long-term decline rate in perpetuity of 1.0%

Determining whether the print business CGU is impaired requires an estimation of the value in use of each print site. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the print sites and a suitable discount rate in order to calculate present value. The discount rate selected for the print business CGU was 10.0% using the CAPM with a long-term decline rate in perpetuity of 1.0%. Details of the impairment reviews that the Group performs in relation to other intangible assets are provided in Note 12.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Valuation judgements in fair values of assets acquired in a business combination

Intangible Assets

IFRS 3 requires that an acquirer of a business recognises each assets acquired or liabilities assumed at its acquisition-date fair value, measured in accordance with IFRS 13 Fair Value Measurement ("IFRS 13"). Management engaged an independent external valuation firm to prepare a fair value assessment of the intangible assets acquired as at 17 November 2018. Assets were allocated into one of three CGU's, namely the i (JPIMedia Publications Limited), JPIMedia regional business, or printing business assets.

With regard to the methodologies applied in the valuation, the intangible assets acquired by the JPIMedia Holdings Limited Group was performed using an income approach based method. The income approach is suitable for assets which generate the majority of their value from their income-generating capacity. It operates under the premise that the value of that asset can be accurately derived from the value of the future net cash inflows or cost savings which will be generated by it over time, discounted back to their present value at an appropriate discount rate.

Freehold property

Independent valuations were also performed for the Group's freehold property assets acquired as at 17 November 2018. These valuations were performed using a market-based approach. Price information from an active market are generally considered the strongest evidence of value for a specific asset. Observable market transactions involving assets identical or substantially similar to the one being valued are used as a key input to a valuation which uses the market approach.

4. Revenue

The analysis of the Group's contracted revenue for the period from continuing operations is as follows:

	4 January 2020 £'000
Newspaper sales	52,249
Print advertising	49,253
Digital advertising	23,228
Contract printing	13,679
Other	7,540
Total revenue	145,949

The description and revenue recognition criteria (timing and performance obligations) for each revenue stream is contained within the accounting policies, in Note 2. The Directors do not consider there to be a significant judgment with respect of recognising revenue under IFRS 15. The reconciliation for contract assets and liabilities associated with contracted revenue can be found in Note 19.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

5. Loss for the period

	Notes	4 January 2020 £'000
Operating loss for continuing operations is shown after charging/(crediting):		
Depreciation of tangible fixed assets		2,301
Amortisation of intangible assets		9,076
Cost of inventories recognised as expense		14,082
Staff costs	7	74,314
Operating lease charges:	27	
Property		1,133
Motor vehicles		865
Rental costs under licence to occupy agreements		2,139
Rentals received on sublet property		(99)
Dilapidations provision expense	23	500
Exceptional items:		
Impairment of intangible assets	12	1,798
Impairment of tangible assets	13	5,181
Impairment of goodwill	11	14,032
Continuity of supply payments		11,004
Restructuring, redundancy and reorganisation costs		5,992
Aborted transaction fees		1,401
Transition and strategic costs		1,271
Administrator recovery		(78)
Administrator provision release	23	(735)
Other		298

Rental costs under Licence to occupy agreements

On the 17 November 2018, the Group acquired the businesses from Johnston Press plc (now dissolved) and subsequently entered into licence to occupy agreements for the business premises with the appointed administrator. The Group entered into subsequent lease agreements throughout the period, which resulted in the end of the rental costs under licence to occupy arrangements, and commencement of operating lease charges.

Continuity of supply payments

Continuity of supply payments were made to key suppliers subsequent to the 17 November 2018 acquisition, to ensure uninterrupted supplies of goods and services which management chose to pay in order to continue normal operations and revenue generation.

Restructuring and redundancy costs

Restructuring and redundancy-related costs are material and incurred to transform and restructure the business cost base resulting in a reduction in headcount. Redundancy costs include the employee costs from the point the individual was notified that their role is at risk, together with the final termination payment for the individual made redundant. This treatment reflects the impact of the disruption caused to the individual involved and the impact on short-term productivity within affected business units. Adjustments for redundancy costs do not include those incurred in the ordinary course of business, which are treated as operating costs, or that may lead to a direct replacement being appointed.

The £6.0m of restructuring and redundancy costs includes £3.6m of redundancy costs, £1.8m of consultancy costs to transform the editorial and advertising teams, and £0.6m of property restructuring costs.

Aborted transaction costs

Aborted transaction costs includes professional advisor fees and a bonus accrual for senior management which relate to the aborted disposal of the regional business in late 2019.

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

5. Loss for the period (continued)

Dilapidations provision

On 17 November 2018, the Group acquired the businesses from Johnston Press plc (now dissolved) and entered into licence to occupy agreements for the business premises with the appointed administrator. The Group entered into subsequent lease agreements during the period, which resulted in the end of the licence to occupy arrangements. The dilapidations provision charge of £0.5m, is an unavoidable cost provision charged in relation to the transfer of the lease from Johnston Press Plc Group (now dissolved) to the JPIMedia Group.

Transition and strategic costs

Strategic review comprises £1.3m of professional advisory fees incurred following the acquisition of the principal assets and business of Johnston Press Plc (now dissolved).

Administrator recovery

During the period, £78k was recovered on the receivable balances acquired from certain of the Johnston Press plc Group companies that entered Administration in November 2018.

Administrator provision release

The £0.7m release of the administrator provision due to the final payment of fees to the administrator of Johnston Press Plc (now dissolved) being lower than the estimate on acquisition date.

Other exceptional costs

Other costs includes £0.2m of Libel settlement costs and £0.1m of Management Incentive Plan set up costs.

6. Auditors remuneration

The analysis of the Auditors' remuneration is as follows:

	4 January 2020 £'000
Fees payable for the audit of the Company's annual accounts	(126)
Fees payable for other services: audit of subsidiary accounts	(195)
Fees payable for other services: audit of disposed subsidiary accounts	(107)
Total audit fees	(428)
Non-audit services	
Tax compliance services	(60)
Tax advisory services	(78)
Other services ¹	(529)
Total non-audit services	(667)
Total audit and non-audit service fees	(1,095)

¹ Other services relate to work associated with the completed disposal of JPIMedia Publications Limited and the exploration of the Johnston Press regional business sale. Other services comprises tax services (£234k); transaction services (£195k); Pensions advisory services (£78k) and; non-statutory audit planning (£22k).

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

7. Employees and Directors

The average monthly number of employees, including Executive Directors for the continuing operations, was:

	4 January 2020 No.
Editorial and photographic	750
Sales and distribution	592
Production	242
Administration	111
Average number of employees	1,695

Their remuneration was comprised of:

	4 January 2020 £'000
Wages and salaries	61,538
Social security costs	6,113
Other pension costs	3,171
Redundancy costs	3,492
Total staff costs	74,314

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Key management personnel compensation, comprising directors and certain other senior management of the Group:

	4 January 2020 £'000
Short-term employee benefits ¹	1,484
Total key management personnel compensation	1,484

¹ Excludes consultancy fees paid to an entity in which a Group Director has an interest which are disclosed in the Related Parties note (Note 28).

Directors' remuneration consisted of:

	4 January 2020 £'000
Aggregate remuneration in respect of qualifying services	348
Aggregate remuneration in respect of long-term incentive schemes	-
Aggregate contributions to money purchase pension schemes	-
Total staff costs	348

Other information regarding the highest paid director is as follows:

	4 January 2020 £'000
Aggregate remuneration in respect of qualifying services	168
Total staff costs	168

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

8. Financing

Finance income

	4 January 2020 £'000
Interest income on bank balances	166
Total finance income	166

Finance costs

	4 January 2020 £'000
Interest and fees on bank overdrafts and loans	(11,583)
Amortisation of term debt issue costs ¹	(1,750)
Finance leases	(48)
Total finance costs	(13,381)

¹ Amortisation of term debt issue costs relates to Facility A of £35m which was repaid in full in the period (Note 20).

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

9. Tax

The tax on loss comprises:

	4 January 2020 £'000
Current tax	
Credit for the period	-
Total current tax credit	-
Deferred tax (Note 22)	
Credit for the period	(4,149)
Total deferred tax credit	(4,149)
Total tax credit for the period	(4,149)

The standard rate of UK corporation tax applied to the reported loss is 19%. The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax of 19% to the loss before tax is as follows:

	4 January 2020 £'000	%
Loss before tax	(47,716)	
Tax at 19.0%	(9,066)	19.0
Tax effect of items that are not (deductible)/assessable in determining taxable loss	121	(0.3)
Tax effect on goodwill impairment not deductible	2,666	(5.6)
Tax effect on corporate interest restriction	998	(2.1)
Deferred tax liability arising on non-qualifying asset	90	(0.2)
Accelerated capital allowances	(8)	(0.0)
Imputed interest	821	(1.7)
Effect of difference between deferred and current tax rate	213	(0.4)
Other timing differences	16	(0.0)
Total tax credit for the period	(4,149)	8.7

Please refer to Note 22 for further details on deferred tax.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

10. Discontinued operations

During the period ended 4 January 2020, the Group completed the sale of JPIMedia Publications Ltd to DMG Media Ltd, a subsidiary of Daily Mail and General Trust PLC, for £49.4 million. The results of the discontinued operations were as follows:

	4 January 2020 £'000
Revenue	38,275
Cost of sales	(19,280)
Gross profit	18,995
Operating Expenses (excluding depreciation, amortisation, impairment and exceptional items)	(4,448)
Operating profit (excluding depreciation, amortisation, impairment and exceptional items)	14,547
Depreciation and amortisation	(6,784)
Goodwill impairment	(10,320)
Other intangible asset impairment	(9,752)
Exceptional items	(246)
Continuity of Supply Expenses	(1,713)
Operating loss	(14,268)
Net loss on disposal	(2,077)
Tax on loss	-
Net loss from discontinued operations	(16,345)

JPIMedia Publications had a bank account which remained unused during the period. JPIMedia Publishing Limited, a subsidiary of JPIMedia Holdings Limited, carried out all treasury activities on behalf of JPIMedia Publications Limited.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

11. Goodwill

	Total £'000
Cost	
Opening Balance	–
On acquisition of subsidiaries	24,442
At 4 January 2020	24,442
Accumulated impairment losses	
Opening Balance	–
On acquisition of subsidiaries	–
Impairment losses for the period related to continuing operations	(14,032)
Impairment losses for the period related to discontinued operations	(10,320)
At 4 January 2020	(24,352)
Carrying amount	
At 4 January 2020	90
At Incorporation	–

Goodwill attributed to continuing operations has been written down in the period following an impairment review of the Group's two identifiable CGUs.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

12. Intangible assets

	Publishing Titles - Regional £'000	Publishing Titles – The i Discontinued operation £'000	Digital intangible assets £'000	Other intangible assets £'000	Total £'000
Cost					
Opening Balance	–	–	–	–	–
On acquisition of subsidiaries	37,514	64,192	10,198	3,872	115,776
Additions	–	–	3,238	–	3,238
Disposal of subsidiary	–	(64,192)	(316)	–	(64,508)
At 4 January 2020	37,514	–	13,120	3,872	54,506
Accumulated impairment losses and amortisation					
Opening Balance	–	–	–	–	–
Amortisation for the period – continuing operations	(4,328)	–	(3,909)	(839)	(9,076)
Amortisation for the period – discontinued operations	–	(6,648)	(84)	–	(6,732)
Impairment losses for the period – continuing operations	–	–	(15)	(1,783)	(1,798)
Impairment losses for the period – discontinued operations	–	(9,751)	–	–	(9,751)
Disposals	–	–	–	–	–
Disposal of subsidiary	–	16,399	84	–	16,483
At 4 January 2020	(4,328)	–	(3,924)	(2,622)	(10,874)
Carrying amount					
At 4 January 2020	33,186	–	9,196	1,250	43,632

Impairment assessment

The Group tests the carrying value of the CGUs held within the Group for impairment annually or more frequently if there are indications that the carrying value is less than the recoverable amount. If an impairment charge is required this is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU but subject to not reducing any asset below its recoverable amount.

The Group has two remaining identifiable CGUs:

- Regional business - includes intangible publishing titles, digital intangible assets, goodwill, property, plant and equipment, trade and other receivables and trade and other payables
- Print business - property, other intangible assets (customer relationships and brands), plant and equipment, inventory, trade and other receivables and trade and other payables allocated against the Print business CGU. The Print presses are geographically located at sites: Dinnington (Sheffield), Carn (Northern Ireland) and Portsmouth.

The table below provides the summary of impairment by CGU:

	Regional business £'000	Print business £'000	Total £'000
Value in use	41,587	17,095	58,682
Carrying amount	55,619	23,941	79,561
Impairment	14,032	6,846	20,878
Impairment of component parts:			
Goodwill	14,032	N/A	14,032
Intangible assets:			
- Other intangible assets	N/A	1,798	1,798
Property, plant and equipment	–	5,048	5,048

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

12. Intangible assets (continued)

The Directors consider that publishing titles have definite lives varying from 5 to 16 years. The publishing brands are grouped as one CGU, being the lowest levels for which there are separately identifiable cash flows independent of the cash inflows from other assets.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are:

- expected changes in underlying revenues and direct costs during the period;
- corporate and central cost allocations;
- growth rates; and
- discount rate.

The key assumptions are presented in the following table:

	Regional business	Print business
Discount rate (WACC)	16.0%	10.0%
Long-term decline rate	-1.0%	-1.0%

The Group prepares discounted cash flow forecasts using:

- the Board-approved budget for 2020, and specific projections up to 2024 which reflects management's current experience and future expectations of the markets the CGUs operate in based on information known at the balance sheet date. This is then forecast into perpetuity from 2024. Changes in underlying revenue and direct costs are based on past practices and expectations of future changes in the market by reference to the Groups own experience and, where appropriate, publicly available market estimates. These include changes in demand for print and digital, circulation, cover prices, advertising rates as well as movement in newsprint and production costs and inflation;
- capital expenditure cash flows to reflect the cycle of capital investment required;
- net cash inflows for future years are extrapolated beyond 2020 based on the Board's view of the estimated annual long-term performance. A long-term decline rate of 1% reflecting the markets view of the long-term decline of the newspaper industry; and
- management estimate discount rates that reflect current market assessments of the time value of money, the risks specific to the CGUs and the risks that the regional media industry is facing.

Some CGUs impacted by the impairment charge in the period have limited or no headroom of value in use over the carrying value of assets. Therefore, the impairment review is highly sensitive to reasonable possible changes in key assumptions used in the value in use calculations. A combination of reasonably possible changes in key assumptions to the CGUs, such as digital growth being slower than forecast or the decline in print revenues, could lead to a further impairment.

The Group has conducted sensitivity analysis on the impairment test of each CGUs carrying value:

- A decrease in the long-term decline rate of 1.0% (which has the effect of increasing the decline rate from 1% to 2%, beyond 2023), would result in a further impairment of £1.4million within the regional business CGU and £0.8m within the print CGU.
- An increase in the discount rate of 1.0%, from 16.0% to 17.0% would result in an additional impairment of £1.2m within the regional business. Increasing the discount rate by 1.0% from 10.0% to 11.0% within the Print Presses CGUs would result in an additional impairment of £1.3m.

Digital intangible assets

Digital intangible assets primarily relate to the Group's local websites and computer software, which form the core platform for the Group's digital revenue activities and supports the Editorial and Sales functions. These assets are being amortised using the straight-line method over the expected life, of three to five years. Amortisation for the period has been charged through cost of sales. Digital intangible assets are tested for impairment only when there is an indication that the recoverable amount is less than the carrying amount. Costs incurred in the development of websites are only capitalised if the criteria specified in IAS38 are met.

Other intangible assets

Other intangible assets include brands and customer relationships realised upon acquisition of the trading business and assets of Johnston Press Plc (now dissolved). These assets are being amortised using the straight-line method over the expected life, of five years. Amortisation for the period has been charged through cost of sales. These assets are tested for impairment only when there is an indication that the recoverable amount is less than the carrying amount.

Impairment of the 'I'

The impairment attributed to discontinued operations was as a result of writing down the net assets of JPIMedia Publications Limited to the consideration received for the Company of £49.4m. The impairment was allocated against Goodwill first with the remainder against the 'I' publishing title.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

13. Tangible assets

	Freehold and Long Leasehold land and buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Total £'000
Cost					
Opening Balance	–	–	–	–	–
On acquisition of subsidiaries	10,375	–	10,495	18	20,888
Additions	557	269	1,758	–	2,584
Disposals	–	–	–	(6)	(6)
Disposal of subsidiary	–	(5)	(174)	–	(179)
At 4 January 2020	10,932	264	12,079	12	23,287
Depreciation					
Opening Balance	–	–	–	–	–
Charge for the period (continuing operations)	(263)	(4)	(2,020)	(14)	(2,301)
Charge for the period (discontinued operations)	–	–	(52)	–	(52)
Disposals	–	–	–	4	4
Disposal of subsidiary	–	–	52	–	52
Impairment charge for the period	(469)	–	(4,712)	–	(5,181)
At 4 January 2020	(732)	(4)	(6,732)	(10)	(7,478)
Carrying amount					
At 4 January 2020	10,200	260	5,347	2	15,809

Impairment charges totalling of £5.2 million have been recognised against tangible assets for the period ended 4 January 2020. This consists of: a £5.0 million impairment charge arising out of the print business impairment assessment. Details of the assumptions around the impairment can be found in Note 3 and Note 12.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

14. Disposal of subsidiary

JPIMedia Publications Ltd

On the 30th November 2019, the Group completed the sale of JPIMedia Publications Ltd to DMG Media Ltd, a subsidiary of Daily Mail and General Trust PLC (DMGT), for cash consideration of £49.4million.

The net loss from discontinued operations for the period ended 4th January 2020 was £16.3m (Note 10).

The net assets of JPIMedia Publications Limited at the date of disposal were as follows:

	£'000
Publishing titles	47,793
Goodwill	-
Other intangible assets	233
Tangible assets	126
Other debtors	872
Trade payables	(174)
Deferred income	(476)
Accruals	(892)
Other creditors	(296)
Net assets disposed of	47,186
Add: disposal costs	2,077
Carrying value of disposed operations	49,263
Consideration satisfied by cash	49,386
Working Capital Contribution paid	(2,200)
Loss on disposal	(2,077)

15. Acquisition of business and assets

On 17 November 2018 the Company and its subsidiaries acquired the principal assets and business of Johnston Press plc (now dissolved) and its subsidiaries for net consideration of £180.9m and formed the trading business of the JPIMedia Holdings Limited Group. The acquisition has been treated as a business combination under IFRS 3, because the entire trading business of the Johnston Press Plc Group was acquired by the JPIMedia Holdings Group. The transaction led to a change in ownership of the trading business and assets whereby the former bondholders of the Johnston Press plc Group, are now the owners of the JPIMedia Group.

The consideration paid for the principal assets and business of Johnston Press plc and its subsidiaries was deemed as being £180.9m consisting of:

- the issuance of £88m of convertible promissory notes ('Equity Notes') by JPIMedia Holdings Ltd, convertible into JPIMedia Holdings Ltd share capital
- the issuance of £85m of convertible promissory notes ('Debt Notes') by JPIMedia Ltd, convertible into JPIMedia Ltd notes under a Notes Purchase Agreement, and
- amounts to be paid to administrators of Johnston Press plc Group of £7.9m.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

15. Acquisition of business and assets (continued)

Immediately following receipt of the consideration, the Administrators distributed the Equity Notes and the Debt Notes to the Johnston Press Group's secured creditors thereby discharging £173m of outstanding bonds owed by the Johnston Press plc group.

The face value of the debt notes issued were deemed to be the fair value of the business whilst the Equity Note was valued as the estimated value of the business net of the value of the Debt Note.

The identifiable assets acquired were as follows:

	£000
Inventories	2,086
Trade and other receivables	30,835
Loss allowance	(443)
Total current assets acquired	32,478
Intangible assets	115,776
Tangible assets	20,889
Assets held for sale	187
Total non-current assets acquired	136,852
Trade and other payables	(6,441)
Provision for onerous contracts	(223)
Deferred tax	(6,237)
Total liabilities acquired	(12,901)
Net identifiable assets acquired	156,429
Goodwill balance arising on acquisition	24,442
Total net assets acquired	180,871
Satisfied by:	
Shares issued at fair value	87,952
Senior debt	85,000
Amounts to be paid to administrators	7,919
Total consideration transferred	180,871

All Group revenues and profits for the period relate to the acquired businesses.

The net cash flow paid directly from the Group for the trading business and assets of the Johnston Press plc group was £7.0m as shown in the cash flow statement, which excludes the value of the shares issued (£88.0m) and the value of the loan notes (£85.0m) and £0.9m of the amounts to be paid to administrators of the Johnston Press plc group, which was not required to be paid.

Goodwill arising on acquisition relates to the following:

- The value of the assembled workforce;
- Intangibles assets that do not meet the criteria for recognition;
- Amounts attributed to deferred tax assets that have not been recognised due to valuation allowance;
- The fair value of certain synergies and other benefits that may arise as a result of the business combination; and
- The additional value attributed by the Group in relation to the future expected cash flows to which fair value is attributed in calculating the value of intangible assets due to perceived risks.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

16. Assets classified as held for sale

	Plant and machinery £'000	Total £'000
Cost		
On acquisition of trading business	187	187
Disposals	(187)	(187)
At 4 January 2020	-	-

17. Inventories

	4 January 2020 £'000
Raw materials and consumables	1,778

18. Other financial assets and liabilities

Trade and other receivables

	4 January 2020 £'000
Trade receivables	13,941
Allowance for doubtful debts	(296)
	13,645
Prepayments	2,289
Other debtors and accrued income	4,026
	6,315
Total trade and other receivables	19,960

Net trade receivables

Trade receivables net of credit loss allowance is £13,645k. The average credit period taken on sales is 39 days. No interest is charged on the receivables. The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the potential customer's credit quality and then defines credit terms and limits on a by-customer basis. These credit terms are reviewed regularly. In the case of one-off customers or low value purchases, pre-payment for the goods is required under the Group's policy. The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, that the credit quality of these amounts at the period end date has not deteriorated since the transaction was entered into and so considers the amounts recoverable.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

18. Other financial assets and liabilities (continued)

Movement in the allowance for doubtful debts

	4 January 2020 £'000
Balance at the beginning of the period	–
Acquisition of subsidiary undertakings	443
Bad debts provided for	28
Utilisation	(249)
Transfer	74
Movement in the period	296
Balance at the end of the period	296

Ageing of impaired receivables

	4 January 2020 £'000
Current	22
<30 days	20
30 – 60 days	31
60 – 90 days	53
90 – 150 days	74
150+ days	96
	296

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Cash and cash equivalents

	4 January 2020 £'000
Cash and cash equivalents	21,005
Restricted cash ¹	2,501
Total cash and cash equivalents	23,506

¹ £2.5m of cash is held in a separate Lloyds bank account secured under a "Deposit Agreement" as security for the BACS facility.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

18. Other financial assets and liabilities (continued)

Trade and other payables

	4 January 2020 £'000
Trade creditors and accruals	11,831
Working capital contribution payable to JPIMedia Publications Limited	2,200
Other creditors and deferred revenue	4,541
Total trade and other payables	18,572

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amounts of trade and other payables at the balance sheet date approximate to their fair value.

19. Contract assets and liabilities

Contract assets (accrued income) primarily relate to the Company's right to consideration for work completed but not billed at the reporting date. Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table presents the significant movements in the period for both contract assets and liabilities:

	Contract asset £'000	Contract liability £'000
At acquisition of trading business	4,332	(3,251)
Decrease due to balance transferred to trade receivables	(4,332)	-
Increases due to revenue recognised in period	2,933	-
Decreases due to revenue recognised in the period	-	3,170
Increase due to cash received by JPIMedia Group companies	-	(2,662)
Decrease due to sale of subsidiary	(637)	476
At 4 January 2020	2,296	(2,267)

For instances where the performance obligation has been fulfilled, but the customer has not yet been billed, revenue is recognised and a contract asset is recognised. The contract asset is released once a sales invoice has been issued. The largest accrued income balance is with regards to newspaper circulation revenue for the last week of the period, which was billed after the period end.

Where a performance obligation has not been fulfilled but cash has been received for the service provided, revenue is deferred and a contract liability is recognised. Once the performance obligation has been fulfilled, the contract liability is released and the revenue is recognised. The largest deferred income balance relates to newspaper subscription revenue. For all contract liabilities at the balance sheet, the performance obligation is expected to be satisfied in the next financial period.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

20. Borrowings

	4 January 2020 £'000
Finance leases	533
Secured notes borrowings	55,000
Total borrowings	55,533

The borrowings are disclosed in the Financial Statements as:

	4 January 2020 £'000
Within one year	225
In the second to fifth years, inclusive	55,308
Total borrowings	55,533

Current borrowings consists solely of the finance lease liability (£225k).

Secured notes borrowings of £55.0m is repayable in full in November 2023.

The Group's net debt¹ is:

	4 January 2020 £'000
Gross borrowings as above	55,533
Cash and cash equivalents	23,506
Net debt¹	32,027

1 Net debt is a non-statutory term presented to show the Group's borrowings net of cash equivalents.

The Group had two principal loans during the period:

- (a) A secured¹ loan note instrument of £35.0m was issued on 17 November 2018 ("Facility A"). Facility A carried an interest rate of Libor² + 7% per annum and was repaid in full during the period with the final early repayment made on 5 December 2019 following the disposal of JPIMedia Publications Limited. Borrowing fees of £1.75m were capitalised in relation to the initial facility and have been fully written off in the period as a consequence of the early repayment.
- (b) A secured¹ loan note instrument of £85.0m was issued on 17 November 2018 ("Facility B"). Facility B carries an interest rate of Libor² + 9% per annum. £30.0m was repaid in December 2019. The debt matures in November 2023 and repayments can be made voluntarily and are required to be made in certain circumstances following the sale of business assets of the Group.

¹ The bonds were secured against the assets of the Group.

² Both bond instruments had a Libor floor of 1%.

In assessing the longer term viability of the Group, the Directors note the ongoing interest obligations on these borrowings, together with the requirement for the £55m loan balance to be repaid by November 2023, and that sufficient cash flows are required to be generated by the Group over the period to November 2023 in order to meet these longer term obligations. If cash flows below the amounts required are generated over the period, alternative financing arrangements will be required to be put in place prior to the end of November 2023. The Directors will continue to review the operations and capital structure of the Group with due regard to the debt maturity in November 2023.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

20. Borrowings (continued)

Finance leases

The Group leases some of its equipment under finance leases. The average lease term is three years and the Group, in some cases, has the option to purchase the equipment at the end of the lease term. There is no contingent rent payable or restrictions imposed by these finance lease agreements, such as those concerning dividends, additional debt and further leasing. Future minimum lease payments under finance leases together with the present value of minimum lease payments are as follows:

	4 January 2020 £'000	
	Present value of payments	Minimum Payments
Less than one year	225	254
One to five years	308	324
Total	533	578
Less amounts representing finance charges		(45)
Present value of minimum lease payments		533

21. Retirement benefit obligation

The Group contributes to two defined contribution schemes: the JPI Media Retirement Savings Plan, a defined contribution master trust; and Scotsman Stakeholder Pension plan. Both plans are administered by Scottish Widows. In the period employer contributions range from 2% of qualifying earnings (subsequently increased to 3% with effect from 6 April 2019), for employees statutorily enrolled, through to 12% of basic salary for Senior Executives. The amount due to be paid into these schemes at the balance sheet date is £383k. Refer to Note 7 for full employee salary details.

22. Deferred tax

Under IFRS, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Legislation was enacted in September 2016 to reduce the main rate of UK corporation tax from 19% to 17%. Hence, the tax rate of 17% has been applied in the calculation of deferred tax except where the timing difference is expected to reverse before 1 April 2020 in which case the appropriate rate has been used. Subsequently, in March 2020 and after the Balance Sheet date, further legislation was enacted to cancel the reduction of the main rate of corporation tax with 19% being retained for future periods.

The deferred tax balances will be revised accordingly in the Financial Statements for the period ending 2 January 2021 and the effect to the deferred tax balance recognised as at 4th Jan 2020 will be that an additional liability of £0.3m will be recognised.

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	Tax losses £'000	Properties not eligible £'000	Accelerated tax depreciation £'000	Intangible assets £'000	Total £'000
Opening Balance	-	(1,500)	-	(4,737)	(6,237)
Credit to Income Statement	2,529	35	580	1,005	4,149
At 4 January 2020	2,529	(1,465)	580	(3,732)	(2,088)

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

22. Deferred tax (continued)

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (before offset) for financial reporting purposes.

	4 January 2020 £'000
Deferred tax liabilities	(5,197)
Deferred tax assets	3,109
At 4 January 2020	(2,088)

No deferred tax asset has been recognised in respect of the following net accumulated amounts carried forward (available for offset against future taxable profits) as there is uncertainty regarding the timing of when these amounts will be recovered:

	4 January 2020 £'000
Corporate Interest Restriction disallowance carried forward	(998)
Total	(998)

23. Provisions

	Administrator and Liquidator costs £'000	Onerous IT contracts £'000	Licence to Occupy arrangements £'000	Dilapidations £'000	Total £'000
Opening Balance at acquisition of Group	7,919	–	223	–	8,142
Additional provision in the period	148	138	–	500	786
Utilisation of provision	(7,327)	(132)	(219)	–	(7,678)
Release of provision	(735)	–	(4)	–	(739)
At 4 January 2020	5	6	–	500	511

The provisions are disclosed in the Financial Statements as:

Current provisions	5	6	–	–	11
Non-current provisions	–	–	–	500	500
Total provisions	5	6	–	500	511

Administrator and Liquidator costs provision

This provision presents the estimated obligation owed to the administrators relating to the purchase of the former Johnston Press plc assets. The opening balance of £7.9m referred to the amounts payable to administrators in Note 15. £0.7m was released after confirmation that no further funds were to be paid to the administrators of the Johnston Press plc Group.

Onerous IT contracts

Short term onerous IT licence provisions arising from business reorganisations.

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

23. Provisions (continued)

Licence to occupy arrangements

On the 17th November 2018 the Group purchased the trading business and assets of Johnston Press plc. As part of the acquisition JPIMedia Publishing Limited entered into Licence to Occupy arrangements with the administrators of Johnston Press plc for various leased or licenced properties. Several of the properties were significantly under occupied, where this occurred JPIMedia Publishing Ltd assessed the onerous costs associated with these licence to occupy arrangements and a provision was recognised. At the end of the financial period all licence to occupy arrangements made with the administrators of Johnston Press plc had ended.

Leasehold property dilapidations provision

Under the terms of a number of property leases, the Group is required to return the properties they occupy to their original condition at the lease expiry date.

In the current period the property leases were all converted from the "License to Occupy licenses" granted by the Administrators of Johnston Press plc. The Company has assessed the entire portfolio and made provisions depending on the state of the property and the duration of the lease and likely rectification requirements.

24. Share capital

	4 January 2020 £'000
Authorised, issued and fully paid up	
Ordinary shares	
At Incorporation	–
Issued during the period:	
2,200,000 A ordinary shares of 1p each	22
122,222 B ordinary shares of 1p each	1
Total Ordinary shares	23
Deferred shares	
At Incorporation	–
Issued during the period:	
1 deferred share of 1p each	–
Total deferred shares	–
Total issued share capital	23

On 28 September 2018, the date of incorporation for the JPIMedia Holdings Limited parent company, 1 deferred share with a nominal value of £0.01 was allotted.

On 17 November 2018, the date which the Group commenced trading the Company issued 2,200,000 ordinary shares with nominal values of £0.01 each as part the acquisition of the trading business from the administrator of the Johnston Press plc Group. This resulted in a share premium balance of £88.0m. The ordinary shares were reclassified as A ordinary shares on 6 March 2019.

On 13 March 2019 122,222 B ordinary shares with nominal values of £0.01 each were allotted.

During the period the company issued two classes of ordinary shares and one deferred share, which all carry no right to fixed income. The deferred share carries no right to receive any dividend or distribution.

A Ordinary shares carry rights to receive notice of, attend and speak and vote at, general meetings of the Company. B Ordinary shares (and the deferred share) are not entitled to receive notice of, attend and speak and vote at, general meetings of the Company.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

25. Share premium account

	4 January 2020 £'000
At Incorporation	–
Issued during the period (Note 24)	87,960
As at 4 January 2020	87,960

26. Notes to the Cash Flow Statement

	Notes	4 January 2020 £'000
Loss for the period		(59,912)
Adjustments for:		
Impairment of intangible assets	12	11,549
Impairment of goodwill	11	24,352
Impairment of tangible assets	13	5,181
Amortisation of intangible assets	12	15,808
Depreciation charges	13	2,353
Profit on disposal of tangible assets		(12)
Finance income	8	(166)
Finance expense	8	13,381
Tax credit	9	(4,149)
		8,385
Movement in provisions		(626)
Decrease in inventories		307
Decrease in receivables		7,361
Increase in payables		14,499
Cash generated from operations		29,926

Cash and cash equivalents (which are presented as a single class of assets on the face of the Statement of Financial Position) comprise cash at bank.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Cash Flow Statement as cash flows from financing activities.

	28 September 2018 £'000	Cash inflow from issue of debt £'000	Cash outflow on repayment of debt £'000	Non-cash movements £'000	4 January 2020 £'000
Secured note borrowings (Note 20)	–	35,000	(65,000)	85,000	55,000
Debt issue costs	–	–	(1,750)	1,750	–
Finance leases (Note 20)	–	–	(221)	754	533
Total liabilities from financing activities	–	35,000	(66,971)	87,504	55,533

JPI MEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

27. Commitments, guarantees and contingent liabilities

Lease commitments

The Group has entered into non-cancellable operating leases or other arrangements in respect of motor vehicles and land and buildings, the payments for which extend over a maximum of five years.

	4 January 2020 £'000
Minimum lease payments under operating leases recognised as an expense in the period:	
Property	1,133
Vehicles	865
Total future minimum lease payments	1,998

The total commitments also includes non-cancellable serviced offices which do not qualify as operating leases.

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable agreements which fall due as follows:

	4 January 2020 £'000
Within one year	2,513
In the second to fifth years, inclusive	3,776
After five years	—
Total future minimum lease payments	6,289

The impact of IFRS 16 on the next period of Financial Statements is discussed in Note 2.

Contingent liabilities and securities

The Company's indirect subsidiary, JPIMedia Publishing Limited has placed £2.5 million on deposit with Lloyds Banking Group for the purposes of providing security for its BACs facility.

On 17 November 2018 JPIMedia Limited (a wholly owned subsidiary of the Company) together with its subsidiaries entered into a Note Purchase Agreement with Global Loan Agency Services Limited (as Agent), GLAS Trust Corporation Limited (as Security Agent) and various institutions, as a condition of which it (and each relevant member of its Group) granted security over all of its assets (subject to certain specified exceptions).

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

28. Related party transactions

Transactions between members of the JPIMedia Holdings Limited Group are not disclosed as these transactions are between two wholly owned subsidiaries. The Group has traded with related parties in the normal course of operations.

The aggregated transactions which are considered to be material are:

	4 January 2020 £'000
Purchases	610

At 4 January 2020, balances outstanding in relation to these related parties amounted to £15k.

The Group paid £610k in consultancy fees to a Company, in which a Group Director has an interest, for services rendered to JPIMedia Holdings Limited, which under the terms of the agreement amounts paid are as follows:

- £430k Success Fee for the successful completion of the disposal of JPIMedia Publications Limited.
- £180k in relation to support on strategic and operational matters to address structural challenges, paid as a monthly retainer.

The remuneration of the Directors of the Company is set out in aggregate in Note 7.

The shareholder group and the bondholder group are materially the same parties, although holding companies may vary. Therefore, any interest paid on debt (per Note 8) is paid to parties who are related to shareholders.

29. Financial instruments

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents Note 18 and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Note 24 and in the Group Statement of Changes in Equity.

Categories of financial instruments

	4 January 2020 £'000
Financial assets (current and non-current)	
Trade and other receivables	17,671
Cash and cash equivalents	23,506
Financial liabilities (current and non-current)	
Trade and other payables	(16,305)
Borrowings	(55,533)

Each of the financial instruments identified are measured at amortised cost

The component parts of trade and other receivables is presented in Note 18, but excludes prepayments. The component parts of trade and other creditors are presented in Note 18, but excludes deferred income.

Financial risk management objectives

The Group's treasury function supports the business and monitors and, with the Group's finance department, manages the financial risks relating to the operations of the Group through assessment of the exposures by degree and magnitude of risk. These risks include market risk (including interest rate and foreign currency risk), credit risk, and liquidity risk.

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

29. Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange.

At a Group and Company level, market risk exposures are assessed using sensitivity analyses.

Interest rate risk management

As mentioned in Note 20, a secured bond instrument of £85.0m was issued on 17 November 2018. The bond instrument carries an interest rate of Libor + 9% per annum. Libor is set to a minimum of 1% and is not expected to rise above this level throughout the life of the instrument. This has fixed the interest costs for the Group borrowings, therefore eliminating the need for the use financial derivatives.

Foreign currency risk management

The Group undertakes certain operational transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities	Assets
	4 January 2020 £'000	4 January 2020 £'000
Euro		
Trade receivables	–	191
Cash and cash equivalents	–	116
Trade payables	(16)	–
US dollar		
Cash and cash equivalents	–	106
Trade payables	(100)	–

Foreign currency sensitivity

The following table details the Group's sensitivity to a 5% change in pounds sterling against the euro and a 5% change in pounds sterling against the US dollar. These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates.

The Group does not hedge the euro income or deposits or trade payables because the risk of foreign exchange movements is not deemed to be significant.

The Group buys newsprint in sterling from an entity, who source the paper from the UK, Europe and North America. Newsprint pricing is inextricably linked to its global commodity status and as a result the Group is exposed to foreign currency risk on paper purchases.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where pounds sterling strengthens against the respective currency. For a 5% weakening of the sterling against the relevant currency, there is an equal and opposite impact on profit or loss and other equity, and the balances below reverse signs.

	Euro currency impact	US dollar currency impact
	4 January 2020 £'000	4 January 2020 £'000
5% strengthening of pounds sterling (£)		
(Loss)/Profit	(15)	0

JPIMEDIA HOLDINGS LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

29. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults. The Group's policy on dealing with trade customers is described in Note 18.

The Group's exposure and the credit ratings of its counterparties are continuously monitored. As far as possible, the aggregate value of transactions is spread across a number of approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics, the latter being defined as connected entities, other than with some of the larger advertising agencies. In the case of the latter, a close relationship exists between the Group and the agencies and appropriate allowances for doubtful debts are in place. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The following table shows the total estimated exposure to credit risk for all of the Group's financial assets, excluding trade receivables which are discussed in Note 18:

	4 January 2020	
	Carrying value £'000	Exposure to credit risk £'000
Cash and cash equivalents	23,506	–
	23,506	–

Liquidity risk management

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow. Ultimate responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Additionally, there are opportunities to refinance should the business require further funding or an extension to the repayment terms.

Liquidity risk

The Group has a secured bond instrument of £55 million outstanding with a projected fixed interest rate of 10% (Libor¹ + 9%) per annum. The final repayment is expected on 17 November 2023. The Group expects to meet its obligations from cash held on deposit, and operating cash flows.

¹ The Libor floor is 1.0%

30. Events after the reporting period

On 10 January 2020, the Group paid £2.2m to JPIMedia Publications Limited. This payment represented an agreed working capital contribution made in connection with the disposal of JPIMedia Publications Limited to DMGT Limited on 29 November 2019.

On 30 January 2020 the World Health Organisation (WHO) declared a Health Emergency and on 11 March 2020 a Global Pandemic following the outbreak of Coronavirus (COVID-19). The pandemic has affected trading and operations since the balance sheet date, with lower Group revenues due to lockdown restrictions and economic confidence. However, the Directors of the JPIMedia Group have seen group advertising and circulation revenues improve as the lockdown restrictions have been lifted. However, the slowdown, and decline in future cash flows, is likely to lead to an impairment review of goodwill and the publishing titles in the financial year ending 2 January 2021.

IAS 10, Events After the Reporting Period, describes an adjusting post balance sheet event as one which provides evidence of conditions which existed at the balance sheet date which may lead to adjustments in the Group's Financial Statements and describes a non-adjusting post balance sheet event as one which is indicative of conditions that arose after balance sheet date. In accordance with guidance issued by the Financial Reporting Council issued in May 2020, the impact of COVID-19 is treated as a non-adjusting post balance sheet event.

JPIMEDIA HOLDINGS LIMITED

COMPANY BALANCE SHEET FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Notes	4 January 2020 £'000
Non-current assets		
Investments	33	–
		–
Current assets		
Trade and other receivables ¹	34	22,276
Cash and cash equivalents		4,455
		26,731
Current liabilities		
Trade and other creditors	35	(15)
		(15)
Net assets		26,716
Capital and reserves		
Called-up share capital ¹	24	23
Share premium	25	87,960
Retained earnings		(61,267)
Shareholders' equity		26,716

The accompanying notes are an integral part of these Financial Statements.

¹17th November 2018 acquired JPIMedia Limited. Balance sheet includes £87,952k of Trade and other receivables, and called-up share capital.

The Financial Statements of JPIMedia Holdings Ltd, registered in England and Wales (number 11595120), were approved by the Board of Directors and authorised for issue on 30 September 2020. They were signed on its behalf by:



D K Duggins
Director

JPIMEDIA HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Opening balances	–	–	–	–
Loss for the period	–	–	(61,267)	(61,267)
Other comprehensive loss for the period	–	–	–	–
Total comprehensive loss for the period	–	–	(61,267)	(61,267)
Contributions by and distributions to owners:				
Issue of share capital	23	87,960	–	87,983
Total contributions by and distributions to owners	23	87,960	–	87,983
Equity as at 4 January 2020	23	87,960	(61,267)	26,716

The accompanying notes are an integral part of these Financial Statements.

JPIMEDIA HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

31. Significant Accounting Policies

Basis of preparation

The separate Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101). The Financial Statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The Company is a qualifying entity under FRS 101 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements. Exemptions have been taken in relation to the profit and loss account, presentation of a cash-flow statement, and remuneration of key management personnel.

A separate profit and loss account dealing with the results of the company has not been presented, as permitted by Section 408 of the Companies Act 2006. The loss for the period is £61,267k.

The reporting period is for the 66 weeks from the Group's incorporation date, 28 September 2018, and ended 4 January 2020.

Going concern

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that, both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in Note 1 of the Consolidated Financial Statements within the section on 'Going concern'.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

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 recognised in respect of all timing differences that have originated but not reversed at the period end date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the period end date. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the period end date.

Financial instruments

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

All other accounting policies

All other accounting policies are as per Note 2 located in the Group section of this report.

JPIMEDIA HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

32. Information regarding employees and directors

The average monthly number of employees, including executive directors was:

	66 weeks to 4 January 2020 Number (FTE's)
Administration	2
	2

Their aggregate remuneration comprised:

	66 weeks to 4 January 2020 £'000
Wages and salaries	282
Social security costs	37
Consultancy fees	29
Total staff costs¹	348

¹ Total staff costs of £348k includes £254k reported in Administrative expenses, and £94k reported in Exceptional items – Operating.

Directors' remuneration consisted of:

	4 January 2020 £'000
Aggregate remuneration in respect of qualifying services ¹	348
Aggregate remuneration in respect of long-term incentive schemes	-
Aggregate contributions to money purchase pension schemes	-
Total staff costs	348

¹ This includes consultancy costs of £29k paid to a director on an invoiced arrangement, but excludes consultancy fees (£610k) paid to an entity in which a Group Director has an interest which are disclosed in the Related Parties note (Note 28).

Other information regarding the highest paid director is as follows:

	4 January 2020 £'000
Aggregate remuneration in respect of qualifying services	168
Total staff costs	168

JPIMEDIA HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

33. Investments in subsidiaries

	Subsidiary undertakings. £'000	Total £'000
Cost		
Additions	-	-
Opening Balance	-	-
At 4 January 2020	-	-
Net book value		
Opening Balance	-	-
At 4 January 2020	-	-

The Company's investment in subsidiaries is £0.01.

The Company's subsidiary undertakings are as follows:

Subsidiaries incorporated in England, with a registered office of 1 King Street, London, EC2V 8AU, United Kingdom are as follows:

	Country of incorporation and operation	Proportion of ownership interest and voting power	Class of share owned	Nature of business	Status
<i>Held directly:</i>					
JPIMedia Limited	England	100%	Ordinary	Holding company	Holding
<i>Held indirectly:</i>					
JPIMedia Publishing Limited	England	100%	Ordinary	Newspaper publishers	Trading
JPIMedia Publications Limited ¹	England	100%	Ordinary	Newspaper publishers	Trading
JPIMedia Print Holdings Limited	England	100%	Ordinary	Holding company	Trading
JPIMedia Scotsman Publications Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia SWP Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia North East Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia North West Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia Off Road Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia Yorkshire Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia NMSY Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia Midlands Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia South Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia NI Limited	England	100%	Ordinary	Newspaper publishers	Agency
JPIMedia 2018 Limited	England	100%	Ordinary	Holding company	Holding
JPIMedia Printing (Dinnington) Limited	England	100%	Ordinary	Contract printers	Trading
JPIMedia Printing (Portsmouth) Limited	England	100%	Ordinary	Contract printers	Trading
JPIMedia Printing (Carn) Limited	England	100%	Ordinary	Contract printers	Trading

1 JPIMedia Publications Limited, a UK subsidiary during the period, was sold to dmg media Ltd on 29 November 2019. Refer to Note 14 for details.

There is no difference in the proportions of ownership interest shown above and the voting power held. All investments in subsidiary undertakings are held at cost less, where appropriate, provisions for impairment. All subsidiaries have been included within the consolidated accounts.

JPIMEDIA HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 66 WEEK PERIOD ENDED 4 JANUARY 2020

34. Company Debtors

	4 January 2020 £'000
Amounts owed by subsidiary undertakings	22,276
	22,276

Amounts owed by subsidiary undertakings are stated after provisions for impairment of £60,200k. The carrying value of amounts owed to subsidiary undertakings represents the directors' best estimate of the recoverable amount as at the balance sheet date. The amount is repayable on demand and incurs no interest.

The Company have provided confirmation to its fellow Group Companies that there is no intention to demand repayment of the balances outstanding in the foreseeable future.

	4 January 2020 £'000
Gross amounts owed by subsidiary undertakings	82,476
Provision balance	(60,200)
	22,276

35. Company Creditors

	4 January 2020 £'000
Accruals	15
	15