

Company Registration No. 06764905

Lebedev Holdings Limited

Annual Report and Financial Statements

For the year ended 01 October 2017



Lebedev Holdings Limited

Annual report and financial statements 2017

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Lebedev Holdings Limited

Annual report and financial statements 2017

Officers and professional advisers

Directors

E Lebedev
A Lebedev (resigned 4 November 2016)
J D E Byam Shaw
M Malhotra
J M Foster (appointed 19 April 2017)

Company Secretary

M Malhotra

Registered Office

2 Derry Street
London
W8 5HF

Bankers

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Lebedev Holdings Limited

Strategic report

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Lebedev Holdings Limited and its subsidiary undertakings when viewed as a whole.

Principal activities

The principal activity of the Company continues to be that of a holding company. The principal activity of the Group for the year to 01 October 2017 was the publishing of newspapers and associated activities and television broadcast. The analyses of turnover and operating loss for the year ended 01 October 2017 are included as notes 3 and 4 to the financial statements.

Review of business and future developments

The Group made an operating loss before tax of £18,266,000 (2016 profit: £3,864,000) and has net liabilities of £135,700,000 (2016: £117,863,000).

The Evening Standard is a quality weekday newspaper that distributes 900,000 copies per day for free throughout Greater London. Due principally to the tightening markets for traditional print display and classified advertising experienced during the financial year, Evening Standard Ltd has recorded an operating loss. The effects of the challenging advertising environment were compounded by one less week of publishing in the year and significant cost pressures arising from higher newsprint prices as a result of sterling's weakness and the absorption of a greater share of Group overheads following the restructuring of other Group companies.

Against this difficult backdrop, Evening Standard Ltd's commercial strategy of highlighting the benefits of free newspapers with stable distribution compared to paid-for titles has achieved a growing share of the quality print advertising market. In addition, the continuing investment in its digital platforms, standard.co.uk and homesandproperty.co.uk, yielded a year-on-year increase in visitors of 39% in the UK and 30% in the rest of world and revenue growth of 20%.

During the year, Evening Standard Ltd accelerated its strategy of revenue diversification by investing into areas such as events and live experiences, which helped offset some of the declines in print advertising. Events revenues grew by 82% when compared to the previous year following the launch of well received debut events such as Young Progress Makers and London Food Month to complement the existing portfolio of successful events such as Theatre Awards, Business Awards and Progress 1,000.

Homes & Property, the free property supplement published every Wednesday, and ES Magazine, the free glossy magazine published every Thursday and Friday, both continued to deliver profits in the year despite operating in competitive and challenging markets. ES Magazine celebrated its 30th anniversary in 2016 and continues to showcase the best of London's fashion, culture and trends.

George Osborne was appointed Editor of the Evening Standard in May 2017 and oversaw the newspaper's coverage of the General Election and its political aftermath, together with in depth coverage of news events including the Grenfell Tower fire, which led to a landmark fundraising campaign by the newspaper that raised more than £7m thanks to the generosity of readers and corporate donors. Evening Standard Ltd continued to run other important campaigns such as Food for London on using surplus produce for those in need, whilst the Group was delighted to support the charity Centrepont through its 2016 Christmas campaign.

The Company's fully owned subsidiary Independent Print Limited sold *the i* newspaper to Johnston Press plc and ceased publishing The Independent on Sunday and The Independent in print form in 2016. As part of the sale of *i*, the Company entered into a three year content syndication deal with the purchaser and has continued to generate syndication revenues from its archive during the period.

Lebedev Holdings Limited

Strategic report (continued)

Review of business and future developments (continued)

The Company's fully owned subsidiary ESTV Limited has completed its third full year of trading since the launch of the channel London Live in March 2014. The channel continues to build its position in London and delivered a 13% increase in revenues of £4,218,000, through consistent audience growth and the establishment of secondary revenue lines. Operating losses have been reduced by 17% in line with expectations and ESTV Ltd now has a sustainable cost base for the future.

London Live continued to deliver audience growth for the year ending September 2017, with more than 2.5 million (26%) adults watching the channel every month. Over 8.9m Londoners have experienced London Live since launch, with 70% of these returning as regular viewers. Growth in viewing was achieved in a year where the overall linear broadcast viewing declined by 0.2%. London live improved its position moving from 17th largest channel in London by monthly reach in the previous financial year to 14th in the current financial year and grew from 36th to 34th largest channel in London for delivery of commercial impacts in the year.

During the year, management continued to work with Ofcom on the development of Licence commitments, with the result that live news and current affair hours are now 19.5 hours per week and minimum acquired local content is one hour per day. This has allowed for a more sustainable business model through a reduction in costs whilst allowing greater flexibility in the acquired content strategy to further improve the audience experience. Content acquisition strategy continues to focus on delivering licence commitments, whilst responding to audience demand and delivering sustainable audience growth.

The Channel's target audience strategy is reviewed constantly to maximise headline revenue growth which has broadly remained targeted on the All Adults category, however at specific times during the year the content strategy has also specifically targeted ABC1 Adults and Housewives. The audience growth of 2% year on year, was successfully converted into total revenue growth of 13%, with the two main components of national sales growing 14% and local direct growing 16%.

Overall costs were reduced by 5% in comparison to the prior year as the business continued to mature and implement next-generation technology.

Outlook

The Group will continue to support its portfolio of newspaper, television and digital assets in order to build on their improved position within the UK market and deliver a quality audience attractive to advertisers. In the face of advertising market headwind, there will be continuing focus on improving the Group's financial performance by seeking revenue opportunities where available, whilst negotiating improved terms on major contracts and exercising tight cost control in all areas of the business.

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

Independent Print Ltd continues to provide outsourced digital publishing services to the connected company, Independent Digital News and Media Ltd, and other Group companies despite the cessation of the newspaper print publishing business. It also continues to syndicate its archive content worldwide.

ESTV Ltd continues to deliver good consistent growth across all audience and revenue metrics, and deliver in line with the business strategy and three year financial plan. In the coming financial year continued cost control combined with audience and revenue growth will help deliver a material reduction in losses, whilst continuing to contribute to group overheads. ESTV Ltd will continue to review its local television broadcast commitments alongside audience data and viewer feedback and enter into discussions with Ofcom to ensure that Londoners are best served.

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Strategic report (continued)

Key performance indicators

In order to monitor the development, performance and financial position of the business, the Group uses key performance indicators for the newspaper business such as total revenue, operating margin, average daily circulation, advertising yield, average daily paginations and advertising ratios. In television the Group uses measure such as operating margin, audience ratings, profile, commercial impacts by agency and brand, advertising minutes per hour, website unique users, page impressions, video plays and social media followers.

Principal risks and uncertainties

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

Liquidity and cash flow

As described in note 1, the Group relies on the continued support of its shareholder lenders in order to continue to trade. The Group's shareholder and lenders have expressed their willingness to continue supporting the Group as and when required, however there is no formal funding facility agreed and therefore there is inherent uncertainty as to the continued availability of funding. Nevertheless, the directors currently have no reason to believe that Group companies will not have access to adequate resources to continue in operational existence for the foreseeable future and therefore have adopted the going concern basis in preparing the financial statements.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Group uses long-term debt finance provided by its shareholders. Since funding is provided on an "as needed" basis, the Group ensures it has sufficient funds in place by preparing detailed cash flow forecasts and providing sufficient notice of any future requirements to its shareholders.

Audience delivery

ESTV Limited's financial projections and business model depend on London Live delivering a certain level and quality of audience within a highly competitive environment. Audience delivery within the context of a newly launched TV channel as part of a new local TV initiative is challenging and difficult to predict. All content acquisitions are appraised against strictly defined return on investment criteria, whilst the channel is cross-promoted by other Group brands.

Exposure to changes in the economy and advertising patterns

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

Legal and regulatory

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

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

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Strategic report (continued)

Legal and regulatory (continued)

Some of the questions which the Group had about IPSO's operation have been satisfactorily answered; other points may be sufficiently clarified in the coming year.

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

Price volatility of newsprint

Newsprint represents a significant proportion of the Group's costs. Newsprint prices are subject to increasing volatility arising from variations in supply, demand and currency valuations and these variations can be significant.

The impact of technological and market changes on our competitive advantage

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

Credit risk

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

Impact of a major disaster or outbreak of disease

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

Reliance on key suppliers

The loss of a key supplier due to disaster or economic downturn, or a significant worsening of commercial terms with key suppliers could adversely affect the Group's results and its ability to produce key products and services. The Group subsidiaries have disaster recovery plans in place and resources are also devoted to ensuring the relationships with key suppliers are maintained and upheld and that alternative suppliers are available.

Reader/listener promotions

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

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Strategic report (continued)

Employees

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

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

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

A handwritten signature in black ink, appearing to be 'M Malhotra', with a long diagonal stroke extending upwards and to the right.

M Malhotra
Director

29 January 2018

Lebedev Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 01 October 2017. The Group makes up its accounts to the Sunday nearest to 30 September. The Group has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include such matters of strategic importance to the Group in the Strategic Report which otherwise would be required to be disclosed in the Director's report.

Financial risk management and policies

Details of financial risk management and policies can be found in the Strategic Report on page 4 and page 5 and form part of this report by cross-reference.

Future developments

Details of future developments can be found in the Strategic Report on p2 to p6 and form part of this report by cross-reference.

Directors

The directors, who served during the year, and up to the date of approval of the financial statements were as follows:

E Lebedev

A Lebedev (resigned 4 November 2016)

J D E Byam Shaw

M Malhotra

J M Foster (appointed 19 April 2017)

Directors' indemnities

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. As highlighted in Note 1, the day to day working capital requirements of the Group has been met through long term loans as and when required.

The Group's shareholder and lenders have expressed their willingness to continue supporting the Group as and when required, however there is no formal funding facility agreed and therefore there is material uncertainty as to the continued availability of funding.

Nevertheless, the directors currently have no reason to believe that the Group will not have access to adequate resources to continue in operational existence for the foreseeable future and therefore have adopted the going concern basis in preparing the financial statements.

Charitable and political contributions

During the year, the Group made charitable donations of £99,753 (2016: £64,883).

Disabled employees

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

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Directors' report (continued)

Employee consultation

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

Auditor

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

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

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

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

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



M Malhotra
Director

29 January 2018

Lebedev Holdings Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

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

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

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

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

Lebedev Holdings Limited

Independent auditor's report to the members of Lebedev Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 01 October 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lebedev Holdings Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account and statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the consolidated and parent company statement of changes in equity; and
- the related notes 1 to 29.

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

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the group reported a net loss before tax of £18,266,000 during the year ended 01 October 2017 and at that date it had net liabilities of £135,700,000. The group requires continuous financial support from the shareholders but there is no formal funding arrangement in place. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

Lebedev Holdings Limited

Independent auditor's report to the members of Lebedev Holdings Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Lebedev Holdings Limited

Independent auditor's report to the members of Lebedev Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

A handwritten signature in black ink, appearing to read 'William Touche', with a long horizontal stroke extending to the right.

William Touche (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 January 2018

Lebedev Holdings Limited

Consolidated profit and loss account and statement of comprehensive income Year ended 01 October 2017

	Notes	2016			Total £'000
		2017 £'000	Continuing operations £'000	Discontinued operations £'000	
Turnover	1, 3	68,534	77,463	25,871	103,334
Cost of sales		(58,872)	(60,539)	(23,919)	(84,458)
Gross profit		9,662	16,924	1,952	18,876
Net operating expenses	4	(22,553)	(16,330)	(16,069)	(32,399)
Operating (loss)/profit		(12,891)	594	(14,117)	(13,523)
Finance costs (net)	8	(5,375)	(6,003)	-	(6,003)
Loss on ordinary activities before taxation		(18,266)	(5,409)	(14,117)	(19,526)
Gain on sale of asset		-	-	23,390	23,390
(Loss)/profit before taxation		(18,266)	(5,409)	9,273	3,864
Tax credit/(charge) on loss on ordinary activities	10	20	(3,499)	(9)	(3,508)
(Loss)/profit on ordinary activities after taxation		(18,246)	(8,909)	9,264	356
Minority interests	20	4,098	1,038	-	1,038
Retained (loss)/profit for the financial year		(14,148)	(7,871)	9,264	1,394
Shareholder loans		407	470	-	470
Total comprehensive (loss)/income		(13,741)	(7,401)	9,264	1,864

All amounts relate to continuing activities. The notes on pages 18 to 35 form part of these financial statements.

Lebedev Holdings Limited

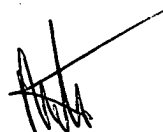
Consolidated balance sheet As at 01 October 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	415	510
Tangible assets	12	1,094	437
		<u>1,509</u>	<u>947</u>
Current assets			
Stocks	14	80	128
Debtors	15	16,140	24,838
Cash at bank and in hand		6,165	18,396
		<u>22,385</u>	<u>43,362</u>
Creditors: amounts falling due within one year	16	(65,787)	(86,299)
Net current liabilities		<u>(43,402)</u>	<u>(42,937)</u>
Total assets less current liabilities		(41,893)	(41,990)
Creditors: amounts falling due after more than one year	17	(82,949)	(63,189)
Provisions for liabilities	18	(10,858)	(12,685)
Net liabilities		<u>(135,700)</u>	<u>(117,863)</u>
Capital and reserves			
Called up share capital	19	1,590	1,590
Profit and loss account		(123,128)	(109,389)
Total equity shareholders' deficit		<u>(121,538)</u>	<u>(107,799)</u>
Minority interests	20	(14,162)	(10,064)
		<u>(135,700)</u>	<u>(117,863)</u>

The notes on pages 18 to 35 form part of these financial statements.

The financial statements of Lebedev Holdings Limited, registered number 06764905 were approved by the Board of Directors on 29 January 2018.

Signed on behalf of the Board of Directors



M Malhotra
Director

Lebedev Holdings Limited

Company balance sheet As at 01 October 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	13	-	-
Current assets			
Cash at bank		-	-
Creditors: amounts falling due within one year	16	(7,393)	(6,902)
Net current liabilities		<u>(7,393)</u>	<u>(6,902)</u>
Total assets less current liabilities		(7,393)	(6,902)
Creditors: amounts falling due after more than one year	17	-	-
Net liabilities		<u><u>(7,393)</u></u>	<u><u>(6,902)</u></u>
Capital and reserves			
Called up share capital	19	1,590	1,590
Profit and loss account		(8,983)	(8,492)
Total equity shareholders' deficit		<u><u>(7,393)</u></u>	<u><u>(6,902)</u></u>

The notes on pages 18 to 35 form part of these financial statements.

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The loss for the year dealt with in the accounts of the Company was £491,000 (2016: £456,000).

The financial statements of Lebedev Holdings Limited, registered number 06764905 were approved by the Board of Directors on 29 January 2018.

Signed on behalf of the Board of Directors



M Malhotra
Director

Lebedev Holdings Limited

Consolidated cash flow statement Year ended 01 October 2017

	Notes	2017 £'000	2016 £'000
Net cash outflow from operating activities	21	(8,554)	(11,760)
Cash flows from investing activities			
Returns on investments and servicing of finance	22	25	70
Sale of asset		-	23,390
Capital expenditure and financial investment	22	(2,224)	(1,450)
Cash (outflow)/inflow before financing activities		(10,753)	10,250
Cash flows from financing activities			
Financing	22	(1,478)	(7,299)
(Decrease)/Increase in cash in the year		(12,231)	2,951
Cash and cash equivalents at the beginning of the year		18,396	15,445
Cash and cash equivalents at the end of the year		6,165	18,396

Lebedev Holdings Limited

Statement of changes in equity Year ended 01 October 2017

Group	Equity attributable to equity shareholders				
	Share capital	Retained Earnings	Total	Minority interests	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 28 September 2015	1,590	(111,251)	(109,661)	(9,026)	(118,687)
Profit for the year	-	1,394	1,394	(1,038)	356
Other comprehensive income for the year	-	470	470	-	470
Total comprehensive income for the year	-	1,864	1,864	(1,038)	826
Balance at 02 October 2016	1,590	(109,389)	(107,799)	(10,064)	(117,863)
Loss for the year	-	(14,148)	(14,148)	(4,098)	(18,246)
Other comprehensive income for the year	-	407	407	-	407
Total comprehensive loss for the year	-	(13,741)	(13,741)	(4,098)	(17,839)
Balance at 01 October 2017	1,590	(123,128)	(121,538)	(14,162)	(135,700)

Company	Share capital	Retained Earnings	Total
	£'000	£'000	£'000
Balance at 28 September 2015	1,590	(8,036)	(6,446)
Loss and total comprehensive loss for the year	-	(456)	(456)
Balance at 02 October 2016	1,590	(8,492)	(6,902)
Loss and total comprehensive loss for the year	-	(491)	(491)
Balance at 01 October 2017	1,590	(8,983)	(7,393)

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

1. Accounting policies

Basis of preparation of financial statements

The Company is a company incorporated in England and Wales under the Companies Act 2006.

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

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on pages 2 to 6.

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

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

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

Going concern

The Group incurred a loss before taxation of £18,266,000 during the year ended 01 October 2017 and at that date it had net liabilities of £135,700,000. The Company incurred a loss of £491,000 during the year ended 01 October 2017 and at that date it had net liabilities of £7,393,000. The Company and the Group require significant further funding and meet day to day working capital requirements through long term finance provided by Mr Evgeny Lebedev, director of the Company during the year, and companies under his control. Mr Lebedev has continued to provide further finance since the year end to meet the funding requirements of the Company and the Group and has confirmed in writing to the other directors his on-going commitment to provide adequate funding for at least twelve months from the date of approval of these financial statements although no formal funding arrangement is in place.

On this basis, and having given due consideration to the Company's and the Group's forecasts and projections, the directors believe that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future and consider it appropriate to adopt the going concern basis in preparing these financial statements. However, should the financial support be discontinued, the going concern basis may not be valid, the Company and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and adjustments would have to be made to reduce the value of assets to their recoverable amount and to provide for further liabilities that may arise and to reclassify fixed assets as current assets. In accordance with Accounting Standards and the UK Financial Reporting Council's Guidance for Directors on Going Concern, the directors have therefore concluded that the combination of these circumstances represents material uncertainty that casts significant doubt upon the Company and the Group's ability to continue as a going concern but nevertheless have prepared the accounts on a going concern basis in light of the written confirmation received regarding the intention of Mr Lebedev to continue to meet the Company's and the Group's funding requirements. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Financial year

The results for 2017 represent the 52 weeks from 03 October 2016 to 01 October 2017. The comparative accounts were for the 53 weeks from 28 September 2015 to 02 October 2016.

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

1. Accounting policies (continued)

Basis of consolidation

The financial statements consolidate the accounts of Lebedev Holdings Limited and all of its subsidiary undertakings ('subsidiaries'). The results of subsidiaries acquired during the period are included from the effective date of acquisition.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of Value Added Tax, trade discounts and commission where applicable and is recognised using several methods. Publishing and circulation revenue is recognised on the issue of the publication. Advertising revenue is recognised on date of broadcast or over the period of the campaign. Digital revenues are recognised on publication for advertising or delivery of service for other digital revenues.

Barter transactions

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

Programme assets

Programme assets are recognised as intangible assets once they become available and licenced for transmission. Advance payments prior to the programme being available and licenced for transmission are recorded as prepayments. Programme assets are recognised as current or non-current based on their usage within or beyond the current financial year and assessed for impairment bi-annually. Amortisation of programme assets reflects the underlying economics of the asset base. Programme assets are amortised in full on the first run.

At each half year, ESTV Limited reviews the carrying amounts of all its programme assets to determine whether there is any indication that any of those assets have suffered an impairment loss. An impairment is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its net realisable value. In estimating the net realisable value, consideration is given to historical performance; estimated discounted future cash flows; when the programmes and films are scheduled for transmission and the contracted sales price and estimated costs for completion for programmes in production.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

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

Financial Instruments

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

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

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

1. Accounting policies (continued)

Financial Instruments (continued)

Financial assets and liabilities

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

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

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

Lebedev Holdings Limited

Notes to the financial statements **Year ended 01 October 2017**

1. Accounting policies (continued)

Financial Instruments (continued)

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

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

Leasing

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

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

Foreign exchange

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

Investments

Investments in subsidiaries are valued at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off immediately if impaired. Purchased intangible assets relating to newspaper publishing rights, titles and other intangible assets are capitalised and written off immediately if impaired.

Stocks

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

Taxation

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

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

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

1. Accounting policies (continued)

Pensions

The Group operates defined contribution pension schemes and contributes to the personal pension schemes of employees. The pension charge represents the amounts payable by the Group to the fund in respect of the year.

Related party transactions

The Company has taken advantage of the exemption in Section 33 of FRS102, not to disclose transactions between wholly-owned members of the group.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

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

Forecasting

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

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

3. Turnover

The turnover is attributable to the publishing of newspapers and magazines, related website activities and television broadcasting.

	2017 £'000	2016 £'000
Newspaper Publishing	64,316	99,611
TV Broadcasting	4,218	3,733
	<u>68,534</u>	<u>103,344</u>

Included within turnover is £363,000 (2016: £501,000) of advertising revenue which was provided in return for goods and services. All turnover arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging:

	2017 £'000	2016 £'000
Distribution costs	<u>12,694</u>	<u>12,871</u>
Depreciation of tangible fixed assets		
- owned by the Group	310	236
- assets held under finance lease	-	126
Programme Amortisation	1,347	971
Release of IT prepayment	(3,281)	1,037
Operating lease rentals		
- plant and machinery	52	81
- other operating leases	2,852	1,243
Difference on foreign exchange	19	(1)
Other operating costs	<u>15,442</u>	<u>21,703</u>
	<u>16,741</u>	<u>25,396</u>
Other operating income	(6,882)	(5,868)
Net operating costs	<u>22,553</u>	<u>32,399</u>

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

5. Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	6	5
Fees payable to the Company's auditor for taxation compliance services of the Company	1	2
Fees payable to the subsidiary's auditor for the audit of accounts of subsidiary companies	77	110
Fees payable to the subsidiary's auditor for taxation compliance services of subsidiary companies	11	16

6. Staff costs

Staff costs were as follows:

Group	2017 £'000	2016 £'000
Wages and salaries	23,901	28,492
Social security costs	2,869	3,423
Other pension costs (note 24)	1,446	1,477
	28,216	33,392

Staff costs exclude redundancy costs included in note 9.

The average number of employees, including the Directors, during the year was as follows:

Group	2017 No.	2016 No.
TV Broadcasting	59	64
Newspaper and Digital publishing	387	473
	446	536

The Company did not have any employees in the year (2016: nil).

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

7. Directors' emoluments

	2017 £'000	2016 £'000
Directors' emoluments were as follows:		
Emoluments	503	1,653
Company contributions to money purchase schemes	-	16
	<u>503</u>	<u>1,669</u>
Highest paid director		
Emoluments	401	979
Company contributions to money purchase schemes	-	-
	<u>401</u>	<u>979</u>

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

8. Finance costs

	2017 £'000	2016 £'000
Interest receivable	25	70
Interest payable on long term loans	(5,400)	(6,073)
	<u>(5,375)</u>	<u>(6,003)</u>

9. Restructuring costs

	2017 £'000	2016 £'000
Redundancy and re-organisation costs	572	9,161
Digital investment costs	70	78
	<u>642</u>	<u>9,239</u>

Redundancy and re-organisation costs relate to redundancies across the Group, office moves and other consultancy fees.

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

10. Taxation

	2017 £'000	2016 £'000
UK corporation tax charge for the year	2	7
Adjustment in respect of previous periods	-	-
Foreign tax relief / other relief	(2)	(7)
Foreign tax suffered	2	8
Total current tax charge	<u>2</u>	<u>8</u>
Origination and reversal of timing differences	-	3,500
Adjustments in respect of previous periods	(22)	-
Total deferred tax	<u>(22)</u>	<u>3,500</u>
Total tax (credit)/charge per income statement	<u>(20)</u>	<u>3,508</u>

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

	2017 £'000	2016 £'000
(Loss)/profit on ordinary activities before taxation	(18,266)	3,864
Tax on profit from ordinary activities at standard rate of 19.5% (2016: 20.0%)	(3,562)	773
Factors affecting charge for the year:		
Utilisation of RDEC	-	(1)
Transitional adjustment on conversion to FRS 102	-	(46)
Expenses not deductible for tax purposes	1,378	1,591
Deferred tax not recognised	2,185	1,190
Effects of overseas tax rates	-	1
Intangibles write off	1	-
Adjustments to tax charge in respect of previous periods (RDEC)	(22)	-
Total current tax credit	<u>(20)</u>	<u>3,508</u>

b) Deferred tax

A total potential deferred tax asset of £19,730,000 based on a tax rate of 17% in relation to the Group's unutilised tax losses, fixed asset movements and other short term timing differences has not been recognised because the Directors' do not yet consider the Group to be more likely than not to recover all of these assets.

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

11. Intangible fixed assets

Group	TV Programmes £'000	Trade- marks £'000	Goodwill £'000	Total £'000
Cost				
At 03 October 2016	6,160	2,000	3,623	11,783
Additions	1,257	-	-	1,257
At 01 October 2017	7,417	2,000	3,623	13,040
Amortisation and impairment				
At 03 October 2016	5,650	2,000	3,623	11,273
Amortisation charge for the year	1,347	-	-	1,347
Impairment charge for the year	5	-	-	5
At 01 October 2017	7,002	2,000	3,623	12,625
Net book value				
At 01 October 2017	415	-	-	415
At 03 October 2016	510	-	-	510

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

12. Tangible fixed assets

Group	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 03 October 2016	946	1,006	1,952
Additions	821	146	967
At 01 October 2017	1,767	1,152	2,919
Depreciation			
At 03 October 2016	551	964	1,515
Charge for the year	275	35	310
At 01 October 2017	826	999	1,825
Net book value			
At 01 October 2017	941	153	1,094
At 03 October 2016	395	42	437

13. Fixed asset investments

Company	Investments in subsidiary companies £'000
Cost	
At 02 October 2016 and 01 October 2017	5,603
Provisions for impairment	
At 02 October 2016 and 01 October 2017	(5,603)
Net book value	
At 02 October 2016 and 01 October 2017	-

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

13. Fixed asset investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Company name	Country	Percentage shareholding	Description
Independent Print Limited	England and Wales	100% Ordinary	Syndication of news media
ESTV Limited	England and Wales	100% Ordinary	TV Broadcasting
Evening Standard Limited	England and Wales	65.2% Ordinary*	Publishing of newspapers
ES London Limited	England and Wales	49% Ordinary	Advertising services and opportunities

* The Company owns 70.1% of the 1,000 ordinary voting shares issued by Evening Standard Limited. It does not own any of the 75 ordinary non-voting shares issued by Evening Standard Limited.

Evening Standard Limited owns 70% of the ordinary shares of ES London Limited. ES London Limited provides advertising services and opportunities through digital sites and related domain names, operates principally within the United Kingdom and is registered in England and Wales.

The registered address of Evening Standard Limited and ES London Limited is Northcliffe House, 2 Derry Street, London, W8 5TT and of ESTV Limited and Independent Print Limited is Northcliffe House, 2 Derry Street, London, W8 5HF.

14. Stocks

	Group		Company	
	01-Oct 2017 £'000	02-Oct 2016 £'000	01-Oct 2017 £'000	02-Oct 2016 £'000
Raw materials and consumables	80	128	-	-

15. Debtors

	Group		Company	
	01-Oct 2017 £'000	02-Oct 2016 £'000	01-Oct 2017 £'000	02-Oct 2016 £'000
Trade debtors	12,037	16,780	-	-
Deferred tax	29	-	-	-
Other debtors	284	1,361	-	-
Prepayments and accrued income	3,789	6,697	-	-
	16,139	24,838	-	-

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

16. Creditors: amounts falling due within one year

	Group		Company	
	01-Oct 2017 £'000	02-Oct 2016 £'000	01-Oct 2017 £'000	02-Oct 2016 £'000
Trade creditors	4,129	5,978	-	-
Social security and other taxes	1,379	1,247	-	-
Loans and accrued interest	52,388	68,632	7,339	6,859
Other creditors	367	895	12	12
Accruals and deferred income	7,524	9,546	13	8
Amounts owed to Group undertakings	-	-	29	23
	<u>65,787</u>	<u>86,298</u>	<u>7,393</u>	<u>6,902</u>

The Company has a loan of £4,019,101 (2015: £4,019,101) due to a company connected to Mr A Lebedev, plus accrued interest of £3,320,000 (2016: £2,840,000), which is repayable on demand, depending on the availability of cash in the Company. Interest is charged at a fixed rate of 7% per annum.

Loans made to the Group of £32,723,000 (2016: £39,200,000), which are also technically due on demand, plus accrued interest of £12,326,000 (2016: £10,855,000) charged at a fixed rate of 5% per annum.

The lenders have confirmed that they will not require repayment of any of these loans within 12 months from the date of approval of these financial statements.

17. Creditors: amounts falling due after more than one year

	Group		Company	
	01-Oct 2017 £'000	02-Oct 2016 £'000	01-Oct 2017 £'000	02-Oct 2016 £'000
Loans	82,949	63,189	-	-
	<u>82,949</u>	<u>63,189</u>	<u>-</u>	<u>-</u>

Loans made to the Group of £38,154,000 (2016: £36,337,000) are interest free and repayable in full on 31 December 2020.

Loans made to the Group of £25,487,000 (2016: £10,655,000) are interest free and repayable in 2018, 2019 and 2020.

Loans made to the Group of £19,308,000 (2016: £16,197,000) bear interest at a fixed rate of 5% per annum and are repayable on demand within 13 months or the original term whichever is longer.

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

18. Provisions

Group	Liabel £'000	Contract discounts £'000	Total £'000
At 02 October 2016	1,360	11,325	12,685
Charged during year	33	9,258	9,291
Released during year	(40)	(757)	(797)
Utilised during year	(43)	(10,278)	(10,321)
At 01 October 2017	1,310	9,548	10,858

It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within two years of the balance sheet date. The Company itself has no provisions.

19. Share capital

Group	01-Oct 2017 £'000	02-Oct 2016 £'000
Allotted, called up and fully paid		
1,590,000 ordinary shares of £1 each	1,590	1,590

20. Minority interests

Equity	£'000
At 28 September 2015	(9,026)
Proportion of profit after taxation for the year	(1,038)
At 02 October 2016	(10,064)
Proportion of profit after taxation for the year	(4,098)
At 01 October 2017	(14,162)

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

21. Net cash outflow from operating activities

	2017 £'000	2016 £'000
Operating loss	(12,891)	(13,523)
Depreciation of tangible fixed assets	310	362
Amortisation and impairment of intangible fixed assets	1,352	971
Decrease in stocks	49	398
Decrease in debtors	8,720	5,945
Decrease in creditors	(4,267)	(2,073)
Decrease in provisions	(1,827)	(3,840)
Net cash outflow from operating activities	(8,554)	(11,760)

22. Analysis of cash flows for headings netted in cash flow statement

	2017 £'000	2016 £'000
Returns on investments and servicing of finance		
Interest received	25	70
Net cash inflow from returns on investments and servicing of finance	25	70
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(967)	(402)
Purchase of intangible fixed assets	(1,257)	(1,048)
Disposal of tangible fixed assets	-	-
Net cash outflow from capital expenditure	(2,224)	(1,450)
Financing		
Other new loans	3,000	7,393
Repayment of loans and interest	(4,478)	(14,692)
	(1,478)	(7,299)

Accrued interest has been excluded from cashflows relating to servicing of finance as the amounts remain unpaid.

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

23. Analysis of changes in net debt

	2016	Reclassified	Interest accrued	Cash flow	2017
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	18,396	-	-	(12,231)	6,165
Debts falling due within one year	(68,632)	13,994	(2,226)	4,476	(52,388)
Debts falling due after more than one year	(63,189)	(13,994)	(3,174)	(2,592)	(82,949)
Net debt	(113,425)	-	(5,400)	(10,347)	(129,172)

24. Pension commitments

The Group operates defined contribution pension schemes and contributes to personal pension schemes of employees under which contributions are paid by the employer. The pension charge for the year was £1,446,000 (2016: £1,477,000). The amount owing in respect of pension funds at 01 October 2017 is £131,000 (2016: £120,000), included within accruals and deferred income.

25. Operating lease commitments

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

Group	Land and buildings		Other	
	01-Oct	02-Oct	01-Oct	02-Oct
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	393	504	530	314
Between two and five years	4,317	-	1,759	209

26. Share options

Group

Evening Standard Limited has granted 35 equity settled share options with a 10 year life to certain key management personnel at an exercise price of £8,300 per share. Given the history of losses, current debt levels and ownership structure, management believes that these options have a fair value of £nil and hence no charge has been recorded in the financial statements.

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

27. Financial Instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group	
	2017	2016
	£'000	£'000
Financial assets		
Debt instruments measured at amortised cost		
Trade debtors, other debtors and accrued income (see note 15)	13,735	19,157
Cash and cash equivalents	6,165	18,396
	<u>19,900</u>	<u>37,553</u>
Financial liabilities		
Measured at amortised cost		
Loans payable (see note 16, 17)	135,336	131,821
Trade creditors, other creditors and accrued expenses (see note 16)	11,614	16,395
	<u>146,950</u>	<u>148,216</u>

28. Related party transactions

Group

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

The ongoing costs of the Group have been funded by way of shareholder loans. The amount due from the Group at 01 October 2017 to Mr Alexander Lebedev and companies in which he has an interest was £10,905,000 (2016: £10,255,000).

The Group received loans from Mr Evgeny Lebedev, a director, and companies in which he has an interest, of £3,000,000 (2016: £6,700,000) and repaid £4,477,000 (2016: £7,500,000). The amount due from the group at 01 October 2017 to Mr Evgeny Lebedev and companies in which he has an interest was £114,918,104 (2016: £112,505,885).

Lebedev Holdings Limited

Notes to the financial statements Year ended 01 October 2017

28. Related party transactions (continued)

Group (continued)

In addition to this, further loans of £9,514,000 (2016: £9,060,982) were due to Daily Mail and General Holdings Ltd, at 01 October 2017.

The Group sold its digital business to Independent Digital News and Media Limited in 2010. Under the terms of the Services agreement signed between Independent Print Limited and Independent Digital News and Media Limited, following the transfer of business, each company continued to provide its own Editorial content to the other free of charge. A number of direct and administrative staff of the digital business continue to be employed by Independent Print Limited and their cost recharged monthly. The total payroll cost recharged during the period amounted to £1,863,380 (2016: £3,108,666) plus £63,625 (2016: £59,007) pension costs.

The Group made net sales of £3,688,670 (2016: £1,620,168) to and purchases of £1,266,025 (2016: £1,079,785) from Independent Digital News and Media Limited, a company under common control. The net amount owed to the Company in respect of these services on 01 October 2017 was £1,030,130 (2016: £1,110,000).

The Group provides and receives various services to and from subsidiaries of Daily Mail and General Holdings Ltd, a shareholder in the Group. During the year the Group received revenue of £10,329,682 (2016: £12,902,088) in relation to advertising sales and was recharged costs of £6,250,827 (2016: £9,403,927) by Associated Newspapers Ltd, whilst the net amount due to the Group in respect of these services on 01 October 2017 was £395,673 (2016: £3,010,822). During the year the Group received revenue of £nil (2016: £5,245) in relation to advertising sales from Associated Northcliffe Digital Ltd and the net amount owed to the Group in respect of these services on 01 October 2017 was £nil (2016: £nil).

Company

On 01 October 2017 the loan due from the Company to Hawk Investment Fund Limited, a company in which Mr Alexander Lebedev has an interest, was £4,019,101 (2016: £4,019,101).

Interest is payable at 7% per annum on the above loan from Hawk Investment Fund Limited. The interest charge for the year was £480,000 (2016: £448,000) and the interest owed included within long term creditors was £3,320,000 (2016: £2,839,559).

At 01 October 2017, Mr Evgeny Lebedev, a Director of the Company, was owed £12,405 (2016: £12,405) by the Company and the Company owed £28,893 (2016: £23,416) to Independent Print Limited.

29. Controlling party

The ultimate controlling party is Mr Evgeny Lebedev, who owns 100% of the shares of the Company.