

Company Registration No. 06764905

Lebedev Holdings Limited

Annual Report and Financial Statements

02 October 2016



Lebedev Holdings Limited

Annual report and financial statements 2016

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Lebedev Holdings Limited

Annual report and financial statements 2016

Officers and professional advisers

Directors

E Lebedev
A Lebedev (resigned 4 November 2016)
J D E Byam Shaw
S A Auckland (resigned 25 April 2016)
M Malhotra

Secretary

M Malhotra

Registered Office

2 Derry Street
London
W8 5HF

Bankers

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Auditor

Deloitte LLP
Chartered Accountants
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 02 October 2016 was the publishing of newspapers and associated activities and television broadcast. The analyses of turnover and operating loss for the year ended 02 October 2016 are included as notes 3 and 4 to the financial statements.

Review of business and future developments

The Group made an operating profit before tax of £3,864,000 (2015 loss: £13,166,000) and has net liabilities of £117,863,000 (2015: £118,687,000).

The London Evening Standard is a quality weekday newspaper that distributes 900,000 copies per day for free throughout Greater London.

Evening Standard Ltd has recorded a fifth consecutive year of operating profit, 2012 being the first profitable year for the newspaper since 2001 (when under previous ownership). Despite the highly challenging market for print based advertising the Company has maintained the record turnover levels of the previous year through growth in classified and digital revenues in particular.

Homes & Property, the free property supplement published every Wednesday, and ES Magazine, the free glossy magazine published every Thursday, both continued to deliver profits in the year despite operating in competitive and challenging markets. Homes & Property celebrated its 20th anniversary in 2016 and continued to showcase the best of London's architecture, interiors and developments.

During the year Evening Standard Ltd continued to focus on tight cost control which allowed for further investment to be made in the developing business areas of events and digital. Evening Standard Ltd's continued investment in its online companion websites: standard.co.uk and homesandproperty.co.uk resulted in a year-on-year increase in visitors of 41% in the UK and 39% in rest of world, and page impression growth of 46% in the UK and 43% growth in rest of world.

2016 was a landmark year for the Evening Standard editorially achieving circulation of over one million when the Standard was the first newspaper to inform Londoners of the EU Referendum result and its political consequences as well as its breaking news coverage of the Rio Olympics. Evening Standard Ltd continued to highlight important campaigns impacting Londoners and in the year added Evening Standard Ltd's support to Great Ormond Street and to tackling food waste.

On 12 February 2016 the Company's fully owned subsidiary Independent Print Limited, agreed to sell the i newspaper to Johnston Press plc, subject to their shareholders' approval, for a total consideration of £24m. On the same date, Independent Print Ltd also announced that it would cease publishing The Independent on Sunday and The Independent in print form on 20 March 2016 and 26 March 2016 respectively. Following on from these announcements, Independent Print Ltd began TUPE consultation with the relevant members of staff and consulted more widely with its employees in order to find employment for as many of them as possible at other Group companies and at the connected company, Independent Digital News and Media Ltd, the publisher of independent.co.uk. Regrettably, the staff who were not found alternative employment during this consultation period were made redundant.

Following the purchaser's shareholder approval being granted, the sale of i was completed on 10 April 2016, and Independent Print Ltd ceased publishing newspapers in print format from that date onwards. As part of the sale of i, Independent Print Ltd entered into a three year content syndication deal with the purchaser and it will continue to generate syndication revenues from its archive for the foreseeable future.

Lebedev Holdings Limited

Strategic report (continued)

Review of business and future developments (continued)

The Company's fully owned subsidiary ESTV Limited has completed its second 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 40% increase in revenues of £3,733,000, through consistent audience growth and the establishment of secondary revenue lines. Losses have been reduced by 41% in line with expectations and ESTV Limited has good visibility of a sustainable quality business and cost base for the future.

London Live delivered consistent audience growth over the last year with more than 2.5 million (26%) adults watching the channel every month. Over 80% of Londoners have experienced London Live, with 72% of these returning as regular viewers. On average 150,000 new viewers are trying the channel every month, providing the Company with clear visibility of continued audience growth over the coming year. By the end of the financial year the channel had delivered 18 consecutive months of year on year growth on all audience and revenue metrics.

The content acquisition strategy continues to focus on delivering licence commitments, whilst driving sustainable audience growth. In addition to this the channel delivers over 5.5 hours per day of first run London news, current affairs and events content as part of its commitment to local news and current affairs output.

During the year ESTV Limited entered into discussions with OFCOM regarding the recalibration of licence commitments. Subsequent to year end OFCOM agreed to reduce news and current affairs output commitments by 50% alongside a marginal reduction in first run London entertainment programming.

With audience growth of 40% year on year, national advertising revenue grew in the financial year by 36% in line with forecasts. Local direct revenue after a slow start continued to build through the year representing nearly 10% of advertising revenue in the year, and building into a valuable and sustainable secondary revenue stream. New revenue streams around sponsorship and long form content are planned for the coming year.

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 through its print distribution and improved digital platforms. There will be continuing focus on improving financial performance by improving its net advertising yields, continued cost control, development of key strategic events and investment in new business opportunities where available.

Since the end of the year, ESTV Ltd continues to deliver good consistent growth across all audience and revenue metrics, and deliver in line with the business plan. Based on the current performance the business is aiming to move into profitability as planned within five full years of operation.

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 vary licence commitments where they do not best service the channel's audience.

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.

Lebedev Holdings Limited

Strategic report (continued)

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

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. 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 Editorial Conduct and related policies and guidance, the business is subject to various pieces of legislation and other external regulations, including the Defamation Act, Contempt of Court Act, Bribery Act, health and safety requirements, Data Protection and employment law. Additionally, there are specific regulations set out by the Office of Fair Trading and the Audit Bureau of Circulation (ABC) to which the Group must adhere. Changes to, or breaches of, legislation or regulations could adversely affect the future results and reputation of the Group. Employees are 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.

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Strategic report (continued)

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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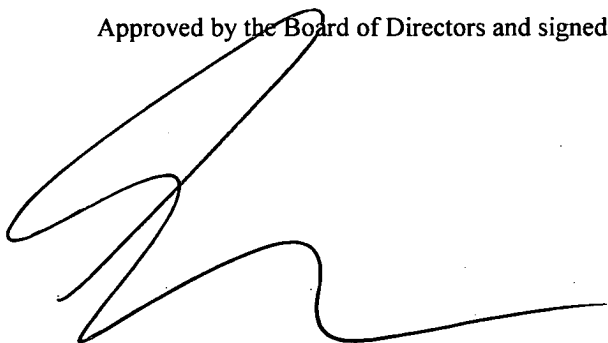
Strategic report (continued)

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 large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

E Lebedev
Director

13 April 2017

Lebedev Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 02 October 2016. 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.

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, were as follows:

E Lebedev

A Lebedev (resigned 4 November 2016)

J D E Byam Shaw

S A Auckland (resigned 25 April 2016)

M Malhotra

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 ESTV Ltd have been met through long term loans as and when required. Following the sale of the i newspaper in April 2016 the Independent Print Ltd forecasts and projections show that additional funding will not be required to be made available by Mr Evgeny Lebedev or its shareholder.

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 £64,883 (2015: £52,897).

Disabled employees

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

Employee consultation

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

Lebedev Holdings Limited

Directors' report

regularly gathers feedback from employees via staff surveys, the results of which are used to inform the people strategy.

Auditor

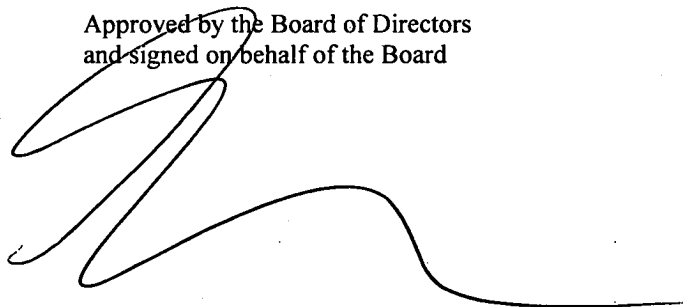
Each of the persons who is a director at the date of approval of this report confirms that:

- 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

A large, stylized handwritten signature in black ink, starting with a large loop and ending with a long horizontal stroke.

E Lebedev
Director

13 April 2017

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.

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

We have audited the financial statements of Lebedev Holdings Limited for the year ended 02 October 2016 which comprise the consolidated profit and loss account and statement of other comprehensive income, the consolidated balance sheet, the company balance sheet, consolidated cash flow statement, the statement of changes in equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 02 October 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a profit of £3,864,000 during the year ended 02 October 2016 and at that date it had net liabilities of £117,863,000. The Company incurred a loss of £456,000 during the year ended 02 October 2016 and at that date it had net liabilities of £6,902,000. The Company and the Group require significant future funding to continue to trade. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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

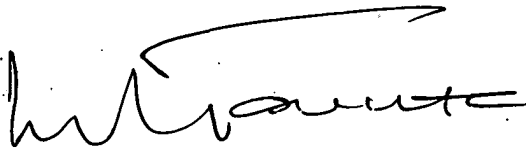
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



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

13 April 2017

Lebedev Holdings Limited

Consolidated profit and loss account and statement of comprehensive income Year ended 02 October 2016

	Notes	2016		2015	
		Continuing operations £'000	Discontinued operations £'000	Total £'000	£'000
Turnover	1, 3	77,463	25,871	103,334	127,388
Cost of sales		60,539	23,919	84,458	100,354
Distribution costs		10,763	2,108	12,871	15,602
Gross profit/(loss)		6,161	(155)	6,005	11,432
Administrative expenses	4	4,747	5,543	10,289	17,244
One-off items	9	820	8,418	9,239	1,514
Operating profit/(loss)	4	594	(14,116)	(13,523)	(7,326)
Finance costs (net)	8	(6,003)	-	(6,003)	(5,840)
Loss on ordinary activities before taxation		(5,409)	(14,116)	(19,526)	(13,166)
Gain on sale of asset		-	23,390	23,390	-
(Loss)/profit before taxation		(5,409)	9,274	3,864	(13,166)
Tax(charge)/credit on loss on ordinary activities	10	(3,499)	(9)	(3,508)	2,547
(Loss)/profit on ordinary activities after taxation		(8,909)	9,265	356	(10,619)
Minority interests	20	1,038	-	1,038	(1,379)
Retained (loss)/profit for the financial year		(7,871)	9,265	1,394	(11,998)
Shareholder loans		470	-	470	817
Tax relating to components of other comprehensive income					
Total comprehensive (loss)/income		(7,401)	9,265	1,864	(11,181)

All amounts relate to continuing activities. The notes on pages 17 to 35 form part of these financial statements.

Lebedev Holdings Limited

Consolidated balance sheet 02 October 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	11	510	434
Tangible assets	12	437	397
		<u>947</u>	<u>831</u>
Current assets			
Stocks	14	128	526
Debtors	15	24,838	34,292
Cash at bank and in hand		18,396	15,445
		<u>43,362</u>	<u>50,263</u>
Creditors: amounts falling due within one year	16	(86,299)	(86,841)
Net current liabilities		<u>(42,937)</u>	<u>(36,578)</u>
Total assets less current liabilities		(41,990)	(35,747)
Creditors: amounts falling due after more than one year	17	(63,189)	(66,415)
Provisions for liabilities	18	(12,685)	(16,525)
Net liabilities		<u>(117,863)</u>	<u>(118,687)</u>
Capital and reserves			
Called up share capital	19	1,590	1,590
Profit and loss account		(109,389)	(111,251)
Total equity shareholders' deficit		<u>(107,799)</u>	<u>(109,661)</u>
Minority interests		(10,064)	(9,026)
		<u>(117,863)</u>	<u>(118,687)</u>

The notes on pages 17 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 13 April 2017.

Signed on behalf of the Board of Directors



M Malhotra
Director

Lebedev Holdings Limited

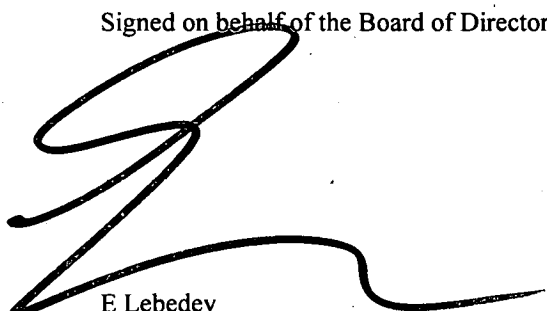
Company balance sheet 02 October 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	13	-	-
Current assets			
Cash at bank		-	-
Creditors: amounts falling due within one year	16	(6,902)	(6,446)
Net current liabilities		<u>(6,902)</u>	<u>(6,446)</u>
Total assets less current liabilities		(6,902)	(6,446)
Creditors: amounts falling due after more than one year	17	-	-
Net liabilities		<u>(6,902)</u>	<u>(6,446)</u>
Capital and reserves			
Called up share capital	19	1,590	1,590
Profit and loss account		(8,492)	(8,036)
Total equity shareholders' deficit		<u>(6,902)</u>	<u>(6,446)</u>

The notes on pages 17 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 13 April 2017.

Signed on behalf of the Board of Directors



E Lebedev
Director

Lebedev Holdings Limited

Consolidated cash flow statement Year ended 02 October 2016

	Notes	2016 £'000	2015 £'000
Net cash outflow from operating activities	21	(11,760)	(6,563)
Cash flows from investing activities			
Returns on investments and servicing of finance	22	70	38
Sale of asset		23,390	-
Capital expenditure and financial investment	22	(1,450)	(1,489)
Cash inflow/(outflow) before financing activities		10,250	(8,013)
Cash flows from financing activities			
Financing	22	(7,769)	11,183
Shareholder loans		470	817
Increase in cash in the year		2,951	3,986
Cash and cash equivalents at the beginning of the year		15,445	11,459
Cash and cash equivalents at the end of the year		18,396	15,445

Lebedev Holdings Limited

Statement of changes in equity Year ended 02 October 2016

	Share capital £'000	Retained Earnings £'000	Total £'000
Balance at 28 September 2014	1,590	(109,422)	(107,832)
Adjustments on transition to FRS 102	-	9,352	9,352
As restated	<u>1,590</u>	<u>(100,070)</u>	<u>(98,481)</u>
Loss for the year	-	(11,998)	(11,998)
Other comprehensive loss for the year	-	817	817
Balance at 27 September 2015	<u>1,590</u>	<u>(111,251)</u>	<u>(109,661)</u>
Profit for the year	-	1,394	1,394
Other comprehensive loss for the year	-	470	470
Balance at 02 October 2016	<u>1,590</u>	<u>(109,389)</u>	<u>(107,799)</u>

Company	Share capital £'000	Retained Earnings £'000	Total £'000
Balance at 28 September 2014	<u>1,590</u>	<u>(7,613)</u>	<u>(6,023)</u>
Loss for the year	-	(423)	(423)
Balance at 27 September 2015	<u>1,590</u>	<u>(8,036)</u>	<u>(6,446)</u>
Profit for the year	-	(456)	(456)
Balance at 02 October 2016	<u>1,590</u>	<u>(8,492)</u>	<u>(6,902)</u>

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 £456,000 (2015: £423,000).

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The Group incurred a net profit of £3,864,000 during the year ended 02 October 2016 and at that date it had net liabilities of £117,863,000. The Company incurred a loss of £456,000 during the year ended 02 October 2016 and at that date it had net liabilities of £6,902,000. 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 have continued to provide further finance since the year end to meet the funding requirements of the Company and the Group and have confirmed in writing to the other directors their 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 2016 represent the 53 weeks from 28 September 2015 to 02 October 2016. The comparative accounts were for the 52 weeks from 29 September 2014 to 27 September 2015.

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.

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

1. Accounting policies (continued)

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 quarterly. Amortisation of programme assets reflects the underlying economics of the asset base. Programme assets are amortised in full on the first run.

At each quarter end, 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 accounts Year ended 02 October 2016

1. Accounting policies (continued)

Financial Instruments (continued)

(i) *Financial assets and liabilities*

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

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 accounts Year ended 02 October 2016

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 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 taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Lebedev Holdings Limited

Notes to the accounts

Year ended 02 October 2016

1. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Profit and Loss Account.

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 as a 100% owned subsidiary, not to disclose transactions with other wholly-owned members of the group headed by Lebedev Holdings Limited, a company whose consolidated financial statements are available to the public.

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 accounts Year ended 02 October 2016

3. Turnover

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

	2016 £'000	2015 £'000
Newspaper Publishing	99,611	124,726
TV Broadcasting	3,733	2,662
	<u>103,344</u>	<u>127,388</u>

Included within turnover is £501,000 (2015: £1,676,000) of advertising revenue which was provided in return for goods and services. All turnover arose within the United Kingdom.

4. Operating profit/(loss)

The operating loss is stated after charging:

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets		
- owned by the Group	236	183
- assets held under finance lease	126	294
Programme Amortisation	971	1,278
Release of IT prepayment	1,037	730
Other operating income	(5,868)	(4,967)
Operating lease rentals		
- plant and machinery	81	44
- other operating leases	1,243	1,352
Difference on foreign exchange	<u>(1)</u>	<u>2</u>

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

5. Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	5
Fees payable to the Company's auditor for taxation compliance services of the Company	2	2
Fees payable to the subsidiary's auditor for the audit of accounts of subsidiary companies	110	112
Fees payable to the subsidiary's auditor for taxation compliance services of subsidiary companies	16	16

6. Staff costs

Staff costs were as follows:

	2016 £'000	2015 £'000
Wages and salaries	28,492	35,648
Social security costs	3,423	4,136
Other pension costs (note 24)	1,477	1,126
	33,392	40,910

Staff costs exclude redundancy costs included in note 9.

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

	2016 No.	2015 No.
TV Broadcasting	64	62
Newspaper and Digital publishing	473	595
	537	657

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

7. Directors' emoluments

	2016 £'000	2015 £'000
Directors' emoluments were as follows:		
Emoluments	1,653	1,446
Company contributions to money purchase schemes	16	36
	<u>1,669</u>	<u>1,482</u>
Highest paid director		
Emoluments	979	953
Company contributions to money purchase schemes	-	-
	<u>979</u>	<u>953</u>

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

8. Finance costs

	2016 £'000	2015 £'000
Interest receivable	70	38
Interest payable on long term loans	(6,073)	(5,878)
	<u>(6,003)</u>	<u>(5,840)</u>

9. One-off items

	2016 £'000	2015 £'000
Redundancy and re-organisation costs	9,161	1,335
Digital investment costs	78	179
	<u>9,239</u>	<u>1,514</u>

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

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

10. Taxation

	2016 £'000	2015 £'000
UK corporation tax charge for the year	7	-
Adjustment in respect of previous periods	-	35
Foreign tax relief / other relief	(7)	
Foreign tax suffered	8	1
Total current tax charge	8	36
Origination and reversal of timing differences	3,500	(2,647)
Effect of changes in tax	0	64
Total deferred tax	3,500	(2,583)
Total UK corporation tax	3,508	(2,547)

a) Current tax

The tax charge for the period differs from the standard rate of corporation tax in the UK of 20.0% (2015: 20.5%)

The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	3,864	(13,168)
Tax on profit from ordinary activities at standard rate of 20.0% (2015: 20.5%)	773	(2,634)
Factors affecting charge for the year:		
Utilisation of RDEC	(1)	-
Transitional adjustment on conversion to FRS 102	(46)	-
Expenses not deductible for tax purposes	1,591	1,607
Deferred tax not recognised	1,190	(1,492)
Effects of overseas tax rates	1	1
Adjustments to tax charge in respect of previous periods (RDEC)	-	35
Tax rate changes	0	-
Total current tax charge	3,508	(2,482)

b) Deferred tax

A total potential deferred tax asset of £17,876,000 in relation to the Group's unutilised tax losses, fixed asset movements and other short term timing differences has not been recognised because while the Group's ability to utilise its losses is improving, 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 accounts Year ended 02 October 2016

11. Intangible fixed assets

Group	TV Programmes £'000	Trade- marks £'000	Goodwill £'000	Total £'000
Cost				
At 27 September 2015	5,112	2,000	3,623	10,735
Additions	1,048	-	-	1,048
At 02 October 2016	6,160	2,000	3,623	11,783
Amortisation				
At 27 September 2015	3,986	2,000	3,623	9,609
Charge for the year	971	-	-	971
At 02 October 2016	4,957	2,000	3,623	10,580
Impairment				
At 27 September 2015	693	-	-	693
Charge for the year	-	-	-	-
At 02 October 2016	693	-	-	693
Net book value				
At 02 October 2016	510	-	-	510
At 27 September 2015	434	-	-	434

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

12. Tangible fixed assets

Group	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 27 September 2015	544	1,006	1,550
Additions	402	-	402
Disposals	-	-	-
At 02 October 2016	946	1,006	1,952
Depreciation			
At 27 September 2015	372	781	1,153
Charge for the year	179	183	362
At 02 October 2016	551	964	1,515
Net book value			
At 02 October 2016	395	42	437
At 27 September 2015	172	225	397

Included within furniture and fittings are assets held under finance leases with a net book value of £nil (2015: £125,000).

13. Fixed asset investments

Company	Investments in subsidiary companies £'000
Cost	
At 27 September 2015 and 02 October 2016	5,603
Provisions for impairment	
At 27 September 2015 and 02 October 2016	5,603
Net book value	
At 27 September 2015 and 02 October 2016	-

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

14. 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	Publishing of newspapers
ESTV Limited	England and Wales	100% Ordinary	TV Broadcasting
Evening Standard Limited	England and Wales	65.2% Ordinary*	Publishing of newspapers

* 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.

14. Stocks

	Group		Company	
	02-Oct 2016 £'000	27-Sep 2015 £'000	02-Oct 2016 £'000	27-Sep 2015 £'000
Raw materials and consumables	128	526	-	-

15. Debtors

	Group		Company	
	02-Oct 2016 £'000	27-Sep 2015 £'000	02-Oct 2016 £'000	27-Sep 2015 £'000
Trade debtors	16,780	21,182	-	-
Deferred tax	-	3,490	-	-
Other debtors	1,361	2,627	-	-
Prepayments and accrued income	6,697	6,993	-	-
	24,838	34,292	-	-

Included in prepayments is £nil (2015: £1,037,000) prepaid for IT services to be rendered by Associated Newspapers Limited which was impaired to its fair value at 2016 and in 2015 was expensed evenly over the contract period which expires on 28 February 2017.

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

16. Creditors: amounts falling due within one year

	Group		Company	
	02-Oct 2016 £'000	27-Sep 2015 £'000	02-Oct 2016 £'000	27-Sep 2015 £'000
Trade creditors	5,978	4,438	-	-
Social security and other taxes	1,247	2,406	-	-
Loans and accrued interest	68,632	67,150	6,882	6,426
Other creditors	895	575	12	12
Accruals and deferred income	9,546	12,273	8	8
	<u>86,298</u>	<u>86,841</u>	<u>6,902</u>	<u>6,446</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 £2,840,000 (2015: £2,391,000), 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 £39,200,000 (2015: £44,700,000), which are also technically due on demand, plus accrued interest of £10,855,000 (2015: £9,353,000) charged at a fixed rate of 5% per annum. Loans made to the Group of £nil (2015: £5,500,000) are interest free and repayable in full on 31 December 2020. Loans made to the Group of £11,718,000 (2015: £1,934,000) are interest free and repayable in 2017.

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	
	02-Oct 2016 £'000	27-Sep 2015 £'000	02-Oct 2016 £'000	27-Sep 2015 £'000
Finance Leases between 1 and 2 years	-	48	-	-
Loans	63,189	66,367	-	-
	<u>63,189</u>	<u>66,415</u>	<u>-</u>	<u>-</u>

Loans made to the Group of £36,337,000 (2015: £34,299,000) are interest free and repayable in full on 31 December 2020.

Loans made to the Group of £10,655,000 (2015: £16,570,000) are interest free and repayable in 2018 and 2019.

Loans made to the Group of £16,197,000 (2015: £14,752,000) bear interest at a fixed rate of 5% per annum and are repayable at various dates in 2017 and 2018.

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

18. Provisions

Group	Libel £'000	Contract discounts £'000	Total £'000
At 27 September 2015	1,365	15,160	16,525
Charged during year	45	10,562	10,607
Released during year	(32)	(4,169)	(4,201)
Utilised during year	(18)	(10,228)	(10,246)
At 02 October 2016	1,360	11,325	12,685

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

	2016 £'000	2015 £'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 2014 as previously stated	(14,662)
At 28 September 2014 restated	(10,405)
Proportion of profit after taxation for the year	1,379
At 27 September 2015	(9,026)
Proportion of profit after taxation for the year	(1,038)
At 02 October 2016	(10,064)

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

21. Net cash outflow from operating activities

	2016 £'000	2015 £'000
Operating loss	(13,523)	(7,326)
Depreciation of tangible fixed assets	362	477
Amortisation of intangible fixed assets	971	1,278
Decrease/(increase) in stocks	398	(454)
Decrease/(increase) in debtors	5,945	(2,875)
(Decrease) in creditors	(2,073)	(1,425)
(Decrease)/increase in provisions	(3,840)	3,762
Net cash outflow from operating activities	(11,760)	(6,563)

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

	2016 £'000	2015 £'000
Returns on investments and servicing of finance		
Interest received	70	38
Net cash inflow from returns on investments and servicing of finance	70	38
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(402)	(70)
Purchase of intangible fixed assets	(1,048)	(1,423)
Disposal of tangible fixed assets	-	4
Net cash outflow from capital expenditure	(1,450)	(1,489)
Financing		
Other new loans	6,923	12,998
Repayment of loans and interest	(14,692)	(1,815)
	(7,769)	11,183

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

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

23. Analysis of changes in net debt

	2015 £'000	Reclassified £'000	Interest accrued £'000	Cash flow £'000	2016 £'000
Cash at bank and in hand	15,445	-	-	2,950	18,396
Debts falling due within one year	(67,150)	(11,366)	(2,807)	12,692	(68,632)
Debts falling due after more than one year	(66,367)	11,366	(3,265)	(4,923)	(63,189)
Net debt	(118,072)	-	(6,072)	10,720	(113,426)

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 £1,477,000 (2015: £1,126,000). The amount owing in respect of pension funds at 02 October 2016 is £120,000 (2015: £182,000), included within accruals and deferred income.

25. Operating lease commitments

At 02 October 2016 the Group had total commitments under non-cancellable operating leases as follows:

Group	Land and buildings		Other	
	02-Oct 2016 £'000	27-Sep 2015 £'000	02-Oct 2016 £'000	27-Sep 2015 £'000
Expiry date:				
Within one year	504	-	314	69
Between two and five years	-	1,071	209	421
After more than five years	-	-	-	-

26. Contingent Liabilities

Following the restructuring necessitated by the closure of The Independent's print titles, the National Union of Journalists has claimed that there were defects in the restructuring consultation process followed by Independent Print Limited, and have applied to the Employment Tribunal for a protective award which could result in a theoretical maximum award of an amount no higher than three months' additional compensation for former editorial staff made redundant during the process. The Directors of Independent Print Limited followed legal advice during the process and are satisfied that Independent Print Limited followed an appropriate consultation process. Enhanced severance compensation was paid at the time of their redundancies to those staff whose services were unfortunately no longer required following the closure of The Independent's print titles and the Directors believe that no protective award or other further compensation should be awarded by the tribunal.

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

27. 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.

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, which are interest free and under FRS 102 a fair value interest rate of 5% has been applied. The amount received during the period from Mr Alexander Lebedev and companies in which he has an interest was £nil (2015: £5,000,000). The amount due from the Group at 02 October 2016 to Mr Alexander Lebedev and companies in which he has an interest was £27,276,000 (2015: £55,663,000).

The Group received loans from Mr Evgeny Lebedev, a director, of £6,700,000 (2015: £31,513,000) and repaid £7,500,000 (2015: £1,500,000). The amount due from the group at 02 October 2016 to Mr Evgeny Lebedev and companies in which he has an interest was £54,952,000 (2015: £61,451,000).

In addition to this, further loans of £8,807,162 (2015: £12,487,350) were due to Daily Mail and General Holdings Ltd, at 2 October 2016.

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. The majority 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 £3,108,666 (2015: £3,099,163) plus £59,007 (2015: £42,358) pension costs.

Additionally, overheads amounting to £1,620,000 (2015: £1,368,000) were also recharged to Independent Digital News and Media Limited during the year. At the balance sheet date, the Group was owed £1,110,000 (2015: £702,000) by Independent Digital News and Media Limited, included in other debtors. Independent Digital News and Media Limited is controlled by Mr Evgeny Lebedev.

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

28. Related party transactions continued

The Group provides and receives various services to and from subsidiaries of Daily Mail and General Holdings Ltd. During the year the Group received revenue of £12,902,088 (2015: £11,754,348) in relation to advertising sales and was recharged costs of £9,403,927 (2015: £9,957,090) by Associated Newspapers Ltd, whilst the net amount due to the Group in respect of these services on 02 October 2016 was £3,010,822 (2015: £1,917,862). During the year the Group received revenue of £5,245 (2015: £50,785) in relation to advertising sales from Associated Northcliffe Digital Ltd and the net amount owed to the Group in respect of these services on 02 October 2016 was £nil (2015: £3,939).

The Group made sales of £1,979,706 (2015: £908,122) to and purchases of £1,079,785 (2015: £637,352) from Independent Digital News and Media Limited, a company under common control. The net amount owed by the Group in respect of these services on 02 October 2016 was £451,816 (2015: £114,301).

Company

On 02 October 2016 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 (2015: £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 £448,697 (2015: £419,343) and the interest owed included within long term creditors was £2,839,559 (2015: £2,390,862).

At 02 October 2016, Mr Evgeny Lebedev, a Director of the Company, was owed £12,405 (2015: £12,405) by the Company.

29. Controlling party

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

30. Transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 27 September 2015 and the date of transition to FRS 102 was therefore 28 September 2015. As a consequence of adopting FRS 102, two accounting policies have changed to comply with that standard being the inclusion of an annual leave accrual at year end and the adoption of a fair value interest rate on interest free shareholder loans.

Lebedev Holdings Limited

Notes to the accounts Year ended 02 October 2016

30. Transition to FRS 102 (continued)

	28-Sep 2014 £'000
<i>Reconciliation of equity</i>	
Equity as reported under previous UK GAAP	(107,832)
Adjustments to equity on transition to FRS 102:	
Shareholder loans	14,615
Interest charge on shareholder loans	(5,264)
Equity reported under FRS 102	<u>(98,481)</u>
	27-Sep 2015 £'000
<i>Reconciliation of profit</i>	
Loss for the financial year under previous UK GAAP	(9,878)
Shareholder loan interest charge	(1,926)
Annual leave accrual	(194)
Profit for the financial year under FRS 102	<u>(11,998)</u>

Notes to the reconciliation of loss for 2015

Annual leave accrual:

In adopting FRS 102 the actual annual leave days owing to employees not taken by year end was accrued based on employee salary data and appropriate social security costs.

Interest on shareholder loans:

The directors reviewed market and competitor shareholder loan interest rates and applied the same interest rate as applied to other group shareholder loan contracts. This resulted in a fair value interest rate being applied of 5% to all shareholder loans.