

**Company Registration No. 06764905**

**Lebedev Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 30 September 2018**



# **Lebedev Holdings Limited**

## **Annual report and financial statements 2018**

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# **Lebedev Holdings Limited**

## **Annual report and financial statements 2018**

### **Officers and professional advisers**

#### **Directors**

E Lebedev  
J D E Byam Shaw  
M Malhotra  
J M Foster (resigned 9 February 2018)

#### **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 30 September 2018 was the publishing of newspapers and associated activities and television broadcast. The analyses of turnover and operating loss for the year ended 30 September 2018 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 £18,551,000 (2017 loss: £18,266,000) and has net liabilities of £135,131,000 (2017: £135,700,000).

The Evening Standard is a quality weekday newspaper that distributes for free throughout Greater London. Evening Standard Ltd has recorded increased turnover of £65m, which was £1.4m or 2% higher than the previous year, despite the tightening markets for traditional print display and classified advertising experienced during the financial year. As a result, Evening Standard Limited has recorded a 5% reduction in operating losses for the year.

Evening Standard Limited's commercial strategy of highlighting the benefits of free newspapers with stable distribution compared to paid-for titles has delivered year on year growth in display advertising revenues and a growing share of the quality print advertising market. In addition, Evening Standard Limited's continuing investment in its digital platforms, [standard.co.uk](http://standard.co.uk) and [homesandproperty.co.uk](http://homesandproperty.co.uk), yielded a 22% year-on-year increase in page views with visitors in the UK growing by 21% and the rest of world by 48%. This helped drive year-on-year growth in digital revenues of 29%.

Homes & Property, the free property supplement published every Wednesday, continued to deliver a significant profit in the year despite the challenging London property market, whilst ES Magazine, the free glossy magazine published every Thursday and Friday, had another strong year and recorded an improved profit for the year. Evening Standard Limited's strategy of revenue diversification saw a continuing investment in events and live experiences, which delivered a positive net contribution in the year.

Evening Standard Limited had to absorb the impact of rising newsprint prices throughout the year, which along with the investment in digital journalism led to a modest increase in the total cost base. The business also successfully planned and implemented compliance with The General Data Protection Regulation introduced in May 2018 and mitigated the potential revenue risk associated with the new data regime. In late September, Evening Standard Limited announced that it would be re-locating its distribution hub from Greenwich to its print site in Broxbourne to allow for a more efficient logistics operation. Also during the year, Evening Standard Ltd issued additional share capital in order to raise shareholder funding of £10,000,000.

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. Despite the cessation of print activities, Independent Print Limited continued limited syndication operations during the year until it transferred its archive content to the connected company, Independent Digital News and Media Limited on 7 December 2017. Prior to this Independent Print Limited generated revenue of £nil (2017: £430,000).

# Lebedev Holdings Limited

## Strategic report (continued)

### Review of business and future developments (continued)

The Company's fully owned subsidiary ESTV Limited has completed its fourth full year of trading since the launch of the channel London Live in March 2014. The channel continued to build its position in London and delivered a modest improvement in operating losses, despite the revenue challenges generated by a 10% decline in London television viewing since the start of 2018.

London Live continued to deliver stable audience figures and an average of 2.1 million adults watched the channel every month making it the 19<sup>th</sup> most watched channel in London in terms of reach, whilst over 5.3 million adult viewers watched London Live in the last 12 months. Delivery of commercial impacts during the year saw the channel improve its position to 32<sup>nd</sup> largest channel in London, whilst market share remained stable at 0.62%.

The channel's target audience strategy continued to be reviewed constantly in order to maximise audience and revenue potential and was primarily targeted at the All Adults category. Along with the rest of the industry, the business had to overcome an obstacle in March 2018 when viewers were required to retune their televisions to continue receiving the channel on Freeview, which resulted in a 40% loss of viewing during March to May.

During the year, ESTV Limited continued to work with Ofcom on the development of licence commitments to ensure that audiences are being best served. Total costs were reduced by 16% compared to the prior year as the business continued to mature and reduce its cost base through technological improvements and efficiencies.

### *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 Limited 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 its portfolio of live events. 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 identified.

Independent Print Limited continues to provide limited outsourced digital publishing services to the connected company, Independent Digital News and Media Limited, and other Group companies despite the cessation of the newspaper print publishing business. The directors expect this to continue to wind down in the following year.

ESTV Limited operates in a challenging market due to the continuing shift in viewing from linear television to subscription and free video on demand based services resulting in an increasingly competitive environment for traditional broadcasters. There will be a continuing focus on identifying potential new revenue opportunities and partnerships with third parties. In the next year, ESTV Limited will also continue to explore opportunities to work with the other local television operators to identify and deliver operational synergies wherever possible. It will also continue to discuss its audience data and viewer feedback with Ofcom to ensure that the channel's licence commitments are framed in the best interests of Londoners.

# Lebedev Holdings Limited

## 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. These KPIs have been analysed in the review of business section.

### 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 several years ago 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.

# Lebedev Holdings Limited

## 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 outcome of the negotiations surrounding the UK's future trading relationship with Europe may have a further impact on exchange rate fluctuations.

### *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.

# **Lebedev Holdings Limited**

## **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

12 December 2018



# **Lebedev Holdings Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 September 2018. 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 Directors' 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 page 2 to page 6 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  
J D E Byam Shaw  
M Malhotra  
J M Foster (resigned 9 February 2018)

### **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 this Strategic report. The Group has recorded an operating loss in the period and requires further funding for the foreseeable future.

As explained further in Note 1, the Group meets its day-to-day working capital requirements through long term loans as and when required. The Group's forecasts and projections show that the Group will continue to make operating losses in the next twelve months and will continue to require additional funding to be made available by Mr Evgeny Lebedev or its shareholder to continue as a going concern. Mr Lebedev and the Group's shareholder have expressed their willingness to continue supporting the Group as and when required, and therefore there is uncertainty as to the continued availability of funding. Whilst there are no formal shareholder funding facilities agreed there is uncertainty as to the continued availability of funding. This creates a material uncertainty, which may cast significant doubt on the Group's ability to remain a going concern.

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.

### **Post balance sheet date events**

Details of post balance sheet date events have been disclosed in note 28.

### **Charitable and political contributions**

During the year, the Group made charitable donations of £85,988 (2017: £99,753).

# **Lebedev Holdings Limited**

## **Directors' report (continued)**

### **Disabled employees**

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

### **Employee consultation**

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

### **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

12 December 2018

# **Lebedev Holdings Limited**

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 of Lebedev Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 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 which comprise:

- the consolidated profit and loss account and statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent statements of changes in equity;
- the consolidated cash flow statement; 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that the group reported a net loss before tax of £18,551,000 during the year ended 30 September 2018 and at that date it had net liabilities of £135,131,000. The company and 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 and the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Lebedev Holdings Limited**

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

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Lebedev Holdings Limited**

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

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

#### **Matters on which we are required to report by exception**

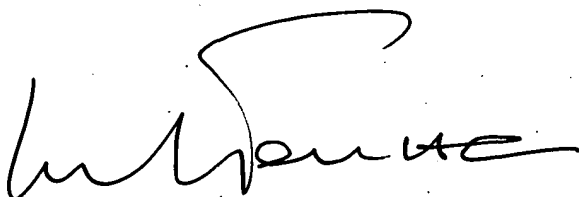
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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



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

12 December 2018

## Lebedev Holdings Limited

### Consolidated profit and loss account and statement of comprehensive income Year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	1, 3	68,534	68,534
<b>Cost of sales</b>		<u>(57,499)</u>	<u>(58,872)</u>
<b>Gross profit</b>		11,035	9,662
<b>Net operating expenses</b>	4	<u>(24,262)</u>	<u>(22,553)</u>
<b>Operating loss</b>		(13,227)	(12,891)
<b>Finance costs (net)</b>	8	<u>(5,324)</u>	<u>(5,375)</u>
<b>Loss on ordinary activities before taxation</b>		(18,551)	(18,266)
<b>Tax (charge)/credit on loss on ordinary activities</b>	9	<u>(22)</u>	<u>20</u>
<b>Loss on ordinary activities after taxation</b>		(18,573)	(18,246)
<b>Minority interests</b>	19	<u>2,429</u>	<u>4,098</u>
<b>Retained loss for the financial year</b>		<u>(16,144)</u>	<u>(14,148)</u>
<b>Total comprehensive loss</b>		<u>(16,144)</u>	<u>(14,149)</u>

All amounts relate to continuing activities. The notes on pages 18 to 36 form part of these financial statements.

# Lebedev Holdings Limited

## Consolidated balance sheet As at 30 September 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	10	154	415
Tangible assets	11	1,439	1,094
		<u>1,593</u>	<u>1,509</u>
<b>Current assets</b>			
Stocks	13	373	80
Debtors	14	17,679	16,140
Cash at bank and in hand		8,652	6,165
		<u>26,704</u>	<u>22,385</u>
<b>Creditors: amounts falling due within one year</b>	15	(75,164)	(65,787)
<b>Net current liabilities</b>		<u>(48,460)</u>	<u>(43,402)</u>
<b>Total assets less current liabilities</b>		(46,867)	(41,893)
<b>Creditors: amounts falling due after more than one year</b>	16	(77,434)	(82,949)
<b>Provisions for liabilities</b>	17	(10,830)	(10,858)
<b>Net liabilities</b>		<u>(135,131)</u>	<u>(135,700)</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,590	1,590
Other reserves		39,855	23,543
Profit and loss account		(174,220)	(146,671)
<b>Total equity shareholders' deficit</b>		<u>(132,775)</u>	<u>(121,538)</u>
<b>Minority interests</b>	19	(2,356)	(14,162)
		<u>(135,131)</u>	<u>(135,700)</u>

The notes on pages 18 to 36 form part of these financial statements.

The financial statements of Lebedev Holdings Limited, registered number 06764905 were approved by the Board of Directors on 12 December 2018.

Signed on behalf of the Board of Directors



M Malhotra  
Director



# Lebedev Holdings Limited

## Company balance sheet As at 30 September 2018

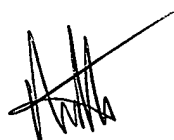
	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments	12	9,146	-
<b>Current assets</b>			
Cash at bank		429	-
<b>Creditors: amounts falling due within one year</b>	15	(13,151)	(7,393)
<b>Net current liabilities</b>		<u>(12,723)</u>	<u>(7,393)</u>
<b>Total assets less current liabilities</b>		(3,577)	(7,393)
<b>Creditors: amounts falling due after more than one year</b>	16	(4,249)	-
<b>Net liabilities</b>		<u>(7,826)</u>	<u>(7,393)</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,590	1,590
Profit and loss account		(9,740)	(8,983)
Other reserves		324	-
<b>Total equity shareholders' deficit</b>		<u>(7,826)</u>	<u>(7,393)</u>

The notes on pages 18 to 36 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 £757,000 (2017: £491,000).

The financial statements of Lebedev Holdings Limited, registered number 06764905 were approved by the Board of Directors on 12 December 2018.

Signed on behalf of the Board of Directors



M Malhotra  
Director

## Lebedev Holdings Limited

### Consolidated cash flow statement Year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
<b>Net cash outflow from operating activities</b>	20	(6,519)	(8,555)
<b>Cash flows from investing activities</b>			
Returns on investments and servicing of finance	21	872	25
Capital expenditure and financial investment	21	(1,439)	(2,224)
<b>Cash outflow before financing activities</b>		(7,086)	(10,753)
<b>Cash flows from financing activities</b>			
Borrowings	21	9,573	(1,478)
<b>Increase/(decrease) in cash in the year</b>		2,487	(12,231)
Cash and cash equivalents at the beginning of the year		6,165	18,396
Cash and cash equivalents at the end of the year		8,652	6,165

## Lebedev Holdings Limited

### Statement of changes in equity Year ended 30 September 2018

Group	Share capital £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000	Minority interests £'000	Total £'000
<b>Balance at 02 October 2016</b>	<u>1,590</u>	<u>23,136</u>	<u>(132,525)</u>	<u>(107,799)</u>	<u>(10,064)</u>	<u>(117,863)</u>
Loss for the year	-	-	(14,148)	(14,148)	(4,098)	(18,246)
Total comprehensive loss	-	-	(14,148)	(14,148)	(4,098)	(18,246)
Capital contribution on shareholder loans	-	407	-	407	-	407
<b>Balance at 01 October 2017</b>	<u>1,590</u>	<u>23,543</u>	<u>(146,671)</u>	<u>(121,538)</u>	<u>(14,162)</u>	<u>(135,700)</u>
Loss for the year	-	-	(16,143)	(16,143)	(2,429)	(18,572)
Adjustment to minority interest	-	-	(11,406)	(11,406)	14,235	2,829
Total comprehensive loss	-	-	(27,549)	(27,549)	11,806	(15,743)
Capital contribution on shareholder loans	-	16,312	-	16,312	-	16,312
<b>Balance at 30 September 2018</b>	<u>1,590</u>	<u>39,855</u>	<u>(174,220)</u>	<u>(132,775)</u>	<u>(2,356)</u>	<u>(135,131)</u>

Company	Share capital £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
<b>Balance at 02 October 2016</b>	<u>1,590</u>	<u>-</u>	<u>(8,492)</u>	<u>(6,902)</u>
Loss for the year	-	-	(491)	(491)
<b>Balance at 01 October 2017</b>	<u>1,590</u>	<u>-</u>	<u>(8,983)</u>	<u>(7,393)</u>
Loss for the year	-	-	(757)	(757)
Total comprehensive loss	-	-	(757)	(757)
Capital contribution on shareholder loans	-	324	-	324
<b>Balance at 30 September 2018</b>	<u>1,590</u>	<u>324</u>	<u>(9,740)</u>	<u>(7,826)</u>

# **Lebedev Holdings Limited**

## **Notes to the financial statements** **Year ended 30 September 2018**

### **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 £18,551,000 during the year ended 30 September 2018 and at that date it had net liabilities of £135,131,000. The Company incurred a loss of £757,000 during the year ended 30 September 2018 and at that date it had net liabilities of £7,826,000. 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 of accounting 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. 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.

In this regard readers should note that the effect of recording interest free shareholder loans in accordance with FRS 102 is to discount the loan principal at an effective interest rate based on comparable market data. This results in the carrying value liability being stated at £57,291,000 (2017: £63,641,000) compared to the loan principal outstanding of £80,922,000 (2017: £71,349,000) details of which are set out in notes 15 and 16.

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 1. Accounting policies (continued)

#### Financial year

The results for 2018 represent the 52 weeks from 02 October 2017 to 30 September 2018. The comparative accounts were for the 52 weeks from 03 October 2016 to 01 October 2017.

#### 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.

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 30 September 2018

### 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 30 September 2018**

### **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 30 September 2018

### 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. Details regarding the directors' assessment of the going concern assumptions are set out in note 1.

#### ***Key source of estimation uncertainty***

The Group holds interest free shareholder loans and the application of FRS 102 requires the directors to determine an effective interest rate based on an equivalent market rate of similar financial instruments. This involves estimation and the carrying value of the loans could be materially impacted by changes in the effective rate used. Details are set out in notes 15 and 16.



# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 3. Turnover

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

	2018 £'000	2017 £'000
Newspaper Publishing	65,394	64,316
TV Broadcasting	3,140	4,218
	<u>68,534</u>	<u>68,534</u>

Included within turnover is £486,000 (2017: £363,000) 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:

	2018 £'000	2017 £'000
Distribution costs	12,995	12,694
Depreciation of tangible fixed assets	441	310
Programme Amortisation	909	1,347
Restructuring costs	585	572
Operating lease costs		
- property rental	2,963	2,852
- motor vehicles	58	42
Difference on foreign exchange	-	19
Other operating costs	11,504	11,598
Total administrative expenses	16,460	16,741
Other operating income	(5,193)	(6,882)
Net operating expenses	<u>24,262</u>	<u>22,553</u>

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 5. Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	15	6
Fees payable to the Company's auditor for taxation compliance services of the Company	1	1
Fees payable to the subsidiary's auditor for the audit of accounts of subsidiary companies	92	77
Fees payable to the subsidiary's auditor for taxation compliance services of subsidiary companies	16	11

### 6. Staff costs

Staff costs were as follows:

Group	2018 £'000	2017 £'000
Wages and salaries	22,291	23,901
Social security costs	2,622	2,869
Other pension costs (note 23)	1,349	1,446
	26,262	28,216

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

Group	2018 No.	2017 No.
TV Broadcasting	58	59
Newspaper and Digital publishing	374	387
	432	446

The Company did not have any employees in the year (2017: nil).

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 7. Directors' emoluments

	2018 £'000	2017 £'000
Directors' emoluments were as follows:		
Emoluments	466	503
Company contributions to money purchase schemes	-	-
	<u>466</u>	<u>503</u>
Highest paid director		
Emoluments	374	401
Company contributions to money purchase schemes	-	-
	<u>374</u>	<u>401</u>

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

### 8. Finance costs

	2018 £'000	2017 £'000
Interest receivable	22	25
Interest payable on long term loans	(5,345)	(5,400)
	<u>(5,324)</u>	<u>(5,375)</u>

Included in interest payable on long term loans is notional interest of £2,365,000 (2017: £2,339,000) on interest free shareholder loans.

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 9. Taxation

	2018 £'000	2017 £'000
UK corporation tax charge for the year	-	2
Foreign tax relief / other relief	-	(2)
Foreign tax suffered	-	2
Total current tax charge	-	2
Deferred tax movement on R&D tax credit	22	-
Adjustments in respect of previous periods	-	(22)
Total deferred tax	22	(22)
Total tax per income statement	22	(20)

#### a) Current tax

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

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(18,551)	(18,266)
Tax on profit from ordinary activities at standard rate of 19% (2017: 19.5%)	(3,525)	(3,562)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	1,365	1,377
Deferred tax not recognised	2,182	2,185
Intangibles write off	-	1
Adjustments to tax charge in respect of previous periods (RDEC)	-	(22)
Total current tax credit	22	(20)

On 1st April 2017 the main rate of UK corporation tax reduced from 20% to 19% and has remained at this level throughout the current financial year. The main rate of UK corporation tax, as outlined in The Finance Bill 2017, reduces to 17% from 19% on 1st April 2020. Deferred tax assets and liabilities have therefore been measured at 17% (2017: 17%) as it is anticipated the timing differences will reverse at this point.

#### b) Deferred tax

A total potential deferred tax asset of £21,662,000 (2017: £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 30 September 2018

### 10. Intangible fixed assets

Group	TV Programmes £'000	Trade- marks £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 01 October 2017	7,417	2,000	3,623	13,040
Additions	653	-	-	653
Retirements	(6,346)	-	-	(6,346)
At 30 September 2018	1,724	2,000	3,623	7,347
<b>Amortisation and impairment</b>				
At 01 October 2017	7,002	2,000	3,623	12,625
Amortisation charge for the year	909	-	-	909
Impairment charge for the year	5	-	-	5
Retirements	(6,346)	-	-	(6,346)
At 30 September 2018	1,570	2,000	3,623	7,193
<b>Net book value</b>				
At 30 September 2018	154	-	-	154
At 01 October 2017	415	-	-	415

Included within Retirements are programming licences which have expired as at 30 September 2018. There is no impact on the net book value of the Group's intangible assets.

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 11. Tangible fixed assets

Group	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 01 October 2017	1,767	1,152	2,919
Additions	760	26	786
At 30 September 2018	2,527	1,178	3,705
<b>Depreciation</b>			
At 01 October 2017	826	999	1,825
Charge for the year	404	37	441
At 30 September 2018	1,230	1,036	2,266
<b>Net book value</b>			
At 30 September 2018	1,297	142	1,439
At 01 October 2017	941	153	1,094

### 12. Fixed asset investments

Company	Investments in subsidiary companies £'000
<b>Cost</b>	
At 01 October 2017	5,603
Addition	9,146
At 30 September 2018	14,749
<b>Provisions for impairment</b>	
At 01 October 2017 and 30 September 2018	(5,603)
<b>Net book value</b>	
At 30 September 2018	9,146
At 01 October 2017	-

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 12. 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	88.8% Ordinary*	Publishing of newspapers
ES London Limited	England and Wales	49% Ordinary	Advertising services and opportunities

\* The Company owns 89.5% of the 10,675 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.

### 13. Stocks

	Group		Company	
	30-Sep 2018 £'000	01-Oct 2017 £'000	30-Sep 2018 £'000	01-Oct 2017 £'000
Raw materials and consumables	373	80	-	-

### 14. Debtors

	Group		Company	
	30-Sep 2018 £'000	01-Oct 2017 £'000	30-Sep 2018 £'000	01-Oct 2017 £'000
Trade debtors	12,012	12,037	-	-
Deferred tax	8	29	-	-
Other debtors	588	284	-	-
Prepayments and accrued income	5,072	3,789	-	-
	17,680	16,139	-	-

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 15. Creditors: amounts falling due within one year

	Group		Company	
	30-Sep	01-Oct	30-Sep	01-Oct
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	6,347	4,129	-	-
Social security and other taxes	738	1,379	-	-
Loans and accrued interest	54,533	52,388	7,852	7,339
Other creditors	5,472	367	5,012	12
Accruals and deferred income	8,074	7,524	204	13
Amounts owed to Group undertakings	-	-	83	29
	<u>75,164</u>	<u>65,787</u>	<u>13,151</u>	<u>7,393</u>

The Company has a loan of £4,019,000 (2017: £4,019,000) due to a company connected to Mr A Lebedev, plus accrued interest of £3,833,000 (2017: £3,320,000), 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. The total amount owed at the end of the financial year was £7,852,000 (2017: £7,339,000)

Loans made to the Group of £46,680,000 (2017: £45,048,000), which are also technically due on demand, bear interest 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.



# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 16. Creditors: amounts falling due after more than one year

	Group		Company	
	30-Sep 2018 £'000	01-Oct 2017 £'000	30-Sep 2018 £'000	01-Oct 2017 £'000
Loans	77,434	82,949	4,249	-
	<u>77,434</u>	<u>82,949</u>	<u>4,249</u>	<u>-</u>

Loans made to the Group of £25,537,000 (2017: £38,154,000) are interest free and repayable in full on 31 December 2025. On 8 March 2018 loan amendment agreements were signed extending the date on which the interest free shareholder loans must be repaid. This amounted to a substantial modification of the existing loans and on this date and as required by FRS 102 section 11 the existing loans were derecognised and then subsequently recognised as a new financial instrument. The Directors have reassessed the effective interest rate applied to shareholder loans with 9% (2017: 5%) being applied to all shareholder loans based on comparative market data. Besides the £3,000,000 additional loan received during the year, the reduction in the carrying value of the loans held within creditors results from the change in the effective interest rate and the cash value payable on 31 December 2025 is £47,650,000 (2017: £44,650,000).

Loans made to the Group of £27,505,000 (2017: £25,487,000) are interest free and repayable in 2019, 2020 and 2021. During 2017 the shareholder loan agreement was amended so that loans are only repayable after a minimum of 13 months' notice provided by the shareholder. Under FRS 102 the Directors have applied a fair value interest rate of 5% to all shareholder loans based on comparative market data. Interest free shareholder loans due after one year are stated at present value using the effective interest rate method as required by FRS 102. The total principal amount repayable is £28,699,000 (2017: £26,699,000).

Loans made to the Group of £20,143,000 (2017: £19,308,000) 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. The total principal amount due is £16,751,000 (2017: £16,751,000).

Loans made to the Company by Mr E Lebedev on 22 June 2018 and 21 September 2018 totalling £4,249,000 (2017: £nil) are interest free and repayable after a minimum of 13 months' notice. Under FRS 102 the Directors have applied a fair value interest rate of 7% based on comparative market data. Interest free shareholder loans due after one year are stated at present value using the effective interest rate method as required by FRS 102. The total principal amount repayable is £4,573,000 (2017: £nil).

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 17. Provisions

Group	Libel £'000	Contract discounts £'000	Total £'000
At 01 October 2017	1,310	9,548	10,858
Charged during year	94	8,502	8,596
Released during year	-	(291)	(291)
Utilised during year	(84)	(8,249)	(8,333)
At 30 September 2018	1,320	9,510	10,830

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.

### 18. Share capital

	30-Sep 2018 £'000	01-Oct 2017 £'000
Allotted, called up and fully paid		
1,590,000 ordinary shares of £1 each	1,590	1,590

### 19. Minority interests

	£'000
At 02 October 2016	(10,064)
Proportion of loss after taxation for the year	(4,098)
At 01 October 2017	(14,162)
Proportion of loss after taxation for the year	(2,429)
Proportion of equity	14,235
At 30 September 2018	(2,356)

The adjustment to minority interest arises from the £9,146,000 subscription by the Company on 8 March 2018 for new shares in Evening Standard Limited which has had the effect of reducing the minority shareholder's interest in Evening Standard Limited.

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 20. Net cash outflow from operating activities

	2018 £'000	2017 £'000
Operating loss	(13,227)	(12,891)
Depreciation of tangible fixed assets	441	310
Amortisation and impairment of intangible fixed assets	914	1,352
(Increase)/decrease in stocks	(293)	49
(Increase)/decrease in debtors	(1,559)	8,720
Increase/(decrease) in creditors	7,234	(4,269)
Decrease in provisions	(28)	(1,826)
<b>Net cash outflow from operating activities</b>	<b>(6,519)</b>	<b>(8,555)</b>

### 21. Analysis of cash flows for headings netted in cash flow statement

	2018 £'000	2017 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	19	25
Share issue	853	-
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>872</b>	<b>25</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(786)	(967)
Purchase of intangible fixed assets	(653)	(1,257)
<b>Net cash outflow from capital expenditure</b>	<b>(1,439)</b>	<b>(2,224)</b>
<b>Financing</b>		
Other new loans	9,573	3,000
Repayment of loans and interest	-	(4,478)
<b>Net cash inflow from financing activities</b>	<b>9,573</b>	<b>(1,478)</b>

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

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 22. Analysis of changes in net debt

	2017	FRS 102 adjustment for implied interest	Interest accrued	Cash flow	2018
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,165	-	-	2,487	8,652
Debts falling due within one year	(52,388)	-	(2,145)	-	(54,533)
Debts falling due after more than one year	(82,949)	18,287	(3,200)	(9,573)	(77,434)
<b>Net debt</b>	<b>(129,172)</b>	<b>18,287</b>	<b>(5,345)</b>	<b>(7,087)</b>	<b>(123,315)</b>

### 23. 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 £1,349,000 (2017: £1,446,000). The amount owing in respect of pension funds at 30 September 2018 is £122,000 (2017: £131,000), included within accruals and deferred income.

### 24. Operating lease commitments

At 30 September 2018, the Group had total commitments under non-cancellable operating leases as follows:

Group	Land and buildings		Other	
	30-Sep 2018 £'000	01-Oct 2017 £'000	30-Sep 2018 £'000	01-Oct 2017 £'000
<b>Expiry date:</b>				
Within one year	1,265	393	621	530
Between two and five years	3,905	4,317	1,017	1,759

### 25. 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 30 September 2018

### 26. Financial Instruments

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

	Group	
	2018	2017
	£'000	£'000
<b>Financial assets</b>		
Debt instruments measured at amortised cost		
Trade debtors, other debtors and accrued income (see note 14)	14,013	13,735
Cash and cash equivalents	8,652	6,165
	<u>22,665</u>	<u>19,900</u>
<b>Financial liabilities</b>		
Measured at amortised cost		
Loans payable (see note 15, 16)	131,967	135,336
Trade creditors, other creditors and accrued expenses (see note 15)	18,228	11,614
	<u>150,196</u>	<u>146,950</u>

### 27. Related party transactions

#### Group

The ongoing costs of the Group have been funded by way of shareholder loans. The amount due from the Group at 30 September 2018 to Mr Alexander Lebedev and companies in which he has an interest was £10,090,000 (2017: £10,905,000).

The Group received loans from Mr Evgeny Lebedev, a director, and companies in which he has an interest, of £2,000,000 (2017: £3,000,000) and repaid £nil (2017: £4,477,000). The amount due from the group at 30 September 2018 to Mr Evgeny Lebedev and companies in which he has an interest was £111,269,433 (2017: £114,918,104).

In addition to this, further loans of £6,359,000 (2017: £9,514,000) were due to Daily Mail and General Holdings Ltd, at 30 September 2018.

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 were employed in the year by Independent Print Limited and their costs recharged monthly. The total payroll cost recharged during the period amounted to £362,631 (2017: £1,863,380) plus £14,612 (2017: £63,625) pension costs.

# Lebedev Holdings Limited

## Notes to the financial statements Year ended 30 September 2018

### 27. Related party transactions (continued)

#### Group (continued)

The Group made net sales of £3,492,336 (2017: £3,688,670) to Independent Digital News and Media Limited, a company under common control. The net amount owed to the Company in respect of these services on 30 September 2018 was £397,846 (2017: £1,030,130).

The Group provides and receives various services to and from subsidiaries of Daily Mail and General Holdings Limited, a shareholder with a minority interest in the Company. During the year the Company received revenues of £9,405,069 (2017: £10,329,682) in relation to advertising sales and was recharged costs of £22,929,509 (2017: £22,185,354) by Associated Newspapers Limited and Harmsworth Printing Limited, whilst the net amount due to the Company in respect of these services on 30 September 2018 was £1,921,819 (2017: £919,875).

#### Company

On 30 September 2018 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 (2017: £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 £514,000 (2017: £480,000) and the interest owed included within long term creditors was £3,833,000 (2017: £3,320,000).

At 30 September 2018, Mr Evgeny Lebedev, a Director of the Company, was owed £12,405 (2017: £12,405) by the Company and the Company owed £83,453 (2017: £28,893) to Independent Print Limited.

Loans made to the Company by Mr E Lebedev on 22 June 2018 and 21 September 2018 totalling £4,249,000 (2017: £nil) are interest free and repayable after a minimum of 13 months' notice.

### 28. Post balance sheet date events

Subsequent to year end the debt holders of ESTV Ltd signed a loan waiver agreement on 30 November 2018 which reduced the value of the interest free shareholder loans owed by 65.7%. The total cash value of loans owed at 30 September 2018 was £28,699,000 and post 30 November 2018 the total cash value of the loans owed is £10,500,000.

Subsequent to year end, on 4 December 2018 Lebedev Holdings Ltd sold its shareholding in Independent Print Ltd to Mr Evgeny Lebedev for £78,873. Independent Print Ltd ceased being a member of the Lebedev Holdings Group at that date.

# **Lebedev Holdings Limited**

## **Notes to the financial statements Year ended 30 September 2018**

### **28. Post balance sheet date events (continued)**

On 7 December 2018 the Company reorganised its share capital through a special resolution and entered into a transaction to receive an investment of £25,000,000 through both the issue of share capital and debt. Specifically, the following transactions were completed:

Convert existing ordinary share capital was to A Ordinary shares; allot new B Ordinary Shares of £1 each fully paid up to an aggregate nominal amount of £795,000 at any time during the period of 1 year following the passing of the Resolution, allot new C Shares of £0.001 each fully paid up to an aggregate nominal amount of £265 at any time during the period of 1 year following the passing of the Resolution. All shares have equal voting rights. A and B have equal rights to capital and distributions in preference to holders of C shares.

Agreement to sell 795,000 B shares 100% of the newly issued share capital and at the date of signing, 20% of the £1 shares (159,000) have been transferred at a premium of £28.28 per share.

Agreement to cancel the interest owing on a shareholder loan. Interest has been accrued on the shareholder loan at a rate of 7% p.a. The amount of interest accrued at year end was £3,833,000 (2017: £3,320,000).

### **29. Controlling party**

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