

**Company Registration No. 07320345**

**Independent Digital News and Media Limited**

**Annual Report and Financial Statements**

**02 October 2016**



# **Independent Digital News and Media Limited**

## **Annual Report and financial statements 2016**

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# **Independent Digital News and Media Limited**

## **Annual Report and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

E Lebedev

J D E Byam Shaw

Z Leonard – appointed 11 February 2016

M Malhotra – appointed 11 February 2016

#### **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

Chartered Accountants

London

United Kingdom

# Independent Digital News and Media 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 Independent Digital News & Media Limited and its subsidiary undertaking when viewed as a whole.

### Principal activities

The principal activity of the Group is digital news and features publishing with its head quarters in London United Kingdom and an office in New York, United States. The analysis 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 is a digital consumer media business delivering news and entertainment content through its websites *Independent.co.uk* and *indy100.com* and its digital mobile application *The Independent Digital Edition*. The Group delivered a 74% increase in turnover of £14,317,000 in the year, owing to significant digital audience growth both in the UK and internationally alongside incremental revenue lines. The Group made an operating profit before interest and tax of £1,683,000 (2015: £1,287,000) and has net assets of £1,698,000 (2015: £1,451,000).

The Group underwent a significant business transformation in the year. The Group has been trading since October 2010, separate to but in partnership with, Independent Print Limited (IPL), publisher of *The Independent* and *i* newspaper titles. In April 2016, IPL sold *i* to Johnston Press PLC, and ceased publishing *The Independent* newspaper in print form on 26 March 2016. As a result of this the directors created 40 new permanent and contract positions which were hired by the Group from IPL. In addition a paid-for digital mobile application (*The Independent Digital Edition*) was launched to retain print subscribers and further diversify revenue streams, comprising advertising, licensing & syndication, subscriptions, and eCommerce.

The Group continues to receive outsourced digital publishing services from IPL.

### Audience

The Group has delivered consistent and significant audience growth over the last year across its two properties: [www.independent.co.uk](http://www.independent.co.uk) and [www.indy100.com](http://www.indy100.com) across desktop, mobile and tablet devices:

- The Independent's UK digital audience grew by 20% in the year to 187.4 million page impressions cumulatively, with specifically 31 million completely new UK visitors to the titles' web or mobile sites;
- Globally, the brand attracted more than a half billion people through the year to a cumulative total of 578.4 million (23% year-on-year growth), with 108 million new visitors gained in the year;
- Geographically, the Group's digital audiences remained constant year-on-year: 33% UK : 29% US : 38% Rest Of World confirming the global appeal of the content;
- Multi-platform, mobile-first. As the Group's audience grew, it also became proportionately more mobile, with financial year averages of 54% mobile (2015: 45%); 36% desktop (2015: 43%); and 10% tablet (2015: 10%). This affects and reflects the Group's product design and successful social media strategy;
- *The Independent* continued to dominate in social media, with a net growth of 210m (38%) Unique Social Visitors sourced this way. The Independent was the 'most-shared' publisher in the world for Brexit news in June and two months later The Independent had the most-shared article in the world about the Olympics.

### Revenue

Total Revenue of £14,317,000 (2015: £8,237,000) represented a 75% increase on the prior year.

- **Advertising and Partnerships.** The Group grew its total advertising and partnerships revenue by 51% in the year. Primary drivers of growth were agency revenues, comprising directly-sold campaigns, network & programmatically-sold campaigns and classified, US market audience growth and investment underpinned the network and programmatic line particularly. Partnership revenues, included content recommendation supplied by Taboola, were 33% better than the prior year, whilst third-party sales (including mobile and high-impact), were 113% better than the prior year.

# Independent Digital News and Media Limited

## Strategic report

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

#### *Revenue (continued)*

- **Licensing and syndication.** During the year, the Group activated a new revenue stream in digital-specific licensing and syndication.
- **Subscriptions.** Launched in February 2016, The Independent Daily Edition app delivered revenues and subscribers above expectations, diversifying our revenue streams for future growth.

#### **Outlook**

Since the end of the year, the Group has continued to deliver strong audience and revenue growth in line with the Group's business plan. Brexit and US Election coverage have driven record levels of unique users and page impressions. Significantly, the US market in recent months has exceeded, in volume of unique users, that of the UK, confirming the international appeal of The Independent's journalism and its digital channels. The US commercial targets are therefore consistently being met or exceeded. Combined with a tight control of the Group's cost base, the three year business plan anticipates further international growth, supported by targeted investment to support foreign correspondence and commercial revenues in high potential markets. The Group will also continue to diversify revenue streams across syndication, subscriptions and eCommerce channels with continued revenue and profit growth being forecast.

#### **Key performance indicators**

In order to monitor the development, performance and financial position of the business the Group uses key performance indicators such as audience scale and growth (Unique Visitors, Page Impressions, Pages per Visit), syndication client acquisition and renewals, app subscription acquisition and retention, data profile development, audience scale, profile/segmentation and quality measures, breakeven and profit targets for new ventures, advertising volume and yield, video views and ad inventory fill rates, social media friends and followers, and engagement behaviours of all user groups.

#### **Principal risks and uncertainties**

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

##### *Advertising dependency*

With the majority of revenue coming from advertising, the Group is actively developing new and strengthening established forms of revenue to diversify income and ensure the sustainability of the brand. This also includes monitoring market trends and challenges such as Ad-Blocking, advocating and influencing trade associations and testing technical solutions to ensure that the quality and targeting standards of advertising are the highest possible to sustain that revenue stream. Subscription, syndication and eCommerce revenue streams are growing and mitigating exposure to an Advertising-dominant business.

##### *Audience delivery*

The Group's financial projections and business model depend on continued and material audience growth, increasingly on an international basis. Geographic expansion plans and investments are developed on return on investment criteria. The Group leverages other Group media assets and expertise to cost-effectively achieve its audience growth targets, thus has not been dependent to date on Cash marketing to achieve its KPIs.

##### *Economic conditions*

General economic conditions and the financial health of our advertising clients affects the performance of our business. The effects of Brexit and the new US presidential administration have not yet been felt, but may adversely affect specific categories, e.g. travel and financial markets.

# Independent Digital News and Media Limited

## Strategic report

### Principal risks and uncertainties (continued)

#### *Exposure to changes in the economy and advertising patterns*

General economic conditions and the financial health of our advertising clients will affect the performance of our business. In addition, the Group is largely reliant on advertising spending which has historically been cyclical, with companies spending less on advertising in times of economic slowdown. The Group has a commitment to diversify revenue streams and invest in content in order 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 employees are 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. In addition, the business is subject to various legislations and regulations, including the Bribery Act, Health and Safety, Data Protection and employment law as well as more specific regulations such as from the Office of Fair Trading. Changes to, or breaches of, this 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 broadcasting code and those of other regulatory bodies.

#### *The impact of technological and market changes on our competitive advantage*

The business operates within a highly competitive environment that can be subject to rapid change. Our products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. The structural change in advertising markets resulting in significant advertising moving to digital platforms could affect the Group's performance but also provides future opportunities.

#### *Credit risk*

The Group is exposed to credit risk as its balance sheet will include significant receivables' balances. Management will 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.

#### *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 has disaster recovery plans in place and resources are also devoted to ensuring the relationships with key suppliers are maintained and upheld and that alternative suppliers are available. The Group is recharged overhead costs such as IT and rent by other group companies on a fair, arm's length basis. If there are changes to the group structure in future, this may result in additional costs having to be absorbed by the Group.

# Independent Digital News and Media Limited

## Strategic report

### Principal risks and uncertainties (continued)

#### *Promotions*

The Group will be running 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.

#### *Information security breach or cyberattack*

An information security breach would cause reputational damage with potential for a resultant loss of revenue. A breach of data protection legislation could result in financial penalties for the business affected and potentially the Group. The investigation and management of an incident would result in the diversion of management time.

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



M Malhotra  
Director

24 April 2017

# **Independent Digital News and Media Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 02 October 2016. The comparative accounts were for the year ended 27 September 2015.

### **Financial risk management and policies**

Details of financial risk management and policies can be found in the Strategic Report on p2 and form part of this report by cross-reference.

### **Future developments**

Details of future developments can be found in the Strategic Report on page 2.

### **Results and dividends**

The profit after taxation for the period amounted to £1,659,000 (2015: £1,014,000). The directors declared and paid an interim dividend of £900 per share during the financial year and a final dividend is proposed of £900 per share.

### **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.

### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Directors' report. The Company has recorded an operating profit in the period and does not require additional funding for in the 12 months following signing of the financial statements. The directors currently have no reason to believe that the Company 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.

### **Directors**

The names of the directors of the Company who held office during the year were:

E Lebedev

J D E Byam Shaw

Z Leonard – appointed 11 February 2016

M Malhotra – appointed 11 February 2016

### **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.



# Independent Digital News and Media Limited

## Directors' report

### Capital structure

The Company's capital structure consists of Voting A and B Ordinary Shares as follows:

Class of share	Number of shares	Percentage of total share capital
A ordinary shares of £1	745	71%
B ordinary shares of £1	300	29%

### Auditor

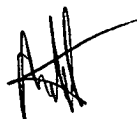
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Deloitte LLP has indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



M Malhotra  
Director

24 April 2017

# **Independent Digital News and Media 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 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 Independent Digital News and Media Limited**

We have audited the financial statements of Independent Digital News and Media Limited for the year ended 02 October 2016 which comprise the consolidated profit and loss account and statement of comprehensive income, the consolidated and company balance sheet, the statement of changes in equity and the related notes 1 to 22. 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 Statement of Directors' Responsibilities, 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 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 of the parent company's affairs as at 02 October 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Independent auditor's report to the members of Independent Digital News and Media Limited (continued)**

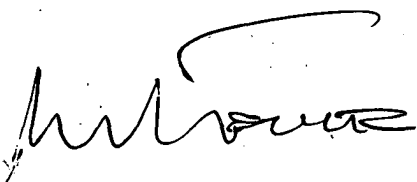
### **Opinion on other matter prescribed by the Companies Act 2006**

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

24 April 2017

# Independent Digital News and Media Limited

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

	Notes	Year ended 02-Oct 2016 £'000	Year ended 27-Sep 2015 £'000
<b>Turnover</b>	1,3	14,317	8,237
Cost of Sales		9,842	4,527
<b>Gross profit</b>		4,475	3,710
Administrative expenses	4	2,792	2,423
<b>Operating profit</b>		1,683	1,287
Finance (net)	7	9	(15)
<b>Profit on ordinary activities before taxation</b>		1,692	1,272
Tax charge on profit on ordinary activities	8	419	258
<b>Retained profit for the financial year attributable to the equity shareholders of the Group</b>	11	1,274	1,014
Currency translation difference on foreign currency net investments		86	6
Tax relating to components of other comprehensive income			-
<b>Other comprehensive loss</b>		86	6
<b>Total comprehensive income attributable to equity shareholders of the Group</b>		1,188	1,008

All of the activities of the Group are classified as continuing.

The notes on pages 16 to 29 form part of these financial statements.

# Independent Digital News and Media Limited

## Consolidated balance sheet 02 October 2016

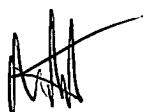
	Notes	2016 £'000	2015 £'000
<b>Fixed Assets</b>			
Intangible assets	12	-	-
<b>Current assets</b>			
Debtors falling due within one year	13	3,902	2,115
Cash at bank and in hand		1,719	2,935
		<u>5,621</u>	<u>5,050</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(3,488)</u>	<u>(3,320)</u>
<b>Net current (liabilities) / assets</b>		2,133	1,730
<b>Provisions</b>	15	(434)	(279)
<b>Net assets</b>		<u>1,698</u>	<u>1,451</u>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Profit and loss account	17	1,697	1,450
<b>Shareholders' funds</b>		<u>1,698</u>	<u>1,451</u>

The notes on pages 16 to 29 form part of these financial statements.

The accounts have been prepared in accordance with the provisions of Section 1A of FRS 102.

The financial statements of Independent Digital News and Media Limited, registered number 07320345 were approved by the Board of Directors on 24 April 2017.

Signed on behalf of the Board of Directors



M Malhotra  
Director

# Independent Digital News and Media Limited

## Company balance sheet 02 October 2016

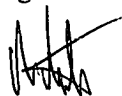
	Notes	2016 £'000	2015 £'000
<b>Fixed Assets</b>			
Investments	12	1	1
<b>Current assets</b>			
Debtors falling due within one year	13	3,424	1,996
Cash at bank and in hand		1,703	2,891
		<u>5,127</u>	<u>4,887</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(2,944)</u>	<u>(3,172)</u>
<b>Net current assets</b>		2,183	1,715
<b>Total assets less current liabilities</b>		<u>2,184</u>	<u>1,716</u>
<b>Provisions</b>	15	(434)	(279)
<b>Net assets</b>		<u>1,749</u>	<u>1,437</u>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Share premium account	17	-	-
Profit and loss account	17	1,748	1,436
<b>Shareholders' funds</b>		<u>1,749</u>	<u>1,437</u>

The notes on pages 16 to 29 form part of these financial statements.

The accounts have been prepared in accordance with the provisions of Section 1A of FRS 102.

The financial statements of Independent Digital News and Media Limited, registered number 07320345 were approved by the Board of Directors on 24 April 2017.

Signed on behalf of the Board of Directors



M Malhotra  
Director

# Independent Digital News and Media Limited

## Consolidated cash flow statement 02 October 2016

	Notes	2016 £'000	2015 £'000
Net cash (outflow)/inflow from operating activities	11	(284)	2,205
Cash flows from investing activities	7	9	3
Cash flows from financing activities			
Interest paid on shareholder loans	7	-	(18)
Dividends paid	10	(941)	-
net cash flows from financing activities		<u>(941)</u>	<u>(18)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(1,216)</u>	<u>2,190</u>
Cash and cash equivalents at the beginning of the year		2,935	745
Cash and cash equivalents at the end of the year		<u>1,719</u>	<u>2,935</u>



# Independent Digital News and Media Limited

## Statement of changes in equity Year ended 02 October 2016

	Share capital £'000	Retained Earnings £'000	Total £'000
<b>Balance at 28 September 2014</b>	1	442	443
Adjustments on transition to FRS 102	-	-	-
<b>As restated</b>	<u>1</u>	<u>442</u>	<u>443</u>
Profit for the year	-	1,014	1,014
Currency translation difference on foreign currency net investments	-	(6)	(6)
<b>Balance at 27 September 2015</b>	<u>1</u>	<u>1,450</u>	<u>1,451</u>
Profit for the year	-	1,274	1,274
Interim dividend paid	-	(941)	(941)
Currency translation difference on foreign currency net investments	-	(86)	(86)
<b>Balance at 02 October 2016</b>	<u>1</u>	<u>1,697</u>	<u>1,699</u>

# Independent Digital News and Media Limited

## Notes to the accounts

### Year ended 02 October 2016

#### 1. Accounting policies

##### **Basis of preparation**

The Company is a company incorporated in the United Kingdom under the Companies Act.

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 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The 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 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 22.

The functional currency of Independent Digital News and Media Limited 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. Foreign operations are included in accordance with the policies set out below.

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

##### **Financial year**

The results for 2016 represent the financial year from 28 September 2015 to 02 October 2016. The comparative accounts were for the financial year from 28 September 2014 to 27 September 2015.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable for goods or services provided in the normal course of business net of value added tax (VAT), trade discounts and commission where applicable. Digital revenues are recognised on publication for advertising or delivery of service for other digital revenues. Events revenue is recognised on the date or period of the event and syndication revenue is recognised based on contractual guarantees and the date of publication.

##### **Barter transactions**

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

# Independent Digital News and Media Limited

## Notes to the accounts

Year ended 02 October 2016

### 1. Accounting policies (continued)

#### Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and provision for impairment.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write down the cost of tangible assets by equal annual instalments over their estimated useful lives as follows:

Plant and equipment	3-5 years
Furniture and fittings	3-10 years

#### Financial Instruments

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

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

##### (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.

# Independent Digital News and Media Limited

## Notes to the accounts

### Year ended 02 October 2016

#### 1. Accounting policies (continued)

##### Financial instruments (continued)

###### (ii) *Financial assets and liabilities (continued)*

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

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

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

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

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

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

###### (iii) *Investments*

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

###### (iv) *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

##### 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.

# Independent Digital News and Media Limited

## Notes to the accounts

Year ended 02 October 2016

### 1. Accounting policies (continued)

#### Leasing (continued)

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.

#### 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.

#### Pension costs

The Company operates a defined contribution scheme. This means that the pension charge reported in these financial statements is the same as the cash contributions due in the period.

#### Intercompany recharges

The Company is charged costs incurred on its behalf by connected companies, Evening Standard Limited and Independent Print Limited. Costs recharged from connected companies are treated as costs in the profit and loss account. Details of these items are set out in note 20.

# Independent Digital News and Media Limited

## Notes to the accounts

Year ended 02 October 2016

### 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 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.

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 3. Segmental reporting

	2016	
	Turnover	Operating profit
	£'000	£'000
		Net assets
		£'000
<b>By activity:</b>		
Online news media	14,317	1,683
	<u>14,317</u>	<u>1,683</u>
<b>Geographical market by destination and source:</b>		
United Kingdom	14,317	1,683
	<u>14,317</u>	<u>1,683</u>

	2015	
	Turnover	Operating profit
	£'000	£'000
		Net liabilities
		£'000
<b>By activity:</b>		
Online news media	8,237	1,287
	<u>8,237</u>	<u>1,287</u>
<b>Geographical market by destination and source:</b>		
United Kingdom	8,237	1,287
	<u>8,237</u>	<u>1,287</u>

### 4. Operating profit

The operating profit is stated after charging the following:

	2016	2015
	£'000	£'000
Recharged pension costs	59	42
Other operating income	(1,068)	(631)
Auditor's remuneration:		
- fees for the audit of the company	13	9
- total non-audit fees	13	18
One-off costs:		
- systems project costs	162	106
- redundancy and reorganisation	185	36
	<u>185</u>	<u>36</u>

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 5. Employees

Staff costs were as follows:

	2016	2015
	Number	Number
Average number of persons (including Directors) employed by the Company by activity:		
Online news media	49	3
	<u>£'000</u>	<u>£'000</u>
Total staff costs (including Directors) comprised:		
Wages and salaries	4,946	286
Social security costs	493	19
Pension contributions	97	-
	<u>5,536</u>	<u>306</u>

### 6. Directors' emoluments

	2016	2015
	£'000	£'000
Emoluments	128	-
Company contributions to money purchase pension scheme	7	-
	<u>135</u>	<u>-</u>

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

	2016	2015
	£'000	£'000
<b>Highest paid director</b>		
Emoluments	95	-
Company contributions to money purchase pension scheme	6	-
	<u>101</u>	<u>-</u>



# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 7. Interest receivable and similar income

	Year ended 02-Oct 2016 £'000	Year ended 27-Sep 2015 £'000
Interest payable on long term loans	-	(18)
Bank interest receivable	9	3
	<u>9</u>	<u>(15)</u>

### 8. Taxation

	Year ended 02-Oct 2016 £'000	Year ended 27-Sep 2015 £'000
UK corporation tax charge for the year	385	257
Adjustment in respect of previous periods	11	4
Foreign tax suffered	22	-
Total current tax charge	418	260
Deferred tax (credit)/charge for the year	1	(3)
Total per income statement	<u>419</u>	<u>258</u>

#### Factors affecting the tax charge for the current period

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

Profit for the period from continuing operations	1,692	1,272
Tax on profit at standard rate of 20% (2015: 20.49%)	338	261
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	57	8
Income not taxable	(1)	-
Deferred tax not recognised	-	(11)
Adjustment to tax charge in respect of previous periods	11	4
Differences in overseas tax rate	14	(4)
<b>Total current tax charge</b>	<u>419</u>	<u>258</u>

#### Deferred tax

A deferred tax asset of £nil (2015: £2,572) has been recognised in the year in respect of short term timing differences.

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 9. Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent Company was £1,637,466 (2015: £993,717). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

### 10. Dividends on equity shares

	2016	2015
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 02 October 2016 of £900 per £1 ordinary share	941	-
Proposed final dividend for the year ended 02 October 2016 £900 per £1 ordinary share	941	-
	<u>1,882</u>	<u>-</u>

The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements.

### 11. Reconciliation of operating profit to operating cash flows

	2016	2015
	£'000	£'000
Operating profit	1,683	1,287
(Increase)/decrease in debtors	(1,905)	(41)
(Decrease)/increase in creditors due within one year	(217)	959
Increase/(decrease) in provisions	155	-
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(284)</u>	<u>2,205</u>

### 12. Intangible Assets and Investments

	Intangible Asset £
<b>Group:</b>	
<b>Cost</b>	
At 27 September 2015 and 02 October 2016	1
<b>Net book value</b>	
At 27 September 2015 and 02 October 2016	1

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 12. Intangible Assets and Investments (continued)

<b>Company</b>	<b>£'000</b>
Investment in subsidiary	1

Company name	Country	Percentage shareholding	Description
Independent Digital News and Media Inc	United States of America	100% Ordinary	Service provider

### 13. Debtors

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Amounts due within one year:</b>				
Trade debtors	1,672	816	1,220	701
VAT receivable	-	91	-	91
Other debtors	8	2	8	2
Prepayments and accrued income	2,222	1,207	2,197	1,202
	<u>3,902</u>	<u>2,115</u>	<u>3,424</u>	<u>1,996</u>

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

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade creditors	1,715	1,534	1,219	1,436
Taxation and social security	31	257	31	355
Other creditors	6	96	-	56
Accruals and deferred income	1,736	1,434	1,695	1,324
	<u>3,488</u>	<u>3,320</u>	<u>2,944</u>	<u>3,172</u>

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 15. Provisions for liabilities

	<b>Libel</b>	<b>Group Contract discounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	10	269	279
Charged during year	27	153	180
Released during the year	(1)	-	(1)
Utilised during year	(13)	(10)	(24)
At end of year	<u>23</u>	<u>412</u>	<u>434</u>

	<b>Libel</b>	<b>Company Contract discounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	10	269	279
Charged during year	27	153	180
Released during the year	(1)	-	(1)
Utilised during year	(13)	(10)	(24)
At end of year	<u>23</u>	<u>412</u>	<u>434</u>

### 16. Share capital

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
A Ordinary shares of £1 each	745	745
B Ordinary shares of £1 each	300	300
	<u>1,045</u>	<u>1,045</u>

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 17. Reserves

	Share premium account		Profit and loss account	
	2016	2015	2016	2015
	£	£	£000's	£000's
<b>Group</b>				
At beginning of financial year as previously stated	261	261	1,451	442
At beginning of financial year restated	261	261	1,450	442
Exchange reserve	-	-	(86)	(6)
Retained profit for the year	-	-	1,274	1,014
Interim dividend paid	-	-	(941)	-
At end of financial year	<u>261</u>	<u>261</u>	<u>1,697</u>	<u>1,450</u>
<b>Company</b>				
At beginning of financial year as previously stated	261	261	1,437	442
At beginning of financial year restated	261	261	1,436	442
Retained profit for the year	-	-	1,253	994
Interim dividend paid	-	-	(941)	-
At end of financial year	<u>261</u>	<u>261</u>	<u>1,748</u>	<u>1,436</u>

### 18. Pension arrangements

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £93,553 (2015: £42,737). Contributions totalling £8,440 (2015: £331) were payable to the fund at the balance sheet date and are included in other creditors.

### 19. Share Options

11 A ordinary equity settled share options with a 10 year life have been granted to certain key management personnel on 09 December 2015 at an exercise price of £1.25 per share.

# Independent Digital News and Media Limited

## Notes to the accounts Year ended 02 October 2016

### 20. Related party transactions

During the year, the Group entered into the following transactions with related parties:

Under the terms of the Services agreement signed between Independent Print Limited and Independent Digital News and Media Limited, following the transfer of business in 2010, each company continued to provide its own Editorial content to the other free of charge.

The majority of direct and administrative staff continue to be employed by Independent Print Limited and their cost recharged monthly. The total payroll cost recharged during the year amounted to £3,108,666 (2014: £3,099,163) plus £59,007 (2015: £42,358) pension costs.

Additionally, various other direct costs and overheads amounting to £720,247 (2015: £1,096,764) were also recharged by Independent Print Limited during the year. At the balance sheet date, the Group owed £658,190 (2015: £587,402) to Independent Print Limited, included in other creditors. Independent Print Limited is controlled by Mr Evgeny Lebedev.

The Group made purchases in respect of management and services amounting of £1,979,706 (2015: £908,122) and sales of £1,079,785 (2015: £637,352) to Evening Standard Limited, a company under common control. At the balance sheet date, the net amount owed to the Group was £451,816 (2015: £114,301).

During the year, the Group received services from companies in which directors have an interest totalling £17,160 (2015: nil) and received revenues of £712,341 (2015: £717,217). The net amount owed by these companies at 02 October 2016 was £184,669 (2015: £100,599).

The Company from time to time provides free advertising to other companies in the group when no paid for third party advertising is available.

### 21. Controlling party

The directors regard Mr Evgeny Lebedev, a director and shareholder of the Company, as the ultimate controlling party.

# Independent Digital News and Media Limited

## Notes to the accounts

### Year ended 02 October 2016

#### 22. Explanation of transition to FRS102

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 28 September 2014 and the date of transition to FRS 102 was therefore 29 September 2014. 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.

	<b>Group</b>	<b>Company</b>
	<b>28-Sep</b>	<b>28-Sep</b>
	<b>2014</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b><i>Reconciliation of equity</i></b>		
<b>Equity as reported under previous UK GAAP</b>	442	442
<b>Equity reported under FRS 102</b>	<u>442</u>	<u>442</u>
	<b>27-Sep</b>	<b>27-Sep</b>
	<b>2015</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b><i>Reconciliation of profit</i></b>		
<b>Profit for the financial year under previous UK GAAP</b>	1,015	995
Annual leave accrual	1	1
<b>Profit for the financial year under FRS 102</b>	<u>1,014</u>	<u>994</u>

#### ***Notes to the reconciliation of profit 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.