

Company Registration No. 06764905

Lebedev Holdings Limited

Report and Financial Statements

28 September 2014

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Lebedev Holdings Limited

Report and financial statements 2014

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Lebedev Holdings Limited

Report and financial statements 2014

Officers and professional advisers

Directors

E Lebedev

A Lebedev

S A Auckland – appointed 7 November 2014

J D E Byam Shaw

M Malhotra – appointed 7 November 2014

Secretary

M Malhotra

Registered Office

2 Derry Street

London

W8 5HF

Bankers

EFG Private Bank Limited

Leconfield House

Curzon Street

London

W1J 5JB

Auditor

Deloitte LLP

London

United Kingdom

Lebedev Holdings Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the Company continued to be that of a holding company. The principal activity of the Group for the year to 28 September 2014 was the publishing of newspapers. ESTV Limited was incorporated within the Group on 6 August 2012 and its principal activity is TV broadcasting of a London TV channel called London Live, which commenced broadcasting on 31 March 2014. The analyses of turnover and operating loss for the year ended 28 September 2014 are included as notes 2 and 4 to the financial statements.

Review of business and future developments

The London Evening Standard is a quality weekday newspaper that is distributed for free throughout Greater London and published by the Company's subsidiary, Evening Standard Limited. It has recorded a third consecutive year of operating profit, 2012 being the first profitable year for the newspaper since 2001 (when under previous ownership). Homes & Property, the free property supplement published every Wednesday, and ES Magazine, the free glossy magazine published every Friday, both delivered record profits in the year despite operating in highly competitive markets.

In January 2014, Evening Standard Limited increased the distribution of the London Evening Standard from 700,000 to 900,000 copies per day and now covers a wider geographical area in order to satisfy demand from readers.

The London Evening Standard had an extremely successful year editorially winning awards and plaudits from within the media industry, winning the premier award of Newspaper of the Year by the London Press Club from a shortlist that included the Daily Mail and the Guardian. The title also won the Cudlipp Award and the BCSC from the International Newspaper Marketing Association for the Best Community Service Campaign.

Since the end of the year, Evening Standard Limited has also increased its distribution of ES Magazine. This has been achieved by more closely aligning the distribution footprint with the London Evening Standard and extending the availability of the magazine by including a full Thursday distribution.

The Company's fully owned subsidiary, Independent Print Limited, which publishes The Independent, The Independent on Sunday and *i*, recorded another significant reduction in its operating losses in the year despite the continuing competitive nature of the national quality newspaper market.

The Independent newspaper was re-designed in November 2013, incorporating a switch to a vertical masthead on its front page. Circulation of *i*, the concise newspaper title launched in 2010, has remained relatively stable during the last year despite a cover price increase in February 2014 and in contrast to the declines experienced by other quality newspapers in the UK. The continuing sales success of *i*, combined with the cover price increase during the year, has ensured that circulation revenues were higher than the previous year.

Independent Print Limited recorded a year on year decline in display advertising revenues in a challenging print advertising market for quality, national newspapers. However, classified advertising revenues performed above expectations to record modest year on year growth and other non advertising revenue streams, such as syndication and reader offers, have also over delivered in the year.

During the year, Independent Print Limited's editorial teams were restructured to create more efficient publishing across all its print titles, which generated significant cost savings. In addition, the Group's newspaper publishers were able to deliver significant cost savings by re-negotiating print contracts, a softening in newsprint prices and maximising the benefits from combining with other group companies where appropriate.

The Company's fully owned subsidiary ESTV Limited successfully launched London Live as scheduled on 31 March 2014 and the channel has operated and sustained a reliable service since then. The channel is broadcast live on all distribution platforms, Ch.8 on Freeview, Ch.117 on Sky, Ch.159 on Virgin and via www.londonlive.co.uk on either desktop, tablet or mobile devices.

The channel delivered a slow build of audience over the first four months of broadcasting, partly due to the launch period extending into the summer period and the football World Cup. Following a post launch review, ESTV Limited reduced investment in commissioned content and increased investment in acquired content. Acquired content in the Factual Entertainment, Drama and Comedy genres has proven most successful in delivering audience to date.

Lebedev Holdings Limited

Strategic report

Review of business and future developments (continued)

The channel has shown encouraging audience growth since the summer of 2014. Revenue generation from national airtime advertising has also shown positive signs of growth, whilst a new dedicated team has been employed to activate local advertising revenue. Long form content and sponsorship revenue streams are also being targeted. Marketing support continues to be delivered by the Group's publications, London Evening Standard, The Independent and their digital platforms.

London Live continues to deliver a high quality of News and Current Affairs output in line with the requirements set out within its licence commitments. The News and Current Affairs output continues to be reviewed to ensure it is being delivered in the most engaging and cost effective way. During the year, Ofcom was consulted on a potential reduction in News and Current Affairs content, fresh hours and repeat hours and accepted a reduction of four hours of repeats per day.

Outlook

The Group will continue to support its portfolio of newspaper titles in order to build on their improved position within the UK newspaper market and deliver a quality audience attractive to advertisers. 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.

The cover price of *i* was increased by a further 10 pence on 23 February 2015 and the title will be further supported by a TV marketing campaign in March 2015. The Group will also materially benefit from new print contracts and new arrangements for procuring newsprint from 2015 onwards, which will generate significant savings against the current cost base. There will also be additional investment in the Group's digital operations, which should allow the Group to target and deliver an improved financial position in the future.

Since the end of the year, ESTV Limited has taken further measures to ensure that its cost base is minimised. London Live will continue to deliver News and Current Affairs programming in line with its licence commitments, whilst aiming to deliver sustainable audience growth through targeted investment in acquired content. Encouragingly, ESTV Limited has delivered growing advertising revenue alongside the audience growth since the start of the new financial year.

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 Company's shareholder and lenders have expressed their willingness to continue supporting the Company 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 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.

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. 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.

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

Legal and regulatory

A judicial inquiry led by Lord Justice Leveson to review media practices published its findings in November 2012 and has led to considerable debate within – and beyond – the newspaper industry of which the Group is a part. One outcome of that debate was the closure of the Press Complaints Commission, which had overseen a system of self-regulation for the industry (including the Group). It was replaced by the Independent Press Standards Organisation (IPSO). However, the Group has not joined the new system due to some outstanding questions over the way in which IPSO plans to operate. Instead, the Group strengthened its internal complaints handling mechanism and amended its journalistic Code of Conduct, which was circulated to all editorial staff.

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 those from the Office of Fair Trading and the Audit Bureau of Circulation (ABC). 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 intranets. 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 and demand and currency valuations and these variations can be significant.

The impact of technological and market changes on our competitive advantage

The business operates within a highly competitive environment that can be subject to rapid change. Our products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. Declining newspaper circulations can lessen the importance of newspapers to retailers, which could potentially result in less prominent positioning in stores, as well as a risk of not being stocked in extreme cases. The structural change in advertising markets resulting in significant advertising moving away from printed products to digital platforms has affected our results but provides future opportunities.

Credit risk

The Company's subsidiaries are exposed to credit risk as their 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, which was further enhanced during the prior year when the Group leased additional office premises in Hammersmith, London.

Lebedev Holdings Limited

Strategic report

Principal risks and uncertainties (continued)

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 Company's 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. This is inherently an area which could significantly impact the Group's reputation if a promotion was found to be conducted inappropriately. Controls are in place to ensure that competitions and promotions are closely reviewed and monitored both before they begin and whilst they are in progress.

Key performance indicators

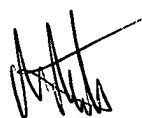
In order to monitor the development, performance and financial position of the business, the Group uses key performance indicators such as total revenue, operating margin, average daily circulation, advertising yield, average daily paginations, advertising ratios, website unique users and page impressions, as well as headcount. ESTV Limited also uses key performance indicators such as audience ratings and impacts and advertising minutes per hour.

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



M Malhotra
Secretary

17 April 2015

Lebedev Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 September 2014. The Company makes up its accounts to the Sunday nearest to 30 September.

Directors

The directors, who served during the year, were as follows:

E Lebedev
A Lebedev
J D E Byam Shaw
A O Mullins – resigned 7 November 2014

The directors, who have since been appointed, were as follows:

S A Auckland – appointed 7 November 2014
M Malhotra – appointed 7 November 2014

Going concern

See note 1 for further details.

Charitable and political contributions

During the year, the Group made charitable donations of £8,916 (2013: £21,577).

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 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
Secretary

17 April 2015

Lebedev Holdings Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

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

We have audited the financial statements of Lebedev Holdings Limited for the year ended 28 September 2014 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, consolidated cash flow statement, reconciliation of movement in shareholders' deficit and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 28 September 2014 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of £19,963,000 during the year ended 28 September 2014 and at that date it had net liabilities of £122,495,000. The Company incurred a loss of £398,000 during the year ended 28 September 2014 and at that date it had net liabilities of £6,023,000. The Company and the Group require significant future funding to continue to trade. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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

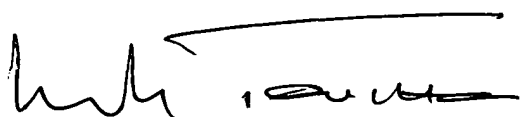
Opinion on matters prescribed in the Companies Act 2006

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

17 April 2015

Lebedev Holdings Limited

Consolidated profit and loss account Year ended 28 September 2014

	Notes	2014 £'000	2013 £'000
Turnover	1, 2	119,413	114,182
Trading loss		(14,956)	(8,217)
One-off items (net)	9	(1,487)	(3,425)
Operating loss	4	(16,443)	(11,642)
Interest receivable and similar income		24	14
Interest payable and similar charges	8	(2,999)	(2,610)
Loss on ordinary activities before taxation		(19,418)	(14,238)
Tax on loss on ordinary activities	10	(251)	1,171
Loss on ordinary activities after taxation		(19,669)	(13,067)
Minority interests		(294)	(1,020)
Retained loss for the financial year	20	(19,963)	(14,087)

All amounts relate to continuing operations.

There were no gains or losses for 2014 or 2013 other than the loss for the year and consequently no separate statement of total recognised gains and losses is presented.

The notes on pages 15 to 28 form part of these financial statements.

Lebedev Holdings Limited

Consolidated balance sheet 28 September 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	11	289	-
Tangible assets	12	808	226
		<u>1,097</u>	<u>226</u>
Current assets			
Stocks	14	72	84
Debtors	15	28,873	31,879
Cash at bank and in hand		11,459	11,158
		<u>40,404</u>	<u>43,121</u>
Creditors: amounts falling due within one year	16	<u>(69,228)</u>	<u>(54,939)</u>
Net current liabilities		<u>(28,824)</u>	<u>(11,818)</u>
Total assets less current liabilities		<u>(27,727)</u>	<u>(11,592)</u>
Creditors: amounts falling due after more than one year	17	(82,005)	(80,856)
Provisions for liabilities	18	<u>(12,763)</u>	<u>(10,378)</u>
Net liabilities		<u>(122,495)</u>	<u>(102,826)</u>
Capital and reserves			
Called up share capital	19	1,590	1,590
Profit and loss account	20	<u>(109,423)</u>	<u>(89,460)</u>
Total equity shareholders' deficit		<u>(107,833)</u>	<u>(87,870)</u>
Minority interests	21	<u>(14,662)</u>	<u>(14,956)</u>
		<u>(122,495)</u>	<u>(102,826)</u>

The notes on pages 15 to 28 form part of these financial statements.

The financial statements of Lebedev Holdings Limited, registered number 06764905 were approved by the Board of Directors on 17 April 2015.

Signed on behalf of the Board of Directors



J D E Byam Shaw
Director

Lebedev Holdings Limited

Company balance sheet 28 September 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	13	-	-
Current assets			
Cash at bank		-	-
Creditors: amounts falling due within one year	16	(6,023)	(5,625)
Net current liabilities		(6,023)	(5,625)
Total assets less current liabilities		(6,023)	(5,625)
Creditors: amounts falling due after more than one year	17	-	-
Net liabilities		(6,023)	(5,625)
Capital and reserves			
Called up share capital	19	1,590	1,590
Profit and loss account	20	(7,613)	(7,215)
Total equity shareholders' deficit		(6,023)	(5,625)

The notes on pages 15 to 28 form part of these financial statements.

The financial statements of Lebedev Holdings Limited, registered number 06764905 were approved by the Board of Directors on 17 April 2015.

Signed on behalf of the Board of Directors



J D E Byam Shaw
Director

Lebedev Holdings Limited

Consolidated cash flow statement Year ended 28 September 2014

	Notes	2014 £'000	2013 £'000
Net cash outflow from operating activities	22	(10,638)	(8,163)
Returns on investments and servicing of finance	23	24	14
Capital expenditure and financial investment	23	(4,585)	(9)
Cash outflow before financing		(15,199)	(8,158)
Financing	23	15,500	12,506
Increase in cash in the year		301	4,348

Lebedev Holdings Limited

Reconciliation of movement in shareholders' deficit Year ended 28 September 2014

	28 September 2014 £'000	29 September 2013 £'000
Group		
Opening shareholders' deficit	(87,870)	(73,783)
Loss for the year	(19,963)	(14,087)
Closing shareholders' deficit	<u>(107,833)</u>	<u>(87,870)</u>

	28 September 2014 £'000	29 September 2013 £'000
Company		
Opening shareholders' deficit	(5,625)	(5,250)
Loss for the year	(398)	(375)
Closing shareholders' deficit	<u>(6,023)</u>	<u>(5,625)</u>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the Company was £398,000 (2013: £375,000).

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

1. Accounting policies

Basis of preparation of financial statements

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

Going concern

The Group incurred a net loss of £19,963,000 during the year ended 28 September 2014 and at that date it had net liabilities of £122,495,000. The Company incurred a loss of £398,000 during the year ended 28 September 2014 and at that date it had net liabilities of £6,023,000. The Company and the Group require significant further funding and meet day to day working capital requirements through long term finance provided by Mr Alexander Lebedev and Mr Evgeny Lebedev, directors of the Company during the year, and companies under their control. Messrs Lebedev have continued to provide further finance since the year end to meet the funding requirements of the Company and the Group and have confirmed in writing to the other directors their on-going commitment to provide adequate funding for at least twelve months from the date of approval of these financial statements although no formal funding arrangement is in place.

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

Financial year

The annual financial statements of the Company and the Group's newspaper publishing subsidiaries are made up to the Sunday nearest to 30 September to ensure a comparable number of publishing days in the financial year. This results periodically in a financial year of 53 weeks although the current accounting period is for a 52 week period (2013: 52 week period). The results for ESTV Limited represent the financial year from 30 September 2013 to 30 September 2014 in line with the monthly calendar basis used by the TV industry.

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 issue of publication or over the period of the on line campaign.

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.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

1. Accounting policies (continued)

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.

Programme assets

Programme assets are recognised as intangible assets once they become available and licenced for transmission. Advance payments prior to the programme being available and licenced for transmission are recorded as prepayments. Programme assets are recognised as current or non-current based on their usage within or beyond the current financial year and assessed for impairment quarterly. Amortisation of programme assets reflects the underlying economics of the asset base. ESTV Limited has not yet completed a full operating cycle and it is too early to accurately reflect the underlying profitability of programme assets. Programme assets are therefore amortised in full on the first run.

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

Tangible fixed assets

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

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

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.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

1. Accounting policies (continued)

Deferred taxation

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

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

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

Foreign currencies

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

Pensions

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

2. Turnover

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

	2014 £'000	2013 £'000
Newspaper Publishing	118,151	114,182
TV Broadcasting	1,262	-
	<u>119,413</u>	<u>114,182</u>

Included within turnover is £1,033,000 (2013: £1,152,852) of advertising revenue which was provided in return for goods and services. All turnover arose within the United Kingdom.

3. Other operating income

	2014 £'000	2013 £'000
Other operating income	<u>4,124</u>	<u>2,706</u>

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

4. Operating loss

The operating loss is stated after charging:

	2014 £'000	2013 £'000
Depreciation of tangible fixed assets		
- owned by the Group	143	77
- assets held under finance lease	170	-
Programme Amortisation	2,708	-
Programme Impairment	693	-
Release of IT prepayment	729	729
Operating lease rentals		
- plant and machinery	112	271
- other operating leases	2,155	3,769
Difference on foreign exchange	47	19
	<u> </u>	<u> </u>

5. Auditor's remuneration

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	5
Fees payable to the Company's auditor for taxation compliance services of the Company	2	2
Fees payable to the subsidiary's auditor for the audit of accounts of subsidiary companies	111	102
Fees payable to the subsidiary's auditor for taxation compliance services of subsidiary companies	17	19
Fees payable to the subsidiary's auditor for taxation due diligence services of subsidiary companies	-	7
	<u> </u>	<u> </u>

6. Staff costs

Staff costs were as follows:

	2014 £'000	2013 £'000
Wages and salaries	32,647	31,436
Social security costs	3,929	3,743
Other pension costs	1,165	1,163
	<u> </u>	<u> </u>
	<u>37,741</u>	<u>36,342</u>

Staff costs exclude redundancy costs included in note 9.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

6. Staff costs (continued)

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

	2014 No.	2013 No.
TV Broadcasting	49	6
Newspaper and Digital publishing	567	563
	<u>616</u>	<u>569</u>

7. Directors' emoluments

	2014 £'000	2013 £'000
--	---------------	---------------

Directors' emoluments were as follows:

Emoluments	546	774
Company contributions to money purchase schemes	43	69
	<u>589</u>	<u>843</u>

Highest paid director

Emoluments	486	714
Company contributions to money purchase schemes	43	69
	<u>529</u>	<u>783</u>

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

8. Interest payable

	2014 £'000	2013 £'000
On other loans	2,999	2,610

9. One-off expenses

	2014 £'000	2013 £'000
Redundancy and re-organisation costs	1,176	3,405
Digital investment costs	311	20
	<u>1,487</u>	<u>3,425</u>

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

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

10. Taxation

	2014 £'000	2013 £'000
UK corporation tax charge for the year	-	-
Total current tax charge	-	-
Deferred tax charge/(credit) for the year	251	(1,171)
Total UK corporation tax	251	(1,171)

(a) Current tax

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 22% (2013: 23.5%). The current tax charge for the period is less than this rate for the reasons set out in the following reconciliation:

Loss on ordinary activities before taxation	(19,418)	(14,238)
Tax on loss from ordinary activities at standard rate of 22% (2013: 23.5%)	4,272	3,346
Factors affecting charge for the year:		
Depreciation in arrears/(excess) of capital allowances	55	(22)
Short term timing differences	(5)	55
Expenses not deductible for tax purposes	(1,151)	(1,087)
Tax losses carried forward	(3,171)	(2,292)
Total current tax charge	-	-

(b) Deferred tax

As Evening Standard Limited has now started to utilise some of its brought forward tax losses, a deferred tax asset of £920,000 has been recognised in the year in relation to some of its remaining unutilised tax losses as in the directors' opinion the subsidiary is more likely than not to generate sufficient taxable profits to recover this portion of those tax losses in the foreseeable future. A potential deferred tax asset of £ 21,307,000 (2013: £18,186,000) remains unrecognised in relation to the balance of the subsidiary's unutilised tax losses and the unutilised tax losses of the other companies in the Group, in addition to fixed asset movements and other short term timing differences as in the directors' opinion there is currently insufficient evidence to support recognition for all of these timing differences.

Under UK GAAP, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Legislation was passed in July 2013 to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014, and to 20% from 1 April 2015.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

11. Intangible fixed assets

Group	TV Programs £'000	Trade- marks £'000	Goodwill £'000	Total £'000
Cost				
At 30 September 2013	-	2,000	3,623	5,623
Additions	3,690	-	-	3,690
At 28 September 2014	3,690	2,000	3,623	9,313
Amortisation				
At 30 September 2013	-	2,000	3,623	5,623
Charge for the year	2,708	-	-	2,708
At 28 September 2014	2,708	2,000	3,623	8,331
Impairment				
At 30 September 2013	-	-	-	-
Charge for the year	693	-	-	693
At 28 September 2014	693	-	-	693
Net book value				
At 28 September 2014	289	-	-	289
At 29 September 2013	-	-	-	-

The impairment to net realisable value takes into consideration historical performance; estimated discounted future cash flows; when the programmes were scheduled for transmission and the contracted sales price and estimated costs for completion for those programmes still in production.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

12. Tangible fixed assets

Group	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 30 September 2013	229	360	589
Additions	249	646	895
At 28 September 2014	478	1,006	1,484
Depreciation			
At 30 September 2013	165	198	363
Charge for the year	91	222	313
At 28 September 2014	256	420	676
Net book value			
At 28 September 2014	222	586	808
At 29 September 2013	64	162	226

Included within furniture and fittings are assets held under finance leases with a net book value of £419,000 (2013: £nil).

13. Fixed asset investments

Company	Investments in subsidiary companies £'000
Cost	
At 30 September 2013 and 28 September 2014	5,603
Provisions for impairment	
At 30 September 2013 and 28 September 2014	5,603
Net book value	
At 29 September 2013 and 28 September 2014	-

In the opinion of the directors, the values of subsidiary companies are not less than their book values.

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

Company name	Country	Percentage shareholding	Description
Independent Print Limited	England and Wales	100% Ordinary	Publishing of newspapers
ESTV Limited	England and Wales	100% Ordinary	TV Broadcasting
Evening Standard Limited	England and Wales	65.2% Ordinary*	Publishing of newspapers

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

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

13. Fixed asset investments (continued)

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

14. Stocks

	Group		Company	
	28 September 2014 £'000	29 September 2013 £'000	28 September 2014 £'000	29 September 2013 £'000
Raw materials and consumables	72	84	-	-

15. Debtors

	Group		Company	
	28 September 2014 £'000	29 September 2013 £'000	28 September 2014 £'000	29 September 2013 £'000
Trade debtors	22,244	19,820	-	-
Deferred tax	920	1,171	-	-
Other debtors	1,068	1,029	-	-
Prepayments and accrued income	4,641	9,859	-	-
	28,873	31,879	-	-

Included in prepayments is £1.767m prepaid for IT services to be rendered by Associated Newspapers Limited and which is expensed evenly over the contract period which expires on 28 February 2017.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

16. Creditors: amounts falling due within one year

	Group		Company	
	28 September 2014	29 September 2013	28 September 2014	29 September 2013
	£'000	£'000	£'000	£'000
Trade creditors	9,341	7,628	-	-
Social security and other taxes	3,239	3,134	-	-
Loans and accrued interest	48,482	30,713	5,991	5,599
Other creditors	359	522	13	13
Accruals and deferred income	7,807	12,942	19	13
	<u>69,228</u>	<u>54,939</u>	<u>6,023</u>	<u>5,625</u>

The Company has a loan of £4,019,101 due to a company connected to Mr A Lebedev, plus accrued interest of £1,971,519, 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. In addition, there are loans made to the Group of £36,700,000, which are also technically due on demand, plus accrued interest of £5,791,603 charged at a fixed rate of 5% per annum.

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

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

	Group		Company	
	28 September 2014	29 September 2013	28 September 2014	29 September 2013
	£'000	£'000	£'000	£'000
Finance Leases between 1 and 2 years	419	-	-	-
Loans	81,586	80,856	-	-
	<u>82,005</u>	<u>80,856</u>	<u>-</u>	<u>-</u>

Loans made to the Group of £50,150,000 are interest free and repayable in full on 31 December 2020.

Loans made to the Group of £13,999,000 are interest free and repayable in April 2016 and 2017.

Loans made to the Group of £16,437,192 bear interest at a fixed rate of 5% per annum and are repayable in 2015, 2016 and 2017.

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

18. Provisions

Group	Libel £'000	Contract discounts £'000	Total £'000
At 30 September 2013	123	10,255	10,378
Charged during year	116	10,102	10,218
Released during year	(82)	-	(82)
Utilised during year	(37)	(7,714)	(7,751)
At 28 September 2014	120	12,643	12,763

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

19. Share capital

	28 September 2014 £'000	29 September 2013 £'000
Authorised, allotted, called up and fully paid 1,590,000 ordinary shares of £1 each	1,590	1,590

20. Reserves

Group	Profit and loss account £'000
At 30 September 2013	(89,460)
Loss for the year	(19,963)
At 28 September 2014	(109,423)
Company	
At 30 September 2013	(7,215)
Loss for the year	(398)
At 28 September 2014	(7,613)

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

21. Minority interests

Equity	£'000
At 30 September 2013	(14,956)
Proportion of profit after taxation for the year	294
	<hr/>
At 28 September 2014	(14,662)
	<hr/>

22. Net cash outflow from operating activities

	2014 £'000	2013 £'000
Operating loss	(16,443)	(11,642)
Depreciation of tangible fixed assets	313	77
Amortisation of intangible fixed assets	2,708	-
Impairment of intangible fixed assets	693	-
Decrease in stocks	12	16
Decrease/(increase) in debtors	2,755	(2,087)
(Decrease)/increase in creditors	(3,061)	3,872
Increase in provisions	2,385	1,601
	<hr/>	<hr/>
Net cash outflow from operating activities	(10,638)	(8,163)
	<hr/>	<hr/>

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

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	24	14
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	24	14
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(895)	(9)
Purchase of intangible fixed assets	(3,690)	-
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(4,585)	(9)
	<hr/>	<hr/>
Financing		
Other new loans	17,937	12,506
Repayment of loans and interest	(2,437)	-
	<hr/>	<hr/>
	15,500	12,506
	<hr/>	<hr/>

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

Lebedev Holdings Limited

Notes to the accounts Year ended 28 September 2014

24. Analysis of changes in net debt

	29 September 2013 £'000	Reclassified £'000	Cash flow £'000	28 September 2014 £'000
Cash at bank and in hand	11,158	-	301	11,459
Debts falling due within one year	(26,119)	(16,600)	2,000	(40,719)
Debts falling due after more than one year	(79,249)	16,600	(17,937)	(80,586)
Net debt	(94,210)	-	(15,636)	(109,846)

25. Contingent liabilities

At 28 September 2014, the Group had no contingent liabilities.

Company

During the year Lebedev Holdings Limited acted as guarantor for any amounts due under the printing agreement between Independent Print Limited and Trinity Mirror Printing Limited. Independent Print Limited is a subsidiary of Lebedev Holdings Limited. At 28 September 2014, Trinity Mirror Printing Limited was owed £2,160,000 (2013: £2,224,000) by Independent Print Limited.

26. 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 £1,165,000 (2013: £1,163,000). The amount owing in respect of pension funds at 28 September 2014 is £197,000 (2013: £150,000).

27. Operating lease commitments

At 28 September 2014 the Group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings		Other	
	28 September 2014 £'000	29 September 2013 £'000	28 September 2014 £'000	29 September 2013 £'000
Expiry date:				
Within one year	94	-	-	1
Between two and five years	1,071	3,555	539	529
After more than five years	-	-	-	-

28. 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 accounts Year ended 28 September 2014

29. Related party transactions

Group

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

During the year, the Group received interest bearing loans of £5,937,132 (2013: £9,500,000) and interest free loans of £12,000,000 (2013: £1,999,000) from Mr Alexander Lebedev and companies in which he has an interest. During the year, the Group repaid loans of £2,000,000 plus interest of £437,132 (2013: £nil) to Mr Alexander Lebedev and companies in which he has an interest. The amount due to Mr Alexander Lebedev, and companies in which he has an interest, and Mr Evgeny Lebedev at 28 September 2014 was £104,798,842 (2013: £88,861,650) plus interest payable of £6,790,763 (2013: £4,621,014). At 28 September 2014, interest is payable at 5% per annum on £53,137,192 of the loans and the remaining £51,661,650 are interest free.

The amount due to Daily Mail and General Holdings Limited, a shareholder in Evening Standard Limited, at 28 September 2014 was £12,487,350 (2013: £12,487,350). No interest is payable on these loans.

The Group sold the digital business of The Independent to Independent Digital News and Media Limited in 2010. All direct and administrative staff of the digital business continue to be employed by the Group's subsidiaries and their cost recharged monthly. The total staff costs recharged during the year amounted to £3,322,458 (2013: £3,051,596). Additionally, overheads amounting to £802,019 (2013: £461,943) were also recharged to and purchases of £558,833 (2013: £507,181) were made from Independent Digital News and Media Limited during the year. At the balance sheet date, the Group was owed £313,943 (2013: £958,491) by Independent Digital News and Media Limited, included in other debtors. Independent Digital News and Media Limited is controlled by Mr Evgeny Lebedev, a Director of the Company.

The Group provides and receives various services to and from subsidiaries of Daily Mail and General Holdings Limited. During the year, the Group received revenue of £10,340,971 (2013: £9,624,952) in relation to advertising sales and was recharged costs of £7,748,340 (2013: £8,083,912) by Associated Newspapers Limited, whilst the net amount due in respect of these services on 28 September 2014 was £1,432,847 (2013: £348,373). During the year, the Group received revenue of £28,225 (2013: £23,640) in relation to advertising sales from Associated Northcliffe Digital Limited and the net amount owed to the Group in respect of these services on 28 September 2014 was £nil (2013: £5,094).

The Company has taken advantage of the exemption in FRS 8 from the requirement to disclose transactions with companies in which it has 100% ownership.

Company

On 28 September 2014 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 (2013: £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 £391,910 (2013: £366,136) and the interest owed included within long term creditors was £1,971,519 (2013: £1,579,609).

At 28 September 2014, Mr Evgeny Lebedev, a Director of the Company, was owed £12,405 (2013: £12,405) by the Company.

30. Controlling party

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