

922992

LOCKFOLD COMMUNICATIONS LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

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LOCKFOLD COMMUNICATIONS LIMITED

I N D E X

Year ended 31 December 2008

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LOCKFOLD COMMUNICATIONS LIMITED

GENERAL INFORMATION

Year ended 31 December 2008

Directors	R S Broadhurst CBE A Hardy
Secretary	G Spinks
Registered office	90 Fetter Lane London EC4A 1PT
Company number	922992
Auditors	KPMG LLP PO Box 695 8 Salisbury Square London EC4Y 8BB
Bankers	Coutts & Co Commercial Banking 440 Strand London WC2R 0QS

LOCKFOLD COMMUNICATIONS LIMITED

R E P O R T O F T H E D I R E C T O R S

Year ended 31 December 2008

The directors submit their report and accounts for the year ended 31 December 2008.

Review of the business

The principal activity of the company is the holding of investments.

Results

The loss for the financial year amounted to £6,516,632 (2007 - profit of £433,172), details of which are given in the attached financial statements.

Directors

The directors who served throughout the year were as shown on page 2.

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. The directors have elected to prepare the company financial statements in accordance with UK Accounting Standards. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which 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 1985. 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.

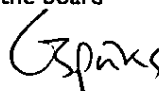
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint KPMG LLP as auditors in accordance with section 385 of the Companies Act 1985 will be proposed at the forthcoming annual general meeting.

By order of the board


G SPINKS
Secretary

30 June 2009

LOCKFOLD COMMUNICATIONS LIMITED

A U D I T O R S ' R E P O R T

Year ended 31 December 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCKFOLD COMMUNICATONS LIMITED

We have audited the financial statements of Lockfold Communications Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

LOCKFOLD COMMUNICATIONS LIMITED

AUDITORS' REPORT (continued)

Year ended 31 December 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

30 June 2009

LOCKFOLD COMMUNICATIONS LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2008**

	Note	2008 £	2007 £
Income from fixed asset investments		1,333,801	1,072,880
Foreign exchange gains		313,917	-
Loss on disposal of fixed asset investments		(7,129,661)	(418,108)
Amounts written off other investments		(504,947)	-
Administrative expenses		(196,350)	(205,647)
Operating (loss)/profit	1	(6,183,240)	449,125
Other interest receivable	2	257,018	270,134
Interest payable and similar charges		(8,182)	(8,182)
(Loss)/profit on ordinary activities before taxation		(5,934,404)	711,077
Tax on (loss)/profit on ordinary activities	3	(582,228)	(277,905)
(Loss)/profit for the financial year	9	(6,516,632)	433,172

All amounts relate to continuing operations.

LOCKFOLD COMMUNICATIONS LIMITED**STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES****Year ended 31 December 2008**

	2008	2007
	£	£
(Loss)/profit for the financial year	(6,516,632)	433,172
Unrealised (deficit)/surplus on revaluation of fixed asset investments	(4,214,355)	2,954,763
Deficit on hedge transactions	(2,952,935)	-
Total recognised gains and losses relating to the financial year	(13,683,922)	3,387,935

	2008	2007
	£	£
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Reported (loss)/profit on ordinary activities before taxation	(5,934,404)	711,077
Realisation of fixed asset investment revaluation gains of previous years	1,017,053	1,619,193
Historical cost (loss)/profit on ordinary activities before taxation	(4,917,351)	2,330,270
Historical cost (loss)/profit on ordinary activities after taxation	(5,499,579)	2,052,365

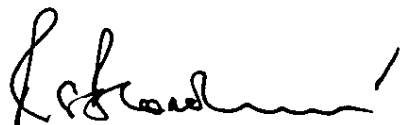
LOCKFOLD COMMUNICATIONS LIMITED

BALANCE SHEET

At 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Investments	4	<u>84,211,829</u>	<u>61,150,609</u>
Current assets			
Debtors:			
- falling due within one year		378,786	155,517
- falling due after more than one year		-	30,429,194
	5	<u>378,786</u>	<u>30,584,711</u>
Cash at bank		<u>8,816,171</u>	<u>1,129,609</u>
		<u>9,194,957</u>	<u>31,714,320</u>
Creditors: amounts falling due within one year	6	<u>(12,111,100)</u>	<u>(11,239,148)</u>
Net current (liabilities)/assets		<u>(2,916,143)</u>	<u>20,475,172</u>
Total assets less current liabilities		<u>81,295,686</u>	<u>81,625,781</u>
Creditors: amounts falling due after more than one year	7	<u>(14,171,992)</u>	<u>(818,165)</u>
Net assets		<u>67,123,694</u>	<u>80,807,616</u>
Capital and reserves			
Called up share capital	8	70,000	70,000
Capital redemption reserve	9	30,000	30,000
Revaluation reserve	9	2,666,175	10,850,518
Profit and loss account	9	<u>64,357,519</u>	<u>69,857,098</u>
Shareholders' funds		<u>67,123,694</u>	<u>80,807,616</u>

The financial statements on pages 6 to 13 were approved by the board of directors on 30 June 2009 and were signed on its behalf by:-



R S BROADHURST CBE
Director

LOCKFOLD COMMUNICATIONS LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2008

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of fixed asset investments.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £2,916,143, which the directors believe to be appropriate for the following reasons. The company has a large amount of listed investments, £62,727,410, the majority of which could be sold at short notice if the need arose to assist cash flow. Also, the company's main current liability is an amount due to an associated undertaking, Streamfit Limited, of £10,755,616, which has subsequently been repaid from proceeds of the liquidation of that company due to Lockfold.

Fixed asset investments

Investments in subsidiary and associated undertakings are carried at cost.

Other investments are carried at market value as follows:

- Managed funds and quoted investments are valued at the closing market price at the balance sheet date.
- Hedge fund and commodity fund investments are valued by the respective fund managers based on the valuation of the underlying assets at the balance sheet date.
- Investments in private equity are based on the amount invested at the balance sheet date.

Investment disposals are accounted for on an average cost basis.

Income from fixed asset investments

Dividends from equity investments and income from fixed interest investments are credited to the profit and loss account on a receivable basis.

Franked investment income is shown net of imputed tax credits.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Preference shares

In accordance with FRS 25 'Financial Instruments: Disclosure and Presentation', preference shares have been presented as a liability where the company is contractually obliged to repay the principal amount.

Dividends on preference shares are charged to the profit and loss account as interest expense, where the dividend payment is not at the discretion of the company.

Hedge transactions

The company takes out currency contracts to hedge exposure to fixed asset investments denominated in foreign currencies. Gains and losses on currency contracts are taken directly to the revaluation reserve and set against the corresponding gains and losses on fixed asset investments.

LOCKFOLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. Operating (Loss)/profit	2008	2007
	£	£
This is stated after charging:		
Auditors' remuneration for statutory audit services	8,500	5,000
After crediting:		
Income from listed investments	<u>1,333,801</u>	<u>1,071,152</u>
2. Other interest receivable	2008	2007
	£	£
Interest receivable on cash deposits	<u>257,018</u>	<u>270,134</u>
3. Tax on (loss)/profit on ordinary activities	2008	2007
	£	£
(a) Analysis of charge for year		
Current tax:		
UK corporation tax on (loss)/profit for the year	484,512	338,755
Adjustment in respect of prior periods	<u>97,716</u>	<u>(60,850)</u>
	<u>582,228</u>	<u>277,905</u>
(b) Factors affecting the tax charge for the current year:		
(Loss)/profit on ordinary activities before tax	<u>(5,934,404)</u>	<u>711,077</u>
(Loss)/profit on ordinary activities multiplied by the applicable corporation tax rate of 28% (2007 - 30%)	<u>(1,661,633)</u>	<u>213,323</u>
Effects of:		
Change in corporation tax rate in the year	8,455	-
Capital losses utilised	-	125,432
Capital losses carried forward	2,137,690	-
Adjustment in respect of prior periods	<u>97,716</u>	<u>(60,850)</u>
Current tax charge for the year	<u>582,228</u>	<u>277,905</u>
(c) Factors that may affect future tax charges		
Future tax charges may be reduced by the availability of capital losses of approximately £7 million at 31 December 2008 (2007 - £4 million).		

LOCKFOLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

4. Fixed asset investments

	Investments in subsidiary undertakings at cost £	Investment in associated undertaking at cost £	Other investments at valuation £	Total £
Cost or valuation				
Cost at 1 January 2008	2	26,076	-	26,078
Valuation at 1 January 2008	-	-	61,124,531	61,124,531
	<u>2</u>	<u>26,076</u>	<u>61,124,531</u>	<u>61,150,609</u>
Additions	-	-	67,342,573	67,342,573
Disposals	-	-	(39,562,051)	(39,562,051)
Amounts written off investments	-	-	(504,947)	(504,947)
Deficit on revaluation	-	-	(4,214,355)	(4,214,355)
	<u>-</u>	<u>-</u>	<u>(4,214,355)</u>	<u>(4,214,355)</u>
At 31 December 2008:				
At valuation	-	-	84,185,751	84,185,751
At cost	<u>2</u>	<u>26,076</u>	<u>26,078</u>	<u>26,078</u>
	<u>2</u>	<u>26,076</u>	<u>84,211,829</u>	<u>84,211,829</u>
Net book value				
At 31 December 2008	<u>2</u>	<u>26,076</u>	<u>84,185,751</u>	<u>84,211,829</u>
At 31 December 2007	<u>2</u>	<u>26,076</u>	<u>61,124,531</u>	<u>61,150,609</u>

Comparable amounts for other investments determined by the historical cost convention are as follows:

	Other investments £
Cost at 1 January 2008	50,274,013
Additions	67,342,573
Disposals	(38,544,998)
Amounts written off investments	(504,947)
Cost at 31 December 2008	<u>78,566,641</u>
Net book value:	
At 31 December 2008	<u>78,566,641</u>
At 31 December 2007	<u>50,274,013</u>

Included in other investments at 31 December 2008 are listed investments at a valuation of £62,727,410 (2007 - £61,124,531). The historical cost of listed investments at 31 December 2008 was £59,323,222 (2007 - £50,274,013).

Investments in subsidiary and associated undertakings are as follows:

Name	Country of registration	Principal activity	Interest in shares
Subsidiary undertaking			
Meadowmarsh Limited	England and Wales	In liquidation	100% ordinary shares
Associated undertaking			
Streamfit Limited	England and Wales	In liquidation	100% ordinary 'A' shares

LOCKFOLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

5. Debtors	2008	2007
	£	£
Amounts falling due within one year		
Prepayments and accrued income	378,786	155,517
Amounts falling due after more than one year		
Amounts owed by group undertakings	-	30,429,194
	<u>378,786</u>	<u>30,584,711</u>
6. Creditors: amounts falling due within one year	2008	2007
	£	£
Amounts owed to associated undertaking, Streamfit Limited	10,755,616	10,755,616
Corporation tax	644,948	370,436
Accruals and deferred income	710,536	113,096
	<u>12,111,100</u>	<u>11,239,148</u>
7. Creditors: amounts falling due after more than one year	2008	2007
	£	£
818,165 1% fixed rate preference shares of £1 each	818,165	818,165
Amounts owed to group undertakings	13,353,827	-
	<u>14,171,992</u>	<u>818,165</u>
8. Share capital	2008	2007
	£	£
Authorised		
Equity:		
70,000 ordinary shares of £1 each	70,000	70,000
Non-equity:		
30,000 ordinary 'B' shares of £1 each	30,000	30,000
930,000 1% fixed rate preference shares of £1 each	930,000	930,000
	<u>1,030,000</u>	<u>1,030,000</u>
Allotted, called up and fully paid		
Equity:		
70,000 ordinary shares of £1 each	70,000	70,000
Non-equity:		
818,165 1% fixed rate preference shares of £1 each	818,165	818,165
	<u>888,165</u>	<u>888,165</u>

30,000 ordinary 'B' shares were redeemed at the option of the company on 31 March 1999 at a premium of 25p per share. Prior to their redemption a fixed rate dividend of 8.0% per share was payable on the ordinary 'B' shares together with a further dividend of 0.1% of any dividend paid on the ordinary shares. The fixed rate preference shares have no voting rights.

LOCKFOLD COMMUNICATIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008****9. Reconciliation of movements in shareholders' funds**

	Share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	2008	2007
	£	£	£	£	£	£
At 1 January	70,000	30,000	10,850,518	69,857,098	80,807,616	77,419,681
(Loss)/profit for the year	-	-	-	(6,516,632)	(6,516,632)	433,172
Transfer of realised profits	-	-	(1,017,053)	1,017,053	-	-
(Deficit)/surplus on revaluation of fixed asset investments	-	-	(4,214,355)	-	(4,214,355)	2,954,763
Deficit on hedge transactions	-	-	(2,952,935)	-	(2,952,935)	-
At 31 December	<u>70,000</u>	<u>30,000</u>	<u>2,666,175</u>	<u>64,357,519</u>	<u>67,123,694</u>	<u>80,807,616</u>

10. Related party transactions

As the company is a wholly owned subsidiary of Sableknight Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Sableknight Limited. The consolidated financial statements of Sableknight Limited, within which this company is included, can be obtained from Companies House.

11. Ultimate parent company

The company's controlling party and parent undertaking is Sableknight Limited, a company incorporated in Great Britain and registered in England and Wales. The company's ultimate controlling party is the Observer Publishing Trust.

The only group in which the results of the company are consolidated is that headed by Sableknight Limited.