

Registration number 922992

# Lockfold Communications Limited

Directors' Report and Financial Statements

Year Ended 31 December 2012



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**Lockfold Communications Limited**  
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**Year Ended 31 December 2012**

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**Lockfold Communications Limited**  
**Company Information**  
**Year Ended 31 December 2012**

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<b>Directors</b>	R S Broadhurst CBE A S Hardy
<b>Company secretary</b>	G Spinks
<b>Registered office</b>	10 St Bride Street London EC4A 4AD
<b>Bankers</b>	Coutts & Co Commercial Banking 440 Strand London WC2R 0QS
<b>Auditors</b>	KPMG LLP Chartered Accountants Arlington Business Park Theale Reading Berkshire RG7 4SD

## **Lockfold Communications Limited**

### **Directors' Report**

#### **Year Ended 31 December 2012**

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The directors present their report and the financial statements for the year ended 31 December 2012

#### **Directors of the company**

The directors who held office during the year were as follows

R S Broadhurst CBE

A S Hardy

#### **Principal activity**

The principal activity of the company is the holding of investments

#### **Directors' liabilities**

During the year, directors and officers liability insurance was provided to the directors. No claim was made under this provision

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

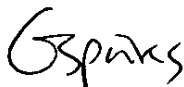
#### **Reappointment of auditors**

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006

#### **Small company provisions**

This report has been prepared in accordance with the small companies regime under the Companies Act 2006

Approved by the Board on <sup>30 May 2013</sup> and signed on its behalf by



G Spinks  
Company secretary

## **Lockfold Communications Limited**

### **Statement of Directors' Responsibilities**

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The directors are responsible for preparing the Directors' 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 apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCKFOLD COMMUNICATIONS LIMITED**

We have audited the financial statements of Lockfold Communications Limited for the year ended 31 December 2012 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 3, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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, or
- the directors were not entitled to prepare the financial statements and the Director's Report in accordance with the small companies regime.

*P Holland*

**Paul Holland (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
Arlington Business Park  
Theale  
RG7 4SD  
Date *5 June 2013*

**Lockfold Communications Limited**  
**Profit and Loss Account**  
**Year Ended 31 December 2012**

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
Income from fixed asset investments		2,163,871	2,068,709
Administrative expenses		(331,508)	(106,863)
Profit on disposal of fixed asset investments		4,799,558	4,273,765
Release of hedging losses transferred from revaluation reserve on disposal of hedged items		(72,996)	(472,224)
Profit on derivative instruments		3,385,180	(2,441,964)
Amounts written off investments		-	(759,873)
Operating profit	2	9,944,105	2,561,550
Other interest receivable and similar income	3	136,149	14,023
Profit on ordinary activities before taxation		10,080,254	2,575,573
Tax on profit on ordinary activities	4	(1,483,727)	-
Profit for the financial year	12	<u>8,596,527</u>	<u>2,575,573</u>

**Lockfold Communications Limited**  
**Statement of Total Recognised Gains and Losses**  
**Year Ended 31 December 2012**

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
Profit for the financial year		8,596,527	2,575,573
Unrealised gain/(loss) on trade investments		<u>7,214,976</u>	<u>(6,123,214)</u>
Total recognised gains and losses relating to the year		<u>15,811,503</u>	<u>(3,547,641)</u>



**Lockfold Communications Limited**  
**(Registration number: 922992)**  
**Balance Sheet at 31 December 2012**

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Fixed assets</b>			
Investments	5	<u>113,157,659</u>	<u>113,297,796</u>
<b>Current assets</b>			
Debtors	6	310,112	1,947,822
Cash at bank and in hand		<u>17,053,648</u>	<u>5,385,025</u>
		17,363,760	7,332,847
Creditors Amounts falling due within one year	7	<u>(1,067,937)</u>	<u>(257,824)</u>
Net current assets		<u>16,295,823</u>	<u>7,075,023</u>
Total assets less current liabilities		129,453,482	120,372,819
Creditors Amounts falling due after more than one year	8	<u>(35,348,838)</u>	<u>(38,150,719)</u>
Net assets		<u>94,104,644</u>	<u>82,222,100</u>
<b>Capital and reserves</b>			
Called up share capital	9	888,165	888,165
Capital redemption reserve	12	30,000	30,000
Revaluation reserve	12	15,905,646	12,619,629
Profit and loss account	12	<u>77,280,833</u>	<u>68,684,306</u>
Shareholders' funds	11	<u>94,104,644</u>	<u>82,222,100</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Approved by the Board on 30 May 2013 and signed on its behalf by

  
R S Broadhurst CBE  
Director

**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**I Accounting policies**

**Basis of preparation**

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards

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

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group

**Going concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

**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

**Fixed asset investments**

Fixed asset 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, commodity fund and private equity investments are valued by the respective fund managers based on the valuation of the underlying assets at the balance sheet date

Fixed asset investments are classified as available for sale. Unrealised gains and losses are taken to revaluation reserves, and are released when the investments are disposed

Investment disposals are accounted for on an average cost basis

**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 Deferred Taxation

**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**Classification of financial instruments issued by the Company**

Following the adoption of FRS 25 Financial Instruments Disclosure and Presentation, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

**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.

**Derivative financial instruments**

The company takes out currency contracts to manage exposure to fixed asset investments denominated in foreign currencies. Equity future contracts are taken out to manage the company's equity exposure as a whole and by geographical region.

The derivative instruments are carried at fair value and gains and losses taken to the profit and loss account directly.

When hedge accounting is appropriate 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 and when sold are recycled to the profit and loss account.

**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**2 Operating profit**

Operating profit is stated after charging/(crediting)

	2012 £	2011 £
Auditor's remuneration - the audit of the company's annual accounts	12,000	12,000
Foreign currency gains/(losses)	<u>223,569</u>	<u>(24,609)</u>

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Sableknight Limited

Directors' emoluments are borne by the parent Company and no remuneration is paid to directors in respect of their services to Lockfold Communications Limited

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**3 Other interest receivable and similar income**

	2012 £	2011 £
Interest receivable on cash deposits	135,960	14,023
Other interest receivable	<u>189</u>	<u>-</u>
	<u>136,149</u>	<u>14,023</u>

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**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**4 Taxation**

**Tax on profit on ordinary activities**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
Corporation tax charge	1,520,000	-
Adjustments in respect of previous years	(36,273)	-
UK Corporation tax	<u>1,483,727</u>	<u>-</u>

**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)

The differences are reconciled below

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	<u>10,080,254</u>	<u>2,575,573</u>
Corporation tax at standard rate	2,469,662	682,527
Dividends not taxable	(293,456)	(301,830)
Losses carried forward	-	169,237
Losses brought forward	(652,066)	(561,611)
Group relief	(4,140)	11,677
Adjustment in respect of prior periods	(36,273)	-
Total current tax	<u>1,483,727</u>	<u>-</u>

**Factors that may affect future tax charges**

Future tax charges may be reduced by the availability of capital losses of approximately £4,300,000 at 31 December 2012 (31 December 2011 - £4,200,000). No deferred tax asset has been recognised for potential tax relief in respect of these losses, as it is uncertain that capital profits will be generated to utilise these losses in the short to medium term. The amount not recognised in the period was £1,050,000 (31 December 2011 - £1,092,000).

**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**5 Investments held as fixed assets**

**Other investments**

	<b>Listed investments £</b>	<b>Unlisted investments £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 January 2012	87,726,892	25,570,904	113,297,796
Additions	23,600,251	3,618,358	27,218,609
Disposals	(32,127,241)	(2,446,481)	(34,573,722)
Revaluation	6,528,407	686,569	7,214,976
At 31 December 2012	<u>85,728,309</u>	<u>27,429,350</u>	<u>113,157,659</u>
<b>Net book value</b>			
At 31 December 2012	<u>85,728,309</u>	<u>27,429,350</u>	<u>113,157,659</u>
At 31 December 2011	<u>87,726,892</u>	<u>25,570,904</u>	<u>113,297,796</u>

The historical cost of listed investments at 31 December 2012 was £73,425,017 (2011 - £78,194,782) and of unlisted investments at 31 December 2012 was £21,980,880 (2011 - £21,321,048)

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**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**6 Debtors**

	2012 £	2011 £
Other debtors	-	498,766
Prepayments and accrued income	282,215	1,449,056
Derivative financial instruments (note 13)	27,897	-
	<u>310,112</u>	<u>1,947,822</u>

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**7 Creditors: Amounts falling due within one year**

	2012 £	2011 £
Corporation tax	1,000,702	-
Accruals and deferred income	67,235	80,600
Derivative financial instruments (note 13)	-	177,224
	<u>1,067,937</u>	<u>257,824</u>

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**8 Creditors: Amounts falling due after more than one year**

	2012 £	2011 £
Amounts owed to group undertakings	<u>35,348,838</u>	<u>38,150,719</u>

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**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**9 Share capital**

**Allotted, called up and fully paid shares**

		<b>2012</b>		<b>2011</b>
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
888,165 ordinary shares of £1 each	888,165	888,165	70,000	70,000
818,165 1% fixed rate preference shares of £1 each	-	-	818,165	818,165
	<u>888,165</u>	<u>888,165</u>	<u>888,165</u>	<u>888,165</u>

818,165 1% fixed rate preference shares of £1 each were converted into 818,165 ordinary shares of £1 each on 6 February 2012 by special resolution

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**10 Dividends**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Dividends paid</b>		
Prior year final dividend paid	-	10,000,000
Preference dividend paid	-	8,182
	<u>-</u>	<u>10,008,182</u>

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**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

**11 Reconciliation of movement in shareholders' funds**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit attributable to the members of the company	8,596,527	2,575,573
Other recognised gains and losses relating to the year	3,286,017	(9,925,670)
Dividends	-	(10,008,182)
Net addition/(reduction) to shareholders' funds	11,882,544	(17,358,279)
Shareholders' funds at 1 January	82,222,100	99,580,379
Shareholders' funds at 31 December	<u>94,104,644</u>	<u>82,222,100</u>

**12 Reserves**

	<b>Capital redemption reserve £</b>	<b>Revaluation reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 January 2012	30,000	12,619,629	68,684,306	81,333,935
Profit for the year	-	-	8,596,527	8,596,527
Realised gains on disposal of fixed asset investments in respect of prior periods	-	(4,001,955)	-	(4,001,955)
Surplus on revaluation of fixed asset investments	-	7,214,976	-	7,214,976
Realised hedging losses on disposal of hedged items	-	72,996	-	72,996
At 31 December 2012	<u>30,000</u>	<u>15,905,646</u>	<u>77,280,833</u>	<u>93,216,479</u>

**Lockfold Communications Limited**  
**Notes to the Financial Statements**  
**Year Ended 31 December 2012**

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**13 Derivative financial instruments**

The company holds derivative instruments as part of the following strategies

- To manage the company's foreign exchange risks arising from investments denominated in foreign currency
- To manage the company's exposure to equity markets as a whole and by geographical location.

All derivatives are classified as available for sale and held at fair value.

The principal derivatives used by the company are as follows and their fair value at 31 December 2012 were.

	2012 £	2011 £
- Forward currency contracts	27,897	(177,224)
	<u>27,897</u>	<u>(177,224)</u>

The company also holds equity futures to manage its exposure to different markets. Any gains or losses on such derivatives are settled daily in cash.

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**14 Related party transactions**

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

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**15 Control**

The company is controlled by Sableknight Limited, its parent undertaking. Sableknight Limited is a company incorporated in the United Kingdom and registered in England and Wales. The only group in which the results of the company are consolidated is that headed by Sableknight Limited, and a copy of the consolidated accounts can be obtained from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ. The ultimate controlling party is The Observer Publishing Trust.

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