

Registration number: 922992

Lockfold Communications Limited

Annual Report and Financial Statements

Year Ended 31 December 2013

TUESDAY



B3FJJX1K

B10

02/09/2014

#10

COMPANIES HOUSE

Lockfold Communications Limited
Contents
Year Ended 31 December 2013

Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Independent Auditor's Report	4
Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Notes to the Financial Statements	8 to 15

Lockfold Communications Limited
Company Information
Year Ended 31 December 2013

Directors R S Broadhurst CBE
A S Hardy

Company secretary G Spinks

Registered office 10 St Bride Street
London
EC4A 4AD

Bankers Coutts & Co
Commercial Banking
440 Strand
London
WC2R 0QS

Auditors KPMG LLP
Chartered Accountants
Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

Lockfold Communications Limited
Directors' Report
Year Ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

Directors of the company

The directors who held office during the year were as follows:

R S Broadhurst CBE

A S Hardy

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 auditor

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is 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 14 May 2014 and signed on its behalf by:

G Spinks

.....
G Spinks
Company secretary

Lockfold Communications Limited

Statement of Directors' Responsibilities

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 UK Generally Accepted Accounting Practice (UK 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 2013 set out on pages 5 to 15. 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.

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 2013 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 in accordance with the small companies regime and to take advantage of the small companies exemption in preparing the directors' report and in not preparing a strategic report.

P Holland

16 May 2014

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

Chartered Accountants
Arlington Business Park
Theale
Reading, RG7 4SD

Lockfold Communications Limited
Profit and Loss Account
Year Ended 31 December 2013

	Note	2013 £	2012 £
Income from fixed asset investments		2,318,434	2,163,871
Administrative expenses		(337,958)	(331,508)
Profit on disposal of fixed asset Investments		2,875,202	4,799,558
Release of hedging losses transferred from revaluation reserve on disposal of hedged items		(287,007)	(72,996)
Profit on derivative instruments		<u>3,652,798</u>	<u>3,385,180</u>
Operating profit	2	8,221,469	9,944,105
Other interest receivable and similar income	3	<u>33,109</u>	<u>136,149</u>
Profit on ordinary activities before taxation		8,254,578	10,080,254
Tax on profit on ordinary activities	4	<u>(758,212)</u>	<u>(1,483,727)</u>
Profit for the financial year	11	<u><u>7,496,366</u></u>	<u><u>8,596,527</u></u>

Turnover and operating profit derive wholly from continuing operations.

Lockfold Communications Limited
Statement of Total Recognised Gains and Losses
Year Ended 31 December 2013

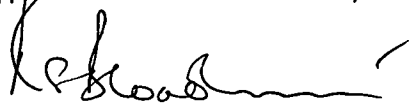
	Note	2013 £	2012 £
Profit for the financial year		7,496,366	8,596,527
Unrealised gain on trade investments		<u>10,070,615</u>	<u>7,214,976</u>
Total recognised gains and losses relating to the year		<u>17,566,981</u>	<u>15,811,503</u>

Lockfold Communications Limited
(Registration number: 922992)
Balance Sheet at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Investments	5	<u>134,594,686</u>	<u>113,157,659</u>
Current assets			
Debtors	6	813,602	310,112
Cash at bank and in hand		<u>9,722,870</u>	<u>17,053,648</u>
		10,536,472	17,363,760
Creditors: Amounts falling due within one year	7	<u>(365,362)</u>	<u>(1,067,937)</u>
Net current assets		<u>10,171,110</u>	<u>16,295,823</u>
Total assets less current liabilities		144,765,796	129,453,482
Creditors: Amounts falling due after more than one year	8	<u>(35,057,354)</u>	<u>(35,348,838)</u>
Net assets		<u>109,708,442</u>	<u>94,104,644</u>
Capital and reserves			
Called up share capital	9	888,165	888,165
Capital redemption reserve	11	30,000	30,000
Revaluation reserve	11	24,013,078	15,905,646
Profit and loss account	11	<u>84,777,199</u>	<u>77,280,833</u>
Shareholders' funds	10	<u>109,708,442</u>	<u>94,104,644</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved and authorised for issue by the Board on 14 May 2014 and signed on its behalf by:



R S Broadhurst CBE
Director

Lockfold Communications Limited
Notes to the Financial Statements
Year Ended 31 December 2013

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:

-Listed investments are valued at the closing market price at the balance sheet date.

-Unlisted investments including hedge funds, commodities funds 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 2013

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 2013

2 Operating profit

Operating profit is stated after charging:

	2013	2012
	£	£
Auditor's remuneration - the audit of the company's annual accounts	12,000	12,000
Foreign currency losses	<u>86,543</u>	<u>223,569</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.

3 Other interest receivable and similar income

	2013	2012
	£	£
Bank interest receivable	32,968	135,960
Other interest receivable	<u>141</u>	<u>189</u>
	<u>33,109</u>	<u>136,149</u>

Lockfold Communications Limited
Notes to the Financial Statements
Year Ended 31 December 2013

4 Taxation

Tax on profit on ordinary activities

	2013	2012
	£	£
Current tax		
Corporation tax charge	770,000	1,520,000
Adjustments in respect of previous years	(11,788)	(36,273)
UK Corporation tax	<u>758,212</u>	<u>1,483,727</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%).

The differences are reconciled below:

	2013	2012
	£	£
Profit on ordinary activities before taxation	<u>8,254,578</u>	<u>10,080,254</u>
Corporation tax at standard rate	1,919,189	2,469,662
Dividends not taxable	(398,194)	(293,456)
Adjustment in respect of prior periods	(11,788)	(36,273)
Losses brought forward	(750,995)	(652,066)
Group relief	-	(4,140)
Total current tax	<u>758,212</u>	<u>1,483,727</u>

Factors that may affect future tax charges

Future tax charges may be reduced by the availability of capital losses of approximately £2,200,000 at 31 December 2013 (31 December 2012 - £4,300,000). 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 £500,000 (31 December 2012 - £1,050,000).

Lockfold Communications Limited
Notes to the Financial Statements
Year Ended 31 December 2013

5 Investments held as fixed assets

Other investments

	Listed investments £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2013	85,728,309	27,429,350	113,157,659
Revaluation	7,610,242	2,460,373	10,070,615
Additions	25,427,310	1,300,000	26,727,310
Disposals	(12,832,547)	(2,528,351)	(15,360,898)
At 31 December 2013	<u>105,933,314</u>	<u>28,661,372</u>	<u>134,594,686</u>
Net book value			
At 31 December 2013	<u>105,933,314</u>	<u>28,661,372</u>	<u>134,594,686</u>
At 31 December 2012	<u>85,728,309</u>	<u>27,429,350</u>	<u>113,157,659</u>

The historical cost of listed investments at 31 December 2013 was £88,148,243 (2012 - £73,425,017) and of unlisted investments at 31 December 2013 was £20,838,256 (2012 - £21,980,880).

Lockfold Communications Limited
Notes to the Financial Statements
Year Ended 31 December 2013

6 Debtors

	2013 £	2012 £
Prepayments and accrued income	201,960	282,215
Derivative financial instruments (note 12)	611,642	27,897
	<u>813,602</u>	<u>310,112</u>

7 Creditors: Amounts falling due within one year

	2013 £	2012 £
Corporation tax	280,653	1,000,702
Accruals and deferred income	84,709	67,235
	<u>365,362</u>	<u>1,067,937</u>

8 Creditors: Amounts falling due after more than one year

	2013 £	2012 £
Amounts owed to group undertakings	<u>35,057,354</u>	<u>35,348,838</u>

9 Share capital

Allotted, called up and fully paid shares

	No.	2013 £	No.	2012 £
888,165 ordinary shares of £1 each	<u>888,165</u>	<u>888,165</u>	<u>888,165</u>	<u>888,165</u>

Lockfold Communications Limited
Notes to the Financial Statements
Year Ended 31 December 2013

10 Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Profit attributable to the members of the company	7,496,366	8,596,527
Other recognised gains and losses relating to the year	8,107,432	3,286,017
Net addition to shareholders' funds	15,603,798	11,882,544
Shareholders' funds at 1 January	94,104,644	82,222,100
Shareholders' funds at 31 December	109,708,442	94,104,644

11 Reserves

	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2013	30,000	15,905,646	77,280,833	93,216,479
Profit for the year	-	-	7,496,366	7,496,366
Realised gains on disposal of fixed asset investments in respect of prior periods	-	(2,250,190)	-	(2,250,190)
Surplus on revaluation of fixed asset investments	-	10,070,615	-	10,070,615
Realised hedging losses on disposal of hedged items	-	287,007	-	287,007
At 31 December 2013	30,000	24,013,078	84,777,199	108,820,277

Lockfold Communications Limited
Notes to the Financial Statements
Year Ended 31 December 2013

12 Commitments

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 2013 were:

	2013 £	2012 £
- Forward currency contracts	611,642	27,897
	<u>611,642</u>	<u>27,897</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.

13 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.

14 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, Maindy, Cardiff, CF14 3UZ. The ultimate controlling party is The Observer Publishing Trust.
