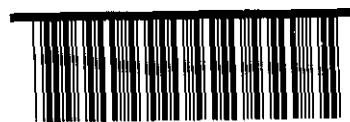


**Lockfold Communications Limited**

**Directors' report and financial  
statements**

**Registered number 922992**

**31 December 2001**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

### Principal activity and business review

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

The profit for the year on ordinary activities before taxation amounted to £2,679,532 (2000: £36,387,045) details of which are given in the attached financial statements.

### Dividends

No dividends have been paid (2000: *£nil*). Dividends proposed were £2,000,000 (2000: £1,600,000) on the Ordinary shares and £8,181 (2000: £8,181) on the Fixed rate preference shares. The retained profit for the year of £209,956 (2000: £31,310,313) has been transferred to reserves.

### Directors

The directors who served during the year were:

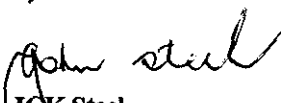
Mr SM Gray  
Mr DRW Harrison  
Mr JCK Steel

No director held any beneficial interest in the shares of the company or the parent company during the year.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
JCK Steel  
Secretary

90 Fetter Lane  
London  
EC4A 1PT

1 May 2002

## Statement of directors' responsibilities

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 period. 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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London  
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## **Independent auditors' report to the members of Lockfold Communications Limited**

We have audited the financial statements on pages 4 to 11.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

1 May 2002

## Profit and loss account

for the year ended 31 December 2001

	Note	2001 £	2000 £
Income from fixed asset investments	2	660,479	34,609,017
Administrative expenses		(222,609)	(345,052)
Other income		13,159	23,597
<b>Operating profit</b>		<b>451,029</b>	<b>34,287,562</b>
Profit on disposal of fixed asset investments		884,400	1,050,533
Interest receivable	5	1,344,103	1,049,120
Interest payable		-	(170)
<b>Profit on ordinary activities before taxation</b>	2	<b>2,679,532</b>	<b>36,387,045</b>
Tax on profit on ordinary activities	6	(461,395)	(394,714)
<b>Profit for the financial year</b>		<b>2,218,137</b>	<b>35,992,331</b>
Dividends (including non-equity dividends)	7	(2,008,181)	(1,608,181)
Capital contributions paid	8	-	(3,073,837)
<b>Profit for the year retained for equity shareholders</b>	13	<b>209,956</b>	<b>31,310,313</b>

All of the above results derive from continuing operations.

The company has no recognised gains or losses other than the profit for the period.

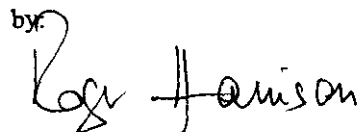
## Balance sheet

at 31 December 2001

	Note	2001		2000	
		£	£	£	£
<b>Fixed assets</b>					
Investments	9		34,961,826		27,339,358
<b>Current assets</b>					
Debtors (see note below)	10	10,621,056		5,508,163	
Cash at bank and in hand		25,005,993		37,239,528	
		35,627,049		42,747,691	
<b>Creditors: amounts falling due within one year</b>	11	(11,390,261)		(11,098,391)	
<b>Net current assets</b>			24,236,788		31,649,300
<b>Net assets</b>			59,198,614		58,988,658
<b>Capital and reserves</b>					
Called up share capital	12		888,165		888,165
Capital redemption reserve	13		30,000		30,000
Profit and loss account	13		58,280,449		58,070,493
<b>Shareholders' funds</b>					
Equity			58,380,449		58,170,493
Non-equity	14		818,165		818,165
			59,198,614		58,988,658

Debtors and net current assets include £10,233,495 (2000: £5,233,495) in respect of debts falling due after more than one year.

These financial statements were approved by the board of directors on 1 May 2002 and were signed on its behalf by:



**DRW Harrison**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of accounting***

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

The company is exempt from the requirement to include a cash flow statement within its financial statements since it is classified as a small company under Sections 246 to 249 of the Companies Act 1985.

#### ***Fixed asset investments***

Fixed asset investments are carried at cost less provisions for any permanent diminution in value. Where investments have been transferred between group companies in return for the issue of shares, the new investments are carried at the cost to the group of the original investments.

#### ***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 received basis.

Franked investment income is shown net of imputed tax credits.

#### ***Deferred tax***

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

#### ***Foreign currencies***

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.

#### ***Capital contributions***

Non-repayable capital contributions are written off to the profit and loss account as paid.



## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	4,435	2,285
Other services	39,056	243,868
<i>after crediting</i>		
Income from listed investments	660,479	360,857
Income from unlisted investments	-	34,248,160
	<u>660,479</u>	<u>34,248,160</u>

### 3 Remuneration of directors

None of the directors received any emoluments in respect of the year (2000: none).

### 4 Staff numbers and costs

There were no staff employed by the company during the year (2000: none).

### 5 Interest receivable

	2001 £	2000 £
Interest receivable on bank deposits	1,344,103	1,049,120
	<u>1,344,103</u>	<u>1,049,120</u>

### 6 Tax on profit on ordinary activities

	2001 £	2000 £
UK corporation tax at 30% (2000: 30%)	461,395	394,714
	<u>461,395</u>	<u>394,714</u>

The corporation tax liability for the year has been reduced by £83,550 (2000: £5,254) as a result of group relief surrendered from the parent undertaking. The company has not paid for group relief.

**Notes (continued)**

**7 Dividends**

	2001 £	2000 £
<b>Equity dividends</b>		
<i>Ordinary shares</i>		
Final proposed	2,000,000	1,600,000
<b>Non-equity dividends</b>		
<i>Fixed rate preference shares</i>		
Final proposed	8,181	8,181
	<u>2,008,181</u>	<u>1,608,181</u>

**8 Capital contributions**

	2001 £	2000 £
Paid to Limitband Limited	-	3,048,837
Paid to Millrack Limited	-	25,000
	<u>-</u>	<u>3,073,837</u>

Limitband Limited and Millrack Limited are subsidiaries of Streamfit Limited, an associated undertaking of the company, at 31 December 2001 and were formerly indirectly held subsidiaries of the company.

## Notes (continued)

### 9 Fixed asset investments

	Investments in subsidiary undertakings £	Investment in associated undertaking £	Listed investments £	Total £
Cost at beginning of year	2	26,076	27,325,280	27,351,358
Additions	-	-	18,874,609	18,874,609
Disposals	-	-	(11,252,141)	(11,252,141)
Cost at end of year	2	26,076	34,947,748	34,973,826
Provision for diminution in value at beginning and end of year	-	-	(12,000)	(12,000)
<b>Net book value at end of year</b>	<b>2</b>	<b>26,076</b>	<b>34,935,748</b>	<b>34,961,826</b>
Net book value at beginning of year	2	26,076	27,313,280	27,339,358

At 31 December 2001, the market value of the listed investments was £35,948,828 (2000: £30,538,770). At this date, the market value of certain listed investments was below cost. In the opinion of the directors, no provision is necessary against this diminution in value since they do not consider it to be permanent and, on an aggregate basis, the market value of the listed investments exceeds cost.

The company's subsidiary and associated undertakings held at 31 December 2001 were:

Name	Country of registration	Principal activity	Interest in shares
<b><i>Subsidiary undertaking</i></b>			
Meadowmarsh Limited	England and Wales	Dormant	100% Ordinary shares
<b><i>Associated undertaking</i></b>			
Streamfit Limited	England and Wales	Investment	100% Ordinary 'A' shares

### 10 Debtors

	2001 £	2000 £
<b><i>Due within one year</i></b>		
Prepayments and accrued income	140,698	274,668
Other debtors	246,863	-
<b><i>Due within more than one year</i></b>		
Amounts owed by parent undertaking	10,233,495	5,233,495
	<b>10,621,056</b>	<b>5,508,163</b>

**Notes (continued)**

**11 Creditors: amounts falling due within one year**

	2001 £	2000 £
Amounts owed to Streamfit Limited	10,767,254	10,769,234
Corporation tax	461,395	233,873
Accruals and deferred income	153,431	95,284
Dividend proposed	8,181	-
	<u>11,390,261</u>	<u>11,098,391</u>

**12 Called up share capital**

	2001 £	2000 £
<i>Authorised</i>		
<i>Equity:</i>		
70,000 Ordinary shares of £1 each	70,000	70,000
<i>Non-equity:</i>		
30,000 Ordinary 'B' shares of £1 each	30,000	30,000
930,000 1% Fixed rate preference shares £1 each	930,000	930,000
	<u>1,030,000</u>	<u>1,030,000</u>
<i>Allotted, called up and fully paid</i>		
<i>Equity:</i>		
70,000 Ordinary shares of £1 each	70,000	70,000
<i>Non-equity:</i>		
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.

**Notes (continued)**

**13 Reconciliation of movements in shareholders' funds**

	Share capital £	Capital redemption reserve £	Profit and loss account £	2001 Total £	2000 Total £
At beginning of year	888,165	30,000	58,070,493	<b>58,988,658</b>	27,678,345
Retained profit attributable to equity shareholders	-	-	209,956	<b>209,956</b>	31,310,313
<b>At end of year</b>	<b>888,165</b>	<b>30,000</b>	<b>58,280,449</b>	<b>59,198,614</b>	<b>58,988,658</b>

**14 Non-equity shareholders' funds**

	2001 £	2000 £
Non-equity shareholders' funds at beginning and end of year	<b>818,165</b>	818,165

**15 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.

**16 Ultimate parent company**

The company's controlling party and parent undertaking is Sableknight Limited, a company incorporated in the 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.