

**Company Registration No. 1015675**

**The Folio Society Limited**

**Report and Financial Statements**

**31 August 2014**

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# **The Folio Society Limited**

## **Report and financial statements 2014**

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# **The Folio Society Limited**

## **Report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

Lord Gavron (Chairman)  
C Aris  
R Preece  
P Scannell  
J Whitlock-Blundell  
T Hartwell (resigned 31 August 2014)  
Jean Marc Rathe (appointed 30 October 2013)  
Tom Walker (appointed 16 July 2014)

#### **Secretary**

R Preece

#### **Registered Office**

44 Eagle Street  
London  
WC1R 4FS

#### **Bankers**

National Westminster Bank Plc  
63 Piccadilly  
London  
W1A 2AG

#### **Solicitors**

Dechert LLP  
160 Queen Victoria Street  
London EC4V 4QQ

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
EC4A 3BZ

# **The Folio Society Limited**

## **Chairman's statement**

During 2014 the company completed its transition to its new marketing model based on brand and product led marketing. While there was a significant reduction in turnover as budgeted, losses were eliminated and we broke even for the year.

In 2015 we are budgeting to maintain our break even situation as well as our cash position. Our balance sheet will remain strong.



Lord Gavron

15 January 2015

# The Folio Society Limited

## Strategic report

The directors present their strategic report on the company for the year ended 31 August 2014. In preparing the report they have complied with s414C of the Companies Act 2006.

### Principal activities

The principal activity of the company is publishing fine edition books, which are sold worldwide to members and customers by way of mail order and the internet.

### Review of business

During the year the company completed its transition from the offer led model based on traditional direct marketing to a business model combining brand with ecommerce and direct marketing. As part of this change the company budgeted for a significant reduction in turnover, to trade profitably and generate cash on a modest scale.

As shown in the profit and loss account on page 8, the company's sales have decreased during the year by 23.5% to £14.8m. The company generated a profit before taxation of £15,053 compared with a loss of £2.8m in the prior year. The company's balance sheet on page 9 shows a decrease in cash of £0.2m (2013: £2.1m decrease) and net assets of £6.2m (2013: £6.2m). The company has no borrowings.

The company has budgeted for a slightly lower turnover in 2015 and expects to be profitable and generate cash.

The directors are not aware, at the date of this report, of any likely major changes in the nature of the company's activities in the next year.

### Key performance indicators

Given the nature of the business, the company's directors are of the opinion that analyses using KPIs, other than those which emerge from the financial statements, are not necessary for an understanding of the development, performance or position of the business.

### Principal risks and uncertainties

The company is exposed to the price of oil and its effect on the costs of delivering books to members. Increases in postage prices and paper costs for direct mail campaigns are a continuing risk to the company.

Sales in the United States of America, Canada and Australia are made in the local currency giving an exposure to movements in the pound against the American, Canadian and Australian dollars. Accordingly, the company takes out forward foreign exchange contracts on a twelve month rolling basis.

The company has an exposure to changes in interest rates on its cash balances.

The carrying amounts of cash and bank balances, trade debtors and payables approximate to their respective fair values due to the relatively short-term maturity of these financial instruments.

The trade debtors are distributed in a diversified manner such that credit risk is considered minimal.

The company is dependent upon the postal services for the ordering and distribution of its products and there is therefore a risk of disruption in the event of industrial action. The company is confident that its contingency plans and alternative ordering and distribution methods are sufficient to manage this risk.

### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report above. The company's financial position, cash flows and borrowing facilities are also set out there.

# **The Folio Society Limited**

## **Strategic report**

### **Going concern (continued)**

The company has considerable financial resources and customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks despite the current uncertain economic climate.

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'R Preece', is written in a cursive style.

R Preece  
Secretary

15 January 2015

# The Folio Society Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2014.

### Directors

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

Lord Gavron (Chairman)

C Aris

R Preece

P Scannell

J Whitlock-Blundell

Toby Hartwell (resigned 31 August 2014)

Jean Marc Rathe (appointed 30 October 2013)

Tom Walker (appointed 16 July 2014)

### Results and dividends

The profit after tax for the year ended 31 August 2014 was £15,053 (2013: loss after tax of £2,757,515). The directors do not recommend the payment of a dividend for the year ended 31 August 2014 (2013: £nil).

### Donations

During the year the company made no charitable donations (2013: £nil) or political donations (2013: £nil).

### Audit information

Each of the directors, at the date 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/she ought to have taken as a director to make himself/herself 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.

### Auditor

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



R Preece  
Secretary

15 January 2015

# **The Folio Society 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 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 The Folio Society Limited**

We have audited the financial statements of The Folio Society Limited for the year ended 31 August 2014 which comprise as the profit and loss account, the balance sheet, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 15. 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 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 company's affairs as at 31 August 2014 and of its profit 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.

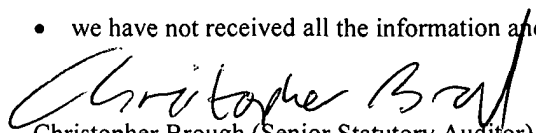
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given 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, 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.

  
Christopher Brough (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

16 January 2015

# The Folio Society Limited

## Profit and loss account Year ended 31 August 2014

	Notes	2014 £	2013 £
<b>Turnover</b>	2	14,763,069	19,294,269
Cost of sales		(5,152,487)	(5,728,209)
<b>Gross profit</b>		9,610,582	13,566,060
Distribution costs		(7,271,183)	(12,708,218)
Administrative expenses		(2,699,770)	(3,546,577)
Other operating income/(expenditure)		373,538	(90,129)
<b>Operating profit/(loss)</b>	4	13,167	(2,778,864)
Loss on disposal of fixed assets		(1,958)	-
Interest receivable and similar income		3,844	10,062
<b>Profit/(loss) on ordinary activities before taxation</b>		15,053	(2,768,802)
Tax on profit/(loss) on ordinary activities	5	12,687	11,287
<b>Profit/(loss) on ordinary activities after taxation</b>	11	27,740	(2,757,515)

There are no recognised gains or losses other than the gain for the current year and the loss for the prior year. Accordingly no separate statement of total recognised gains and losses is presented.

The results in the profit and loss account relate solely to continuing operations.

# The Folio Society Limited

## Balance sheet 31 August 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	6	1,051,229	1,111,246
Investments		969	969
		<u>1,052,198</u>	<u>1,112,215</u>
<b>Current assets</b>			
Stocks	7	3,490,343	3,537,717
Debtors	8	2,075,485	2,413,704
Cash at bank and in hand		1,729,871	1,938,355
		<u>7,295,699</u>	<u>7,889,776</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,089,408)</u>	<u>(2,771,242)</u>
<b>Net current assets</b>		<u>5,206,291</u>	<u>5,118,534</u>
<b>Total assets less current liabilities</b>		<u>6,258,489</u>	<u>6,230,749</u>
<b>Capital and reserves</b>			
Called up share capital	10	1,770,000	1,770,000
Profit and loss account		4,488,489	4,460,749
<b>Shareholders' funds</b>	11	<u>6,258,489</u>	<u>6,230,749</u>

The financial statements of The Folio Society Limited registered number 1015675 were approved by the Board of Directors and authorised for issue on 15 January 2015.

Signed on behalf of the Board of Directors



R Preece  
Director

# The Folio Society Limited

## Cash flow statement Year ended 31 August 2014

	Note	2014 £	£	2013 £	£
Net cash outflow from operating activities	A	(170,380)		(2,041,721)	
<b>Returns on investments and servicing of finance</b>					
Interest received		3,844		10,062	
<b>Taxation</b>					
Corporation tax received/(paid)		-		22,161	
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(41,948)		(91,374)	
Receipts from sale of fixed assets		-		-	
<b>Net cash outflow from capital expenditure</b>		<u>(41,948)</u>		<u>(91,374)</u>	
<b>Decrease in cash in the year</b>	B	<u>(208,484)</u>		<u>(2,100,872)</u>	
<b>Reconciliation of net cash flow to movement in net funds:</b>					
<b>Movement in net funds in the year</b>		(208,484)		(2,100,872)	
<b>Opening net funds</b>		<u>1,938,355</u>		<u>4,039,227</u>	
<b>Closing net funds</b>	B	<u>1,729,871</u>		<u>1,938,355</u>	

# The Folio Society Limited

## Notes to the cash flow statement Year ended 31 August 2014

### A. Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2014 £	2013 £
Operating profit/(loss)	13,167	(2,778,864)
Depreciation	100,007	97,207
Decrease/(increase) in stocks	47,374	(171,525)
Decrease in debtors	353,075	837,393
Decrease in creditors	(684,003)	(25,932)
Net cash outflow from operating activities	<u>(170,380)</u>	<u>(2,041,721)</u>

### B. Analysis of net funds

	31 August 2013 £	Cash flows £	31 August 2014 £
Cash at bank and in hand	<u>1,938,355</u>	<u>(208,484)</u>	<u>1,729,871</u>

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted, which are consistent with the prior year, are described below.

The company does not produce group financial statements because the company is itself a wholly owned subsidiary of another company incorporated in Great Britain. Accordingly these financial statements present information about this company as an individual undertaking and not as a group.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

The accounts are prepared on a going concern basis as described in the strategic report on page 3.

#### Tangible fixed assets

Fixed assets are stated at cost less provision for depreciation and any impairment. Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold land	No depreciation is provided
Freehold property and improvements	2% - 10%
Computer software and equipment	25% - 33%
Fixtures, fittings and equipment	20%
Motor vehicles	25%

#### Investments

Investments in subsidiaries are stated at cost less provision for impairment.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials and third party invoiced costs of production.

#### Taxation

The charge for current tax is provided at the rates of taxation ruling for the accounting period.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 1. Accounting policies (continued)

#### Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rates. Differences on exchange are taken to the profit and loss account.

#### Advertising and promotional costs

The costs of promotions and advertising delivered in the current financial year, which relate to the following year's member and customer activities, are expensed during the current financial year.

#### Turnover

Turnover represents sales to members, net of discounts and VAT in the current year. Turnover is recognised when goods are despatched.

#### Pension costs

The company operates a defined contribution pension scheme. Pension costs comprise contributions paid and are charged to the profit and loss account as incurred.

#### Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes and does not hedge account.

### 2. Turnover

	2014 £	2013 £
The geographical analysis of turnover by destination is as follows:		
United Kingdom	5,511,696	6,574,128
North America	5,176,273	7,067,116
Australia	2,322,504	3,584,847
Other overseas	1,752,596	2,068,178
	<u>14,763,069</u>	<u>19,294,269</u>

The directors consider that there is only one business segment, publishing, and therefore an analysis of turnover by segment has not been prepared. All turnover is derived from operations based in the United Kingdom.

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 3. Information regarding directors and employees

	2014 £	2013 £
<b>Directors' emoluments:</b>		
Emoluments	636,968	711,492
Compensation for loss of office	105,394	-
Pension contributions	71,941	85,701
	<u>814,303</u>	<u>797,193</u>
	No.	No.
Number of directors who are members of defined contribution schemes	<u>7</u>	<u>6</u>
	£	£
Remuneration of the highest paid director	<u>143,798</u>	<u>152,700</u>
Pension contribution for the highest paid director	<u>5,661</u>	<u>10,689</u>
	£	£
<b>Employee costs during the year including directors:</b>		
Wages and salaries	3,010,748	3,657,998
Social security costs	329,419	400,382
Other pension costs	204,910	250,047
	<u>3,545,077</u>	<u>4,308,427</u>
	No.	No.
<b>Average number of persons employed during the year including directors:</b>		
Editorial and production	15	19
Sales and distribution	43	50
Administration	14	21
	<u>72</u>	<u>90</u>

### 4. Operating profit/(loss)

	2014 £	2013 £
Is stated after charging/(crediting):		
Depreciation	100,007	97,207
Fees payable to the company's auditor		
- for the audit of the company's annual accounts	26,000	26,000
- for tax services	10,712	3,800
Pension costs	204,910	250,047
Exchange (gain)/loss	(331,197)	106,276
Restructuring costs	<u>146,217</u>	<u>357,564</u>

Restructuring costs in the current year includes £105,394 for compensation for loss of office of one director, as disclosed in note 3 above.



# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 4. Operating profit/(loss) (continued)

The significant year on year movement in other operating income arises due to favourable exchange rate movements on maturing foreign exchange forward contracts and balance sheet revaluations. This exchange gain is noted above.

### 5. Tax on profit/(loss) on ordinary activities

#### (a) Analysis of (credit)/charge in year

	2014 £	2013 £
Current tax		
United Kingdom corporation tax at 20.0% (2013: 23.59%)	2,169	-
Adjustment in respect of prior years	-	(22,065)
Double taxation relief	-	-
	<hr/>	<hr/>
Total current tax (note 5(b))	2,169	(22,065)
Deferred tax	(14,856)	(14,379)
Prior year charge	-	18,667
Movement due to rate change	-	6,490
	<hr/>	<hr/>
Total tax (credit)/charge for the year	<u>(12,687)</u>	<u>(11,287)</u>

#### (b) Factors affecting tax (credit)/charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.0% (2013: 23.59%). The differences are explained below:

	2014 £	2013 £
Profit/(loss) on ordinary activities before tax	<u>15,053</u>	<u>(2,768,802)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax at 20.0% (2013: 23.59%)	3,011	(653,134)
Effects of:		
Expenses not deductible for tax purposes	973	1,988
Profit on sale of fixed assets	-	-
Capital allowances in excess of depreciation	14,834	17,601
Movement in short term timing differences	22	(643)
Non-qualifying depreciation	5,684	5,589
Losses (utilised)/not utilised in the period	(22,355)	628,599
Double taxation relief on foreign income	-	-
Adjustment to the tax charge in respect of previous periods	-	(22,065)
	<hr/>	<hr/>
Current tax (credit)/charge for year (note 5(a))	<u>2,169</u>	<u>(22,065)</u>

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 5. Tax on profit/(loss) on ordinary activities (continued)

#### (c) Deferred tax note

	2014 £	2013 £
Movement on deferred tax balance in the year		
Opening balance	57,643	68,421
Credit to profit and loss account	14,856	14,379
Prior year (credit)/charge	-	(18,667)
Movement due to rate change	-	(6,490)
Closing balance	<u>72,499</u>	<u>57,643</u>
	2014 £	2013 £
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	63,949	49,115
Provisions	8,550	8,528
Trading losses	-	-
	<u>72,499</u>	<u>57,643</u>

Deferred tax has been recognised to the extent that management believe there will be sufficient future taxable profits against which the losses can be utilised.

There was an unrecognised deferred tax asset at the end of the current period of £510,603 (2013: £532,958) representing unutilised trading losses.

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 6. Tangible fixed assets

	Freehold property and improve- ments £	Computer software and equipment £	Fixtures, fittings and equipment £	Total £
<b>Cost:</b>				
At 31 August 2013	1,837,283	1,685,384	469,318	3,991,985
Additions	-	41,141	807	41,948
Disposals	-	(331,647)	(30,249)	(361,896)
At 31 August 2014	1,837,283	1,394,878	439,876	3,672,037
<b>Accumulated depreciation:</b>				
At 31 August 2013	865,691	1,569,883	445,165	2,880,739
Charge for the year	28,422	63,153	8,432	100,007
Disposals	-	(331,647)	(28,291)	(359,938)
At 31 August 2014	894,113	1,301,389	425,306	2,620,808
<b>Net book value:</b>				
At 31 August 2014	943,170	93,489	14,570	1,051,229
At 31 August 2013	971,592	115,501	24,153	1,111,246

Freehold property and improvements includes land valued at cost in 1994 of £300,000 (2013: £300,000), on which no depreciation is being charged.

### 7. Stocks

	2014 £	2013 £
Work-in-progress	436,980	633,399
Finished stocks	3,053,363	2,904,318
	<u>3,490,343</u>	<u>3,537,717</u>

There is no material difference between cost and the replacement value of stock.

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 8. Debtors due within one year

	2014 £	2013 £
Trade debtors	1,279,969	1,095,807
Other debtors	141,628	167,471
Amounts due from group undertakings	4,500	22,500
Deferred tax asset	72,499	57,643
Prepayments and accrued income	576,889	1,070,283
	<u>2,075,485</u>	<u>2,413,704</u>

### 9. Creditors: amounts falling due within one year

	2014 £	2013 £
Payments received on account	176,008	126,945
Trade creditors	234,538	629,390
Amounts owed to group undertakings	497,639	498,874
Corporation tax	22,635	20,466
Other creditors including taxation and social security	115,884	31,628
Accruals and deferred income	1,042,704	1,463,939
	<u>2,089,408</u>	<u>2,771,242</u>

### 10. Called up share capital

	2014 £	2013 £
Authorised, called up, allotted and fully paid: 1,770,000 ordinary shares of £1 each	<u>1,770,000</u>	<u>1,770,000</u>

### 11. Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Retained profit/(loss) for the year	<u>27,740</u>	<u>(2,757,515)</u>
Net increase/(decrease) in shareholders' funds	27,740	(2,757,515)
Opening shareholders' funds	<u>6,230,749</u>	<u>8,988,264</u>
Closing shareholders' funds	<u>6,258,489</u>	<u>6,230,749</u>

# The Folio Society Limited

## Notes to the accounts Year ended 31 August 2014

### 12. Financial commitments

	2014 £'000	2013 £'000
Forward exchange contracts	2,286	3,718

The company is committed to forward foreign exchange contracts taken out to cover a proportion of its forecast foreign currency receipts in the twelve months following the balance sheet date (see note 13). The particulars of the contracts are:

	2014		2013	
	£'000	Rates	£'000	Rates
US Dollars	1,138	1.63-1.71	1,437	1.49-1.60
Canadian Dollars	434	1.79-1.86	856	1.56-1.61
Australian Dollars	714	1.79-1.91	1,425	1.52-1.71
	<u>2,286</u>		<u>3,718</u>	

### 13. Derivatives not included at fair value

The company has derivatives which are not included at fair value in the accounts:

	Principal 2014 £	Fair value 2014 £
Forward foreign exchange contracts	2,285,785	2,334,286

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date.

### 14. Related party transactions

No charitable donations were paid to The Robert Gavron Charitable Trust during the year (2013: £nil). Lord Gavron, who has direct control of Folio Holdings Limited, the parent company, is also the Settlor and one of the Trustees of The Robert Gavron Charitable Trust, of which Lady Gavron and C. L. Corman, who are both directors of Folio Holdings Limited, are also trustees. During the year £7,000 (2013: £7,000) was paid by The Robert Gavron Charitable Trust for the rent of office space in the company's head office building.

### 15. Ultimate parent company and controlling entity

The company's immediate and ultimate parent company and controlling entity is Folio Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Folio Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. Folio Holdings Limited is under the control of Lord Gavron.

Folio Holdings Limited is the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member.