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**NORTHERN & SHELL PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**



**NORTHERN & SHELL PLC**

**ANNUAL REPORT**

**31 DECEMBER 2005**

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**NORTHERN & SHELL PLC**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr. R.C. Desmond  
Mr. S. Myerson  
Mr. M.S. Ellice  
Dr. P. Ashford  
Mr. R. Sanderson

**SECRETARY**

Mr. R. Sanderson (appointed 8 August 2005)  
Mr. M.S. Gill (resigned 8 August 2005)

**COMPANY NUMBER**

1633971 (England)

**AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

**BANKERS**

Bank of Scotland  
155 Bishopsgate  
London EC2M 3YB

**REGISTERED OFFICE**

The Northern & Shell Building  
Number 10 Lower Thames Street  
London, EC3R 6EN

# **NORTHERN & SHELL PLC**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2005**

The directors present their report and the audited financial statements for the year ended 31 December 2005.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is unchanged from last year, and is magazine publishing.

### **REVIEW OF THE PERIOD AND FUTURE PROSPECTS**

The profit and loss account is set out on page 6.

The directors consider the result for the year to be satisfactory given the current competitive market.

The directors view the future with confidence.

### **RESULTS AND DIVIDENDS**

After deducting £3.2 million of Chairman's emoluments and pension contributions (2004: £7.4 million) the Company recorded a profit before taxation of £4.59 million (2004: profit £1.62 million).

During the year the directors paid an interim dividend of £nil (2004: £7.5 million).

The directors do not recommend the payment of a final dividend (2004: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The present membership of the board is set out on page 2.

No other directors held office throughout the entire year.

At the beginning and the end of the year Mr.R.C. Desmond was beneficially interested in the whole of the issued share capital of the Company. The interests of Mr. R.C Desmond, who is a director of the parent company, Northern & Shell Network Limited, are shown in the financial statements of that company.

During the year 225,000 £1 Ordinary 'B' shares were issued in Northern & Shell North America Limited, a group undertaking. At the beginning and end of the year the directors' beneficial interests in the issued share capital of that company were:

	£1 Ordinary 'B' shares	
	At 1 January 2005	At 31 December 2005
Mr. M. Ellice	-	75,000
Dr. P. Ashford	-	37,500
Mr. S. Myerson	-	75,000
Mr. R. Sanderson	-	37,500

Details of the share issue are stated in the financial statements of that company.

## **NORTHERN & SHELL PLC**

### **DIRECTORS' REPORT**

**For the year ended 31 December 2005**

#### **POLICY ON THE PAYMENT OF CREDITORS**

The Company agrees terms and conditions for transactions individually with its suppliers. Payment is made on these terms, subject to the terms and conditions being met by the supplier.

The Company has approximately 41 days' purchases outstanding at 31 December 2005 based on the average daily amount invoiced by suppliers during the year (2004: 43 days).

#### **CHARITABLE DONATIONS**

Charitable contributions were made during the year amounting to £677,803 (2004 - £334,015).

There were no political contributions made during the year (2004 - £Nil).

#### **EMPLOYEE INVOLVEMENT**

During the year the Company maintained its practice of keeping employees informed about current activities and progress of the business using various methods including briefings, e-mails and corporate brochure. This practice is reviewed regularly.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### **Financial Risk Management**

The Company's operations expose it to a variety of financial risks that include credit, liquidity, interest rate and foreign exchange risk. The Company has mechanisms in place that seek to limit the impact of adverse effects of these risks on the financial performance of the Company.

##### **Credit risk**

The Company has implemented policies that require appropriate credit checks to be performed on potential customers before sales are made.

##### **Liquidity risk**

The Company actively manages its finances to ensure that the Company has sufficient funds available for its operations.

##### **Interest rate cash flow risks**

The Company has interest bearing assets and liabilities. The interest bearing assets and liabilities are cash balances subject to floating interest rates. The directors keep these measures under constant review.

##### **Foreign exchange risk**

The Company has foreign currency assets and liabilities. The Company does not use financial instruments to manage the risk of fluctuating exchange rates and as such no hedge accounting is applied. The directors keep these measures under constant review.

**NORTHERN & SHELL PLC**

**DIRECTORS' REPORT**

**For the year ended 31 December 2005**

**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 of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

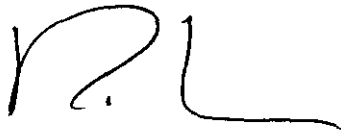
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

**AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

Approved by the Board and signed on behalf of the Board



Mr. R. Sanderson  
Secretary

Dated : 27 April 2006

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

## **NORTHERN & SHELL PLC**

**For the year ended 31 December 2005**

We have audited the financial statements of Northern & Shell Plc for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

*Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.*

*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 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.

### ***Opinion***

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

Dated : 27 April 2006

**NORTHERN AND SHELL PLC****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2005**

	Notes	Total 2005 £000	Total 2004 £000
Turnover	2	56,936	53,826
Cost of sales		<u>(33,793)</u>	<u>(32,744)</u>
<b>Gross profit</b>		23,143	21,082
Distribution costs		(7,176)	(6,711)
Administrative expenses		(12,360)	(16,211)
Other operating income		<u>436</u>	<u>831</u>
		<u>(19,100)</u>	<u>(22,091)</u>
<b>Operating profit/(loss)</b>	3	4,043	(1,009)
Profit on sale of magazine	5	-	1,200
Interest receivable and similar income	6	3,375	4,117
Interest payable and similar charges	7	<u>(2,833)</u>	<u>(2,686)</u>
<b>Profit on ordinary activities before taxation</b>		4,585	1,622
Tax on profit on ordinary activities	8	<u>(275)</u>	<u>(434)</u>
<b>Profit on ordinary activities after taxation</b>		4,310	1,188
Dividends - equity	9	-	(7,500)
<b>Profit/(loss) for the financial year</b>	19/20	<u><u>4,310</u></u>	<u><u>(6,312)</u></u>

The Company has no significant recognised gains or losses other than the profit/(loss) stated above and therefore no separate statement of total recognised gains or losses has been presented.

There is no difference between the profit on ordinary activities and the retained profit/(loss) for the year stated above, and their historical cost equivalents.

Turnover and operating profit/(loss) are wholly attributable to continuing operations.




**NORTHERN & SHELL PLC**

**BALANCE SHEET as at 31 December 2005**

	Notes	2005 £000	2004 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	12	13
Tangible assets	11	373	196
Investments	12	<u>7,275</u>	<u>-</u>
		<u>7,660</u>	<u>209</u>
<b>CURRENT ASSETS</b>			
Stocks	13	1,337	1,043
Debtors	14	86,314	65,637
Cash at bank and in hand		-	532
Deferred tax	17	<u>43</u>	<u>65</u>
		<u>87,694</u>	<u>67,277</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(82,637)</u>	<u>(59,079)</u>
<b>NET CURRENT ASSETS</b>		<u>5,057</u>	<u>8,198</u>
<b>NET ASSETS</b>		<u><u>12,717</u></u>	<u><u>8,407</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	100	100
Profit and loss account	19	11,517	7,207
Capital redemption reserve	19	<u>1,100</u>	<u>1,100</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	20	<u><u>12,717</u></u>	<u><u>8,407</u></u>

Approved by the Board of Directors :

  
Mr. R.C. Desmond

Dated : 27 April 2006

## **NORTHERN & SHELL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

##### **( a ) Basis of accounting**

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 1985, the historical cost convention and applicable accounting standards. The principal accounting policies are set out below.

##### **( b ) Change in accounting policy**

The company has adopted FRS21, 'Events after the balance sheet date', in these financial statements but this has had no impact on the reported results or disclosures.

##### **( c ) Consolidated financial statements and cashflow statement**

Northern and Shell Network Limited prepares and files a consolidated cashflow statement which includes the cash flows of the Company. The Company has therefore relied on the exemption provided by FRS1 from preparing its own cashflow statement.

##### **( d ) Turnover**

Turnover represents the invoiced amount of goods sold and services provided (stated net of Value Added Tax). Turnover is recognised on release of the magazine issue to which it relates.

##### **( e ) Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with any differences being taken to the profit and loss account.

##### **( f ) Intangible fixed assets**

Intangible fixed assets comprise the cost of registering trademarks. These are amortised over 20 years which is considered to be the economic life of the trademarks.

## **NORTHERN & SHELL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS**

***For the year ended 31 December 2005***

#### **1. ACCOUNTING POLICIES (Continued)**

##### **( g ) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided on all tangible fixed assets to write off the cost of each asset less any estimated residual value evenly over its expected useful life, as follows :

Plant & machinery, office equipment	Between 3 and 5 years
Fixtures and fittings	Between 4 and 5 years
Motor vehicles	Between 2 and 5 years

##### **( h ) Stocks**

Stocks are comprised mainly of paper and are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Also included within stocks are contributors and printing costs relating to magazines which will be published in the following year. These amounts will be expensed on publication.

##### **( i ) Leases**

Assets obtained under finance leases are capitalised and depreciated over the lesser of the period of the lease or the estimated useful life of the asset.

Finance costs are charged to these profit and loss account and allocated to accounting periods during the lease term so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Rental income from operating leases is credited to the profit and loss account in equal annual amounts over the period of lease.

##### **( j ) Investments**

Fixed asset investments are stated in the balance sheet at cost less any provision made for permanent diminution in value.

##### **( k ) Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the board.

Deferred tax assets and liabilities are not discounted.

# NORTHERN & SHELL PLC

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 December 2005**

### 1. ACCOUNTING POLICIES (Continued)

#### (1) Pension costs

The company contributes to money purchase pension schemes for the chairman, Mr. R.C. Desmond, and a defined contribution scheme for its employees. Contributions are charged in the profit and loss account to reflect amounts paid / payable under the schemes.

### 2. TURNOVER

The Company's turnover and profit before taxation arises solely from its publishing activities.

There is no significant turnover and profit before taxation arising in geographical locations other than the United Kingdom.

### 3. OPERATING PROFIT/(LOSS)

	2005 £000	2004 £000
Operating profit is stated after charging / (crediting) :		
Auditors' remuneration - audit services	112	100
Auditors' remuneration - non audit services	740	275
Depreciation - leased assets	-	35
Depreciation - owned assets	111	100
Amortisation of intangible assets	1	9
Profit on disposal of tangible fixed assets	(74)	-
Operating lease rentals	872	920
Operating income - rental income under operating leases	(435)	(831)
Foreign exchange loss	<u>3</u>	<u>2</u>

Non audit services relate mainly to tax advice.

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

#### (a) Directors

	2005 £000	2004 £000
Emoluments	1,961	8,148
Company contributions to money purchase pension scheme	<u>2,033</u>	<u>33</u>
	<u>3,994</u>	<u>8,181</u>

Included in directors emoluments are amounts paid to directors in respect of their services to other group companies. These amounts are re-charged to those companies via an intercompany management charge.

Pension benefits are accruing for five directors (2004: five) under money purchase schemes.

The above details include the following amounts in respect of the highest paid director:

	2005 £000	2004 £000
Emoluments	1,227	7,418
Company contributions to money purchase pension schemes	<u>2,001</u>	<u>1</u>
	<u>3,228</u>	<u>7,419</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)**

**( b ) Staff Costs (Including Directors)**

	<b>2005 £000</b>	<b>2004 £000</b>
Wages and salaries	6,746	12,227
Social security costs	849	1,708
Pension costs	2,083	142
	<u>9,678</u>	<u>14,077</u>

	<b>2005 Number</b>	<b>2004 Number</b>
Average number of people employed :		
Office and management ( including directors )	<u>134</u>	<u>111</u>

**5. PROFIT ON SALE**

The 2004 profit on sale of magazine of £1.2 million shown in the profit and loss account arises from the sale of Attitude magazine to Remnant Media Limited for a consideration of £1.2 million on 1 March 2004.

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2005 £000</b>	<b>2004 £000</b>
Bank deposit interest	30	53
Group interest receivable	<u>3,345</u>	<u>4,064</u>
	<u>3,375</u>	<u>4,117</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2005 £000</b>	<b>2004 £000</b>
Bank loans and overdrafts	14	69
Interest payable on finance leases	-	2
Group interest payable	<u>2,819</u>	<u>2,615</u>
	<u>2,833</u>	<u>2,686</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2005 £000</b>	<b>2004 £000</b>
<b>Current tax:</b>		
UK corporation tax	5	-
Double tax relief	(5)	-
UK corporation tax - payable to group companies in respect of group relief	194	511
Adjustment in respect of previous periods	<u>59</u>	<u>(97)</u>
<b>Total current tax</b>	<u><b>253</b></u>	<u><b>414</b></u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	12	82
Adjustment in respect of previous periods	<u>10</u>	<u>(62)</u>
<b>Total deferred tax (Note 17)</b>	<u><b>22</b></u>	<u><b>20</b></u>
<b>Tax on profit on ordinary activities</b>	<u><b>275</b></u>	<u><b>434</b></u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK 30% (2004: 30%).

The differences are explained below:

	<b>2005 £000</b>	<b>2004 £000</b>
Profit on ordinary activities before tax	4,585	1,622
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	<u>1,376</u>	<u>486</u>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	35	107
Accelerated capital allowances / other timing differences	(12)	(82)
Overseas tax	(5)	-
Group relief not paid for	(1,200)	-
Adjustments in respect of previous periods	<u>59</u>	<u>(97)</u>
<b>Current tax charge for the period</b>	<u><b>253</b></u>	<u><b>414</b></u>

**9. DIVIDENDS - EQUITY**

	<b>2005</b>		<b>2004</b>	
	<b>Per share £</b>	<b>Total £000</b>	<b>Per share £</b>	<b>Total £</b>
Interim Paid	-	-	75	7,500
<b>Total dividends - equity</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>75</b></u>	<u><b>7,500</b></u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**10. INTANGIBLE FIXED ASSETS**

**Trademarks  
£000**

Cost:	
At 1 January and December 2005	<u>18</u>
Amortisation:	
At 1 January 2005	5
Charge for the year	<u>1</u>
At 31 December 2005	<u>6</u>
Net book amounts:	
At 31 December 2005	<u>12</u>
At 31 December 2004	<u>13</u>

**11. TANGIBLE ASSETS**

	<b>Motor vehicles £000</b>	<b>Fixtures, fittings, tools &amp; equipment £000</b>	<b>Total £000</b>
Cost:			
At 1 January 2005	450	566	1,016
Additions	236	52	288
Disposals	<u>(190)</u>	<u>(172)</u>	<u>(362)</u>
At 31 December 2005	<u>496</u>	<u>446</u>	<u>942</u>
Depreciation:			
At 1 January 2005	433	387	820
Charge for the year	41	70	111
Disposals	<u>(190)</u>	<u>(172)</u>	<u>(362)</u>
At 31 December 2005	<u>284</u>	<u>285</u>	<u>569</u>
Net book amounts:			
At 31 December 2005	<u>212</u>	<u>161</u>	<u>373</u>
At 31 December 2004	<u>17</u>	<u>179</u>	<u>196</u>

Fixtures, fittings, tools & equipment and motor vehicles includes assets acquired under finance leases in respect of which, as at 31 December 2005, the net book value was £nil (2004: £nil) after charging £nil (2004: £35,430) depreciation for the year.

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**12. INVESTMENTS HELD AS FIXED ASSETS**

	<b>2005 £000</b>
Shares in subsidiaries	
Cost at 1 January 2005	-
Additions	7,275
Disposal	-
	<hr/>
Cost at 31 December 2005	<u>7,275</u>

Investments in the following companies were held at a total value of £7,275,214 in the accounts at 31 December 2005 (2004:£215).

<b>Company name</b>	<b>Principal activity</b>	<b>Percentage holding of £1 ordinary shares</b>
Export Magazine Distributors Limited	Dormant	100%
O.K. Magazines Limited	Dormant	100%
O.K. Magazines Trading Company Limited	Dormant	100%
Northern & Shell Distribution Limited	Distributor	100%
Northern & Shell Services Limited	Group service company	100%
The Northern & Shell Tower Management Services Limited	Dormant	100%
Tower Magazines Limited	Dormant	100%
Northern & Shell Videos Limited	Dormant	100%
Sightline Publications Limited	Dormant	100%
Northern & Shell Magazines Limited	Magazine Publishing	100%
Northern & Shell Pacific Limited	Magazine Publishing	100%
Northern & Shell North America Limited *	Magazine Publishing	97%
Burginhall 677 Limited	Dormant	100%

The above companies are registered in England and their registered office is The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN. \* Denotes operates branch in the United States of America.

The Green Magazine Company Limited	Dormant	100%
Sorse Distribution Limited	Dormant	100%

The above companies are registered in England and their registered office is The Northern & Shell Tower, City Harbour, London, E14 9GL.

Nasnet Online Limited	Dormant	1%
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The above company is registered in Jersey and its registered office is Suite 14, Burlington House, St Saviour's Road, St Helier, Jersey, JE2 4LA.

**13. STOCKS**

	<b>2005 £000</b>	<b>2004 £000</b>
Raw materials and consumables	1,333	1,039
Goods for resale	4	4
	<hr/>	<hr/>
	<u>1,337</u>	<u>1,043</u>



**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**14. DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	1,727	1,702
Amounts owed by group undertakings	80,706	63,279
Amounts owed by related parties	-	140
Other debtors	2,844	12
Prepayments and accrued income	1,037	504
	<u>86,314</u>	<u>65,637</u>

Amounts owed by group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand. Amounts owed by dormant group undertakings, included in amounts owed by group undertakings, and amounts owed by group undertakings with respect to group relief are non interest bearing.

**15. CREDITORS: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Bank overdraft	514	-
Trade creditors	3,823	3,854
Amounts owed to group undertakings	71,990	34,760
Amounts owed to related parties	524	-
Amounts owed to group undertakings in respect of group relief	1,192	944
Other creditors	726	1,235
Accruals and deferred income	3,868	18,286
	<u>82,637</u>	<u>59,079</u>

Amounts owed to group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand. Amounts owed to dormant group undertakings, included in amounts owed to group undertakings, and amounts owed to group undertakings with respect to group relief are non interest bearing.

**16. OPERATING LEASE COMMITMENTS**

At 31 December 2005 the company was committed to making the following annual payments in respect of operating leases which expire:

	<b>Land &amp; buildings</b>	
	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
After 5 years	<u>872</u>	<u>920</u>

**17. DEFERRED TAXATION**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
	<b>Asset</b>	<b>Asset</b>
Accelerated capital allowances/ other timing differences	32	-
Excess of capital allowances over depreciation	-	46
Other short term timing differences	11	19
	<u>43</u>	<u>65</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**18. CALLED UP SHARE CAPITAL**

	Authorised		Allotted and fully paid	
	2005 £000	2004 £000	2005 £000	2004 £000
Ordinary shares of £1 each (500,000 shares)	500	500	100	100
	<u>500</u>	<u>500</u>	<u>100</u>	<u>100</u>

**19. RESERVES**

	Capital redemption reserve	Profit and loss account
	£000	£000
Balance at 1 January 2005	1,100	7,207
Retained profit for the financial year	-	4,310
	<u>1,100</u>	<u>11,517</u>
At 31 December 2005	<u>1,100</u>	<u>11,517</u>

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2005 £000	2004 £000
Opening shareholders' funds	8,407	14,719
Profit on ordinary activities after taxation	4,310	1,188
Dividends	<u>-</u>	<u>(7,500)</u>
Net additions/(reduction) in shareholders' funds	<u>4,310</u>	<u>(6,312)</u>
Closing equity shareholders' funds	<u>12,717</u>	<u>8,407</u>

**21. CONTINGENCIES**

The company is part of the Northern & Shell Network group. At 31 December 2005, certain claims in the normal course of business were pending against the group and certain tax computations were still subject to agreement with the relevant taxation authorities. Although there is uncertainty regarding the final outcome of these matters, the directors believe, based on professional advice received, that adequate provision has been made in the financial statements for anticipated liabilities and the probable ultimate resolution of such matters will not have a material effect on the financial statements of the company.

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**22. RELATED PARTY TRANSACTIONS**

The company operates from the Number 10 Lower Thames Street property owned by Badger Property Partners LLP, of which Mr R.C. Desmond is a partner, and leased via Express Newspapers (a wholly owned subsidiary in the Northern & Shell Network Group) which recharges a portion of the overall rent to the company.

The Company is exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Northern & Shell Network group.

**23. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Northern & Shell Properties Limited and the ultimate parent undertaking is RCD1 Limited. RCD1 Limited acts purely as a holding company and does not participate in operations. Accordingly, Northern & Shell Network Limited acts as the operational parent of the group. The largest and smallest groups into which these accounts are consolidated are RCD1 Limited and Northern & Shell Network Limited respectively.

RCD1 Limited and Northern & Shell Network Limited are registered in England. Copies of the financial statements of these companies can be obtained from The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN.