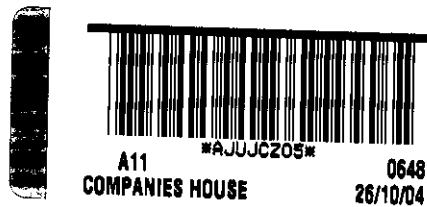


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**NORTHERN & SHELL PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**



NORTHERN & SHELL PLC

ANNUAL REPORT

31 DECEMBER 2003

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NORTHERN & SHELL PLC

OFFICERS AND PROFESSIONAL ADVISERS

**DIRECTORS**

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

**SECRETARY**

Mr. M.S. Gill

**COMPANY NUMBER**

1633971 (England)

**AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

**BANKERS**

Bank of Scotland  
155 Bishopsgate  
London EC2M 3YB

**REGISTERED OFFICE**

Ludgate House  
245 Blackfriars Road  
London SE1 9UX

# NORTHERN & SHELL PLC

## DIRECTORS' REPORT

For the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

### **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 stable trading results to be satisfactory given the current competitive market.

The directors view the future with confidence.

### **RESULTS AND DIVIDENDS**

The Company recorded profit before taxation of £1.23 million (2002: profit £1.97 million).

The directors do not recommend the payment of a dividend (2002 - £nil) but have proposed and partially paid preferred ordinary dividends of £20,734 (2002: £88,000).

### **DIRECTORS AND THEIR INTERESTS**

The present membership of the board is set out on page 2. These directors, and no others, 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 and Shell Network Limited, are shown in the financial statements of that company.

None of the directors had an interest in the share capital of the company, or any other company within the Northern and Shell Network group, at the beginning or end of the year.

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

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

The Company has approximately 71 days' purchases outstanding at 31 December 2003 based on the average daily amount invoiced by suppliers during the year (2002: 54 days).

### **CHARITABLE DONATIONS**

Charitable contributions were made during the year amounting to £452,374 (2002 - £208,683).  
There were no political contributions made during the year (2002 - £Nil).

### **DIVIDENDS - NON-EQUITY**

The preferred ordinary shares pay a fixed cumulative preferential dividend at the rate of 8% per annum (net of advance corporation tax paid by the company). Shareholders of the preferred ordinary shares are also entitled to a participating dividend equal, in aggregate, to 4% of the aggregate amount of any distribution paid on the ordinary shares.

The preferred ordinary shares were redeemed at the option of the company on 27th March 2003, the redemption value being the nominal value of the shares together with a sum equal to any dividend arrears.

**NORTHERN & SHELL PLC**

**DIRECTORS' REPORT**

**For the year ended 31 December 2003**

**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 and e-mails. 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.

**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 2003 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. M.S. Gill  
Secretary



Dated : 29 April 2004

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## NORTHERN & SHELL PLC

For the year ended 31 December 2003

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. 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 United Kingdom 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 is not disclosed.

### **BASIS OF AUDIT 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 the company's affairs as at 31 December 2003 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 : 29 April 2004

**NORTHERN AND SHELL PLC**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2003**

	<b>Notes</b>	<b>Total 2003 £000</b>	<b>Total 2002 £000</b>
<b>Turnover</b>	2	43,976	45,261
Cost of sales		<u>(23,521)</u>	<u>(28,350)</u>
<b>Gross profit</b>		20,455	16,911
Distribution costs		(8,498)	(8,505)
Administration expenses		(12,544)	(8,210)
Other operating income		<u>1,041</u>	<u>942</u>
		<u>(20,001)</u>	<u>(15,773)</u>
<b>Operating profit</b>	3	454	1,138
Interest receivable and similar income	5	788	866
Interest payable and similar charges	6	<u>(12)</u>	<u>(32)</u>
<b>Profit on ordinary activities before taxation</b>		1,230	1,972
Tax on profit on ordinary activities	7	<u>(449)</u>	<u>(710)</u>
<b>Profit on ordinary activities after taxation</b>		781	1,262
Dividends - non equity	8	<u>(21)</u>	<u>(88)</u>
<b>Profit for the financial year</b>	20	<u><u>760</u></u>	<u><u>1,174</u></u>

**Statement of recognised gains & losses for the year ended 31 December 2003**

Total recognised gain relating to the year	781	1,262
Prior year adjustment (implementation of FRS19 - Deferred tax)	<u>-</u>	<u>760</u>
Total gains recognised since last annual report	<u><u>781</u></u>	<u><u>2,022</u></u>

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

Turnover and operating profits are wholly attributable to continuing operations.

**NORTHERN & SHELL PLC**

**BALANCE SHEET as at 31 December 2003**

	<b>Notes</b>	<b>2003 £000</b>	<b>2002 £000</b>
<b>FIXED ASSETS</b>			
Intangible assets	9	22	24
Tangible assets	10	238	352
Investments	11	-	-
		<hr/> 260	<hr/> 376
<b>CURRENT ASSETS</b>			
Stocks	12	1,173	1,151
Debtors	13	64,517	63,310
Cash at bank and in hand		50	7,414
Deferred tax	18	85	232
		<hr/> 65,825	<hr/> 72,107
<b>CREDITORS: amounts falling due within one year</b>	14	<hr/> (51,366)	<hr/> (57,358)
<b>NET CURRENT ASSETS</b>		<hr/> 14,459	<hr/> 14,749
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,719	15,125
<b>CREDITORS: amounts falling due after more than one year</b>	15	-	(66)
<b>NET ASSETS</b>		<hr/> <hr/> 14,719	<hr/> <hr/> 15,059
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	100	1,200
Profit and loss account	20	13,519	13,859
Capital redemption reserve	20	1,100	-
<b>TOTAL SHAREHOLDERS' FUNDS</b>	21	<hr/> <hr/> 14,719	<hr/> <hr/> 15,059
Analysis of shareholders' funds			
Equity		14,719	13,959
Non-equity	19	<hr/> -	<hr/> 1,100
		<hr/> <hr/> 14,719	<hr/> <hr/> 15,059

Approved by the Board of Directors :



Mr. R.C. Desmond

Dated *29 April 2004*



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

**1. PRINCIPAL ACCOUNTING POLICIES**

**( a ) Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention, applicable accounting standards and the accounting policies set out below.

**( b ) Consolidated financial statements and cashflow statement**

The Company is a wholly owned subsidiary of Northern and Shell Network Limited and is included in the consolidated financial statements of Northern and Shell Network Limited, and is therefore exempt from the obligation to prepare and deliver group accounts in accordance with Section 228 of the Companies Act 1985.

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.

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

**( d ) Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate 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.

**( e ) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

**1. ACCOUNTING POLICIES (Continued)**

**( f ) 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

**( g ) 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.

**( h ) 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 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.

**( i ) Investments**

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

**( j ) 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.

The deferred tax assets and liabilities are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

**1. ACCOUNTING POLICIES (Continued)**

**( k ) Pension costs**

The company contributes to money purchase pension schemes for the chairman, Mr. R.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 within the United Kingdom market and relates to continuing operations.

**3. OPERATING PROFIT**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Operating profit is stated after charging / (crediting) :		
Auditors' remuneration - audit services	96	110
Auditors' remuneration - non audit services	281	84
Depreciation - leased assets	140	174
Depreciation - owned assets	88	96
Amortisation of intangible assets	2	2
Profit on disposal of tangible fixed assets	(17)	(42)
Operating lease rentals	969	929
Operating income - rental income under operating leases	(1,041)	(942)
Foreign exchange loss	<u>1</u>	<u>3</u>

Non audit services relate mainly to tax advice.

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**( a ) Directors**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Emoluments	2,716	1,778
Company contributions to money purchase pension scheme	<u>2,533</u>	<u>1,345</u>
	<u>5,249</u>	<u>3,123</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 (2002: five) under money purchase schemes.

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Emoluments	2,030	629
Company contributions to money purchase pension schemes	<u>2,501</u>	<u>1,251</u>
	<u>4,531</u>	<u>1,880</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

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

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

	<b>2003 £000</b>	<b>2002 £000</b>
Wages and salaries	9,083	6,380
Social security costs	814	607
Pension costs	2,576	1,391
	<u>12,473</u>	<u>8,378</u>

Average number of people employed :

Office and management ( including directors )

<b>2003 Number</b>	<b>2002 Number</b>
<u>114</u>	<u>108</u>

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2003 £000</b>	<b>2002 £000</b>
Bank deposit interest	23	116
Group interest receivable	765	750
	<u>788</u>	<u>866</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003 £000</b>	<b>2002 £000</b>
Bank loans and overdrafts	2	4
Interest payable on finance leases	10	27
Other interest payable	-	1
	<u>12</u>	<u>32</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

**7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
UK corporation tax - payable to group companies in respect of group relief	323	224
Adjustment in respect of previous periods	(20)	(42)
Total current tax	<u>303</u>	<u>182</u>
<b>Deferred tax:</b>		
Origination and reversal of timing difference	122	425
Adjustments in respect of previous periods	25	103
Total deferred tax (Note 18)	<u>147</u>	<u>528</u>
Tax on profit on ordinary activities	<u>449</u>	<u>710</u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK 30% (2002: 30%)

The differences are explained below:

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	1,230	1,972
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	369	592
Effects of:		
Expenses not deductible for tax purposes	76	57
Excess of capital allowances over depreciation and other timing differences	5	54
Utilisation of prior year tax losses	(127)	(479)
Adjustments to tax charge in respect of previous period	(20)	(42)
Current tax charge for the period	<u>303</u>	<u>182</u>

Factors that may effect future tax charges:

During the year the company utilised all of its brought forward tax losses which have significantly reduced tax payments in recent years.

**8. DIVIDENDS - NON-EQUITY**

	<b>2003</b>		<b>2002</b>	
	<b>Per share</b>	<b>Total</b>	<b>Per share</b>	<b>Total</b>
	<b>£</b>	<b>£000</b>	<b>£</b>	<b>£000</b>
£1 preferred ordinary shares :				
Interim Paid	0.08	21	0.04	44
Proposed Final	-	-	0.04	44
Total dividends	<u>0.08</u>	<u>21</u>	<u>0.08</u>	<u>88</u>

The preferred ordinary shares were redeemed at the option of the company on 27th March 2003, the redemption value being the nominal value of the shares together with a sum equal to any dividend arrears.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

## 9. INTANGIBLE FIXED ASSETS

	Trademarks £000
Cost:	
At 1 January 2003 and 31 December 2003	32
Amortisation:	
At 1 January 2003	8
Charge for the year	2
At 31 December 2003	10
Net book amounts:	
At 31 December 2003	22
At 31 December 2002	24

## 10. TANGIBLE ASSETS

	Motor vehicles £000	Fixtures, fittings, tools & equipment £000	Total £000
Cost:			
At 1 January 2003	511	693	1,204
Additions	37	149	186
Disposals	(98)	(369)	(467)
At 31 December 2003	450	473	923
Depreciation:			
At 1 January 2003	320	532	852
Charge for the year	110	117	227
Disposals	(62)	(332)	(394)
At 31 December 2003	368	317	685
Net book amounts:			
At 31 December 2003	82	156	238
At 31 December 2002	191	161	352

Fixtures, fittings, tools & equipment and motor vehicles includes assets acquired under finance leases in respect of which, as at 31 December 2003 the net book value was £35,430 ( 2002: £179,215 ) after charging £140,396 ( 2002: £173,531 ) depreciation for the year.

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

**11. INVESTMENTS**

Investments in the following companies were held at a total value of £215 in the accounts at 31 December 2003. (2002:£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	Property services	100%
Tower Magazines Limited	Dormant	100%
Northern & Shell Videos Limited	Dormant	100%
Sightline Publications Limited	Dormant	100%
Chic Magazines Limited (now Northern & Shell Magazines Limited)	Magazine Publishing	100%
Burginhal 677 Limited	Dormant	100%

The above companies are registered in England and their registered office is Ludgate House, 245 Blackfriars Road, London SE1 9UX.

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.

**12. STOCKS**

	<b>2003 £000</b>	<b>2002 £000</b>
Raw materials and consumables	1,168	1,146
Goods for resale	5	5
	<u>1,173</u>	<u>1,151</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

**13. DEBTORS**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	1,335	1,266
Amounts owed by group undertakings	61,085	61,256
Other debtors	200	177
Prepayments and accrued income	1,897	611
	<u>64,517</u>	<u>63,310</u>

Amounts owed by group undertakings are unsecured. Of the balance £16.2 million is interest bearing, and repayable on demand.

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	1,661	2,266
Amounts owed to group undertakings	40,607	48,723
Obligations under finance lease	73	132
Amounts owed to group undertakings in respect of group relief	524	225
Corporation tax	7	40
Other creditors	1,335	1,448
Accruals and deferred income	7,159	4,524
	<u>51,366</u>	<u>57,358</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand.

**15. CREDITORS: amounts falling due after more than one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases	<u>-</u>	<u>66</u>
	<u>-</u>	<u>66</u>

**16. OBLIGATIONS UNDER FINANCE LEASES**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Future minimum payments under finance leases are as follows:		
Within one year	73	132
In more than one year but less than five years	<u>-</u>	<u>66</u>
	<u>73</u>	<u>198</u>

**17. OPERATING LEASE COMMITMENTS**

At 31 December 2003 the company was committed to making the following annual payments in respect of operating leases which expire:

	<b>Land &amp; buildings</b>	
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
After 5 years	<u>969</u>	<u>929</u>



**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

**18. DEFERRED TAXATION**

	<b>2003 £000</b>	<b>2002 £000</b>
Excess of capital allowances over depreciation	38	71
Other short term timing differences	47	161
	<u>85</u>	<u>232</u>

**19. CALLED UP SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted and fully paid</b>	
	<b>2003 £000</b>	<b>2002 £000</b>	<b>2003 £000</b>	<b>2002 £000</b>
Ordinary shares of £1 each (500,000 shares)	500	500	100	100
Preferred ordinary shares of £1 each (1,100,000 shares)	-	1,100	-	1,100
	<u>500</u>	<u>1,600</u>	<u>100</u>	<u>1,200</u>

The Preferred ordinary shares pay a fixed cumulative preferential dividend at the rate of 8% per annum (net of advance corporation tax paid by the company). Shareholders of the preferred ordinary shares are also entitled to a participating dividend equal, in aggregate, to 4% of the aggregate amount of any distribution paid on the ordinary shares.

The Preferred ordinary shares were redeemed at the option of the company on 27th March 2003, the redemption value being the nominal value of the shares together with a sum equal to any dividend arrears.

**20. RESERVES**

	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January 2003	-	13,859
Retained profit for the financial year	-	760
Redemption of preference shares	1,100	(1,100)
	<u>1,100</u>	<u>13,519</u>
At 31 December 2003	<u>1,100</u>	<u>13,519</u>

**NORTHERN & SHELL PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2003**

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

	<b>2003 £000</b>	<b>2002 £000</b>
Opening shareholders' funds	15,059	13,885
Profit on ordinary activities after taxation	781	1,262
Dividends	(21)	(88)
Net addition to shareholders' funds	760	1,174
Preference shares repaid	(1,100)	-
Closing shareholders' funds	14,719	15,059

Non equity interest in shareholders' funds is £1.1million which was repaid to the preferred ordinary shareholders on 27 March 2003.

**22. CONTINGENCIES**

The company is part of the Northern & Shell Network group. At 31 December 2003, 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.

**23. RELATED PARTY TRANSACTIONS**

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

**24. 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 Ludgate House, 245 Blackfriars Road, London SE1 9UX.