

NORTHERN & SHELL PLC
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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NORTHERN & SHELL PLC

ANNUAL REPORT

31 December 2007

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

Mr R Sanderson

COMPANY NUMBER

1633971 (England)

AUDITORS

KPMG LLP
20 Farringdon Street
London
EC4A 4PP

BANKERS

Bank of Scotland
155 Bishopsgate
London, EC2M 3YB
United Kingdom

REGISTERED OFFICE

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

NORTHERN & SHELL PLC

DIRECTORS' REPORT

For the year ended 31 December 2007

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

After deducting £0.5 million of Chairman's emoluments and pension contributions (2006 £8.6 million) the Company recorded a profit before taxation of £20.4 million (2006 £1.4 million)

The directors do not recommend the payment of a dividend (2006 £nil)

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The profit and loss account is set out on page 7

The directors consider the underlying performance of the Company to be satisfactory given the highly competitive market in which the Company operates. It is the intention of the Company to continue trading in the principal activity for the foreseeable future.

The risks, uncertainties and key performance indicators pertaining to the Company are consistent with those experienced by the Company's fellow subsidiaries. They are discussed in the "Review of the year and future prospects" section in the Directors' Report of Northern & Shell Network Limited, the ultimate operational parent of the Company.

The Company's net assets were £29.5 million as at 31 December 2007 (2006 £12.9 million)

DIRECTORS AND THEIR INTERESTS

The membership of the board during the year is set out on page 2. These directors, and no others, held office throughout the entire year.

At the beginning and 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 also a director of the ultimate operational parent company, Northern & Shell Network Limited, are shown in the financial statements of that company.

At the beginning and end of the year, the directors' beneficial interests in the issued ordinary 'B' share capital of Northern & Shell North America Limited, a fellow group undertaking, were

	£1 Ordinary 'B' shares	
	At 1 January 2007	At 31 December 2007
Mr M S Ellice	75,000	75,000
Mr R Sanderson	37,500	37,500
Mr S Myerson	75,000	75,000
Dr P Ashford	37,500	37,500

DIRECTORS' REPORT

For the year ended 31 December 2007

POLICY ON PAYMENT OF CREDITORS

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

The Company has approximately 52 days of purchases outstanding at 31 December 2007 based on the average daily amount invoiced by suppliers during the year (2006: 46 days).

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 formal briefings, emails and a corporate website. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account where decisions are likely to affect their interests. 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 risks. The Company has mechanisms in place that seek to limit the impact of the 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 risk

The Company has both 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 currently 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.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations were made during the year amounting to £501,000 (2006: £868,000) (note 22).

There were no political contributions made during the year (2006: £nil).

DIRECTORS' REPORT

For the year ended 31 December 2007

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 a 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 judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable UK 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.

DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 234ZA of the Companies Act, in the case of each of the persons who are directors at the time when this report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

During the year, the Company reviewed the position of its auditors and decided to put its audit out to competitive tender. As a result of this review, PricewaterhouseCoopers LLP resigned as auditors of the Company and on 18 December 2007, KPMG LLP were appointed as auditors of the Company. KPMG LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next general meeting.

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



Mr R Sanderson
Secretary
Date 24 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL PLC

We have audited the financial statements of Northern & Shell Plc for the year ended 31 December 2007 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.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

Date 28 April 2008

NORTHERN & SHELL PLC
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	72,281	64,756
Cost of sales		<u>(40,007)</u>	<u>(35,474)</u>
Gross profit		32,274	29,282
Distribution costs		(14,093)	(9,818)
Administrative expenses		(8,248)	(18,285)
Other operating income		<u>654</u>	<u>369</u>
Operating profit	3	10,587	1,548
Waiver of intercompany balances	5	3,989	-
Profit on sale of subsidiary	6	5,874	-
Profit on ordinary activities before interest and taxation		<u>20,450</u>	<u>1,548</u>
Interest receivable and similar income	7	12,827	4,834
Interest payable and similar charges	8	<u>(12,913)</u>	<u>(4,947)</u>
Profit on ordinary activities before taxation		20,364	1,435
Tax on profit on ordinary activities	9	<u>(3,733)</u>	<u>(1,266)</u>
Profit for the financial year	19/20	<u>16,631</u>	<u>169</u>

There are no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

Turnover and operating profits are wholly attributable to continuing operations


The notes on pages 9 to 19 form part of these financial statements

NORTHERN & SHELL PLC

BALANCE SHEET as at 31 December 2007

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Intangible assets	10	10	11
Tangible assets	11	387	500
Investments	12	<u>7,471</u>	<u>7,275</u>
		<u>7,868</u>	<u>7,786</u>
CURRENT ASSETS			
Stocks	13	1,019	1,113
Debtors	14	215,357	108,453
Cash at bank and in hand		82,164	159
		<u>298,540</u>	<u>109,725</u>
CREDITORS * amounts falling due within one year	15	<u>(276,891)</u>	<u>(104,625)</u>
NET CURRENT ASSETS		<u>21,649</u>	<u>5,100</u>
NET ASSETS		<u>29,517</u>	<u>12,886</u>
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Profit and loss account	19	28,317	11,686
Capital redemption reserve	19	<u>1,100</u>	<u>1,100</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	<u>29,517</u>	<u>12,886</u>

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


Mr R C Desmond

Date 24 April 2008

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Consolidated financial statements and cash flow statement

The Company is a wholly owned subsidiary of Northern & Shell Network Limited and is included in the consolidated financial statements of Northern & 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 & Shell Network Limited prepares and files consolidated financial statements which include the cashflows of the Company. The Company has therefore relied on the exemption provided by FRS1 from preparing its own cash flow statement.

(c) Revenue recognition

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.

(d) 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.

(e) Intangible fixed assets

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

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets represents the 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:

Fixtures, fittings and office equipment	4 to 5 years
Motor vehicles	2 to 5 years

The Company reviews its depreciation rates regularly to take account of technological changes, intensity of use over the life of the assets and market requirements.

(g) Stocks

Raw materials comprise mainly paper and are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Debtors

Debtors are initially stated at fair value. The carrying value of debtors is reviewed for impairment if event or changes in circumstances indicate the carrying value may not be recoverable.

(i) Leases

Assets obtained under finance leases are capitalised and depreciated over the lesser of the period of the lease and the estimated useful life of the asset. Obligations relating to finance leases, net of finance charges in respect of future periods, are included in Creditors due within or after more than one year, as appropriate.

Finance costs are charged to the 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 on a straight line basis over the lease term.

Rental income is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. Where a lease incentive does not enhance the property, it is amortised on a straight line basis over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rent, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date.

(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.

Deferred tax assets and liabilities are not discounted and are calculated at the standard rate of corporation tax in the UK of 30% for those timing differences reversing before 1 April 2008 and 28% for those reversing after 1 April 2008.

(k) 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 to the profit and loss account to reflect amounts payable under the scheme.

NORTHERN & SHELL PLC**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****2. SEGMENTAL ANALYSIS**

The Company's turnover and profit before taxation arise principally from its publishing activities
 The Company's turnover, profit before taxation and net assets are principally attributable to activities in the United Kingdom

3 OPERATING PROFIT

	2007 £000	2006 £000
Operating profit is stated after charging/(crediting).		
Audit services		
Fees payable to the Company's auditor for the audit of the Company	38	37
Depreciation - owned assets	214	190
Amortisation of intangible assets	1	1
Profit on disposal of tangible fixed assets	(5)	(15)
Operating lease rentals - land and buildings	761	714
Operating lease rentals - other income	(654)	(369)
Foreign exchange loss	13	31

Fees paid to the Company's auditors and its associates for services other than the statutory audit of the Company are not disclosed in Northern & Shell Plc accounts since the consolidated accounts of Northern & Shell Plc's ultimate operational parent, Northern & Shell Network Limited, are required to disclose other services on a consolidated basis. No remuneration was payable to the previous auditors in respect of 2007.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**(a) Directors**

	2007 £000	2006 £000
Emoluments	1,286	1,295
Company contributions to money purchase pension scheme	33	8,033
	<u>1,319</u>	<u>9,328</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 under money purchase pension schemes (2006: five).

The above details include the following amounts in respect of the highest paid director, Mr R C Desmond, after amounts re-charged to group companies:

	2007 £000	2006 £000
Emoluments	458	662
Company contributions to money purchase pension scheme	-	8,000
	<u>458</u>	<u>8,662</u>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

(b) Staff costs (including directors)

	2007 £000	2006 £000
Wages and salaries	5,697	5,935
Social security costs	1,408	693
Pension costs	106	8,090
	<hr/> 7,211	<hr/> 14,718
	<hr/>	<hr/>
	2007 Number	2006 Number
Average number of people employed by activity		
Production	56	67
Selling and distribution	21	21
Administration	41	45
	<hr/> 118	<hr/> 133
	<hr/>	<hr/>

5. WAIVER OF INTERCOMPANY BALANCES

	2007 £000	2006 £000
Waiver of intercompany balances	<hr/> 3,989	<hr/> -
	<hr/>	<hr/>

During the year, certain balances due to a fellow group undertaking were waived as part of a group reconstruction

6. PROFIT ON SALE OF SUBSIDIARY

	2007 £000	2006 £000
Profit on sale of subsidiary	<hr/> 5,874	<hr/> -
	<hr/>	<hr/>

During the year, the Company sold 50% of the share capital of a subsidiary company, Northern & Shell Pacific Limited, to PBL Media Holdings Pty Limited for a total consideration of £5.9 million, after repayment of debt totalling £9.1 million

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £000	2006 £000
Bank deposit interest	1,400	64
Group interest receivable	<hr/> 11,427	<hr/> 4,770
	<hr/> 12,827	<hr/> 4,834
	<hr/>	<hr/>

NORTHERN & SHELL PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Bank loans and overdrafts	270	2
Group interest payable	12,643	4,945
	<u>12,913</u>	<u>4,947</u>

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2007 £000	2006 £000
Current tax:		
UK corporation tax on profit of the year at 30% (2006 30%)	4,232	403
Foreign taxes suffered	15	30
Double tax relief	(15)	-
Adjustment in respect of previous periods	(403)	873
Total current tax charge	<u>3,829</u>	<u>1,306</u>
Deferred tax		
Origination and reversal of timing differences	(96)	(13)
Adjustment in respect of previous periods	-	(27)
Total deferred tax credit (note 17)	<u>(96)</u>	<u>(40)</u>
Tax on profit on ordinary activities	<u>3,733</u>	<u>1,266</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%)
The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	20,364	1,435
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	6,109	430
Effects of		
Net effect of expenses not deductible for tax and income not subject to tax	(2,770)	132
Accelerated capital allowances / other timing differences	108	13
Overseas tax	-	30
Adjustment to prior period group relief	(252)	
Group relief surrendered / (not paid)	1,037	(172)
Adjustment in respect of previous periods	(403)	873
Current tax charge for the year	<u>3,829</u>	<u>1,306</u>

NORTHERN & SHELL PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

10. INTANGIBLE ASSETS

	Trademarks £000
Cost	
At 1 January and December 2007	<u>18</u>
Amortisation	
At 1 January 2007	7
Charge for the year	<u>1</u>
At 31 December 2007	<u>8</u>
Net book amounts	
At 31 December 2007	<u>10</u>
At 31 December 2006	<u>11</u>

11 TANGIBLE ASSETS

	Motor Vehicles £000	Fixtures, Fittings and Office Equipment £000	Total £000
Cost			
At 1 January 2007	553	673	1,226
Additions	94	22	116
Disposals	-	(15)	(15)
	<u>647</u>	<u>680</u>	<u>1,327</u>
At 31 December 2007			
Depreciation			
At 1 January 2007	334	392	726
Charge for the year	96	118	214
	<u>430</u>	<u>510</u>	<u>940</u>
At 31 December 2007			
Net book amounts			
At 31 December 2007	<u>217</u>	<u>170</u>	<u>387</u>
At 31 December 2006	<u>219</u>	<u>281</u>	<u>500</u>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

12. FIXED ASSETS INVESTMENTS

	2007 £000	2006 £000
Shares in subsidiaries		
At 1 January	7,275	7,275
Additions in the year	196	-
At 31 December	<u>7,471</u>	<u>7,275</u>

Investments in the following companies were held at a total value of £7.5 million in the accounts at 31 December 2007 (2006: £7.3 million)

Company name	Principal activity	Ordinary shares
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 North America Limited*	Magazine Publishing	100%
Northern & Shell Pacific Limited**	Magazine Publishing	50%
Burginhal 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 a branch in the United States of America. ** Denotes operates a branch in Australia.

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.

OK! Verlag Verwaltungsgesellschaft mbH i Gr	Magazine Publishing	50%
OK! Verlag GmbH & Co KG	Magazine Publishing	50%

The above companies are registered in Germany and their registered office is Gansemarkt 24, Hamburg 20354, Germany.

NORTHERN & SHELL PLC**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****13 STOCKS**

	2007	2006
	£000	£000
Raw materials and consumables	1,015	1,109
Goods for resale	4	4
	<u>1,019</u>	<u>1,113</u>

14. DEBTORS

	2007	2006
	£000	£000
Trade debtors	2,024	3,236
Amounts owed by group undertakings	208,639	101,760
Amounts due from related parties	408	-
Other debtors	1,170	2,555
Prepayments and accrued income	2,937	819
Deferred tax asset	179	83
	<u>215,357</u>	<u>108,453</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 are non interest bearing.

15. CREDITORS, amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	5,645	4,518
Amounts owed to group undertakings	257,152	90,512
Amounts owed to related parties	-	7
Amounts owed to group undertakings with respect to group relief	6,283	2,468
Other creditors	757	634
Accruals and deferred income	7,054	6,486
	<u>276,891</u>	<u>104,625</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 the Company was committed to making the following annual payments in respect of operating leases which expire

	Land and Buildings	
	2007	2006
	£000	£000
After 5 years	<u>761</u>	<u>714</u>

NORTHERN & SHELL PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

17 DEFERRED TAX ASSET

	£000
At 1 January 2007	83
Credited to the profit and loss account	96
	<hr/>
At 31 December 2007	<u>179</u>

Deferred tax asset/(liability)	2007 £000	2006 £000
Accelerated capital allowances	101	67
Other short term timing differences	78	16
	<hr/>	<hr/>
Total deferred tax	<u>179</u>	<u>83</u>

18 CALLED UP SHARE CAPITAL

	2007 £000	2006 £000
Authorised 500,000 Ordinary shares of £1 each	500	500
Allotted and fully paid 100,000 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

19. RESERVES

	Capital redemption reserve £000	Profit and loss £000
At 1 January 2007	1,100	11,686
Profit for the year	-	16,631
	<hr/>	<hr/>
At 31 December 2007	<u>1,100</u>	<u>28,317</u>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Profit for the year	16,631	169
Net increase in shareholders' funds	16,631	169
Opening shareholders' funds	12,886	12,717
Closing shareholders' funds	29,517	12,886

21 GUARANTEES AND CONTINGENT LIABILITIES

During the year, the arrangements securing bank loans advanced to fellow group undertakings were amended and accordingly the assets of the Company are no longer held as security for these bank loans

The Company is part of the Northern & Shell Network Limited group. At 31 December 2007, 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.

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 Limited group). For the year ended 31 December 2007, £1.6 million rent (a proportion of the overall rent) was recharged to the Company (2006: £2.0 million).

During the year, the Company made a contribution of £419,000 (2006: £588,000) to The RD Crusaders Foundation, a charitable trust, of which Mr R C Desmond is a trustee.

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

23 CAPITAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to \$33.9 million (sterling equivalent at 31 December 2007: £17.0 million) relating to the purchase of a corporate aircraft (2006: £nil).

NOTES TO THE FINANCIAL STATEMENTS

24 ULTIMATE PARENT UNDERTAKING

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 ultimate operational parent of the Group. The ultimate controlling party is Richard Desmond, the chairman of Northern & Shell Network Limited.

The largest and smallest groups into which these accounts are consolidated are RCD1 Limited and Northern & Shell Network Limited respectively. RCD1 Limited, Northern & Shell Network Limited and Northern & Shell Properties Limited are registered in England. Copies of the financial statements of RCD1 Limited and Northern & Shell Network Limited can be obtained from The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN.