

NORTHERN & SHELL PLC
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



NORTHERN & SHELL PLC

ANNUAL REPORT

31 December 2010

CONTENTS

	<u>Page</u>
Officers and Professional Advisers	2
Directors' Report	3 – 4
Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements	5
Independent Auditors' Report to the Members of Northern & Shell Plc	6 - 7
Profit and Loss Account	8
Balance Sheet	9
Notes to the Financial Statements	10 - 20

NORTHERN & SHELL PLC
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
8 Salisbury Square
London, EC4Y 8BB
United Kingdom

BANKERS

Barclays Bank
27 Soho Square
London, W1D 3QR
United Kingdom

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 2010

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Company recorded a profit before taxation of £15.2 million (2009 £6.6 million)

The directors do not recommend the payment of a dividend (2009 £nil)

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The profit and loss account is set out on page 8

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 its 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 Media Group Limited, the ultimate parent of the Company.

The Company's net assets were £203.6 million as at 31 December 2010 (2009 £188.6 million)

DIRECTORS

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.

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 43 days of purchases outstanding at 31 December 2010 based on the average daily amount invoiced by suppliers during the year (2009 39 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.

NORTHERN & SHELL PLC

DIRECTORS' REPORT

For the year ended 31 December 2010

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 £544,500 (2009 £185,800).

There were no political contributions made during the year (2009 £nil).

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Mr R Sanderson
Secretary

Date 10 May 2011
The Northern & Shell Building
Number 10 Lower Thames Street
London, EC3R 6EN
United Kingdom

NORTHERN & SHELL PLC

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND
THE FINANCIAL STATEMENTS**

For the year ended 31 December 2010

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL PLC

For the year ended 31 December 2010

We have audited the financial statements of Northern & Shell Plc for the year ended 31 December 2010 set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL PLC

For the year ended 31 December 2010

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Adrian John Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London, EC4Y 8BB
United Kingdom

Date 11 May 2011

NORTHERN & SHELL PLC
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
TURNOVER	2	66,188	76,703
Cost of sales		<u>(33,196)</u>	<u>(44,160)</u>
GROSS PROFIT		32,992	32,543
Distribution costs		(15,984)	(15,264)
Administrative expenses		(6,911)	(8,701)
Other operating income		<u>329</u>	<u>302</u>
OPERATING PROFIT	3	10,426	8,880
Profit on sale of investment	5	-	8,102
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>10,426</u>	<u>16,982</u>
Interest receivable and similar income	6	13,363	4,216
Interest payable and similar charges	7	<u>(8,595)</u>	<u>(14,645)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,194	6,553
Tax on profit on ordinary activities	8	<u>(187)</u>	<u>(1,818)</u>
PROFIT FOR THE FINANCIAL YEAR	18/19	<u>15,007</u>	<u>4,735</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 10 to 20 form part of these financial statements

NORTHERN & SHELL PLC

BALANCE SHEET as at 31 December 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Tangible assets	9	245	33
Investments	10	11,624	11,178
		<u>11,869</u>	<u>11,211</u>
CURRENT ASSETS			
Stocks	11	1,526	1,325
Debtors	12	539,466	457,786
Cash at bank and in hand		27,549	26,480
		<u>568,541</u>	<u>485,591</u>
CREDITORS: amounts falling due within one year	13	<u>(376,399)</u>	<u>(307,327)</u>
NET CURRENT ASSETS		<u>192,142</u>	<u>178,264</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		204,011	189,475
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(430)</u>	<u>(901)</u>
NET ASSETS		<u>203,581</u>	<u>188,574</u>
CAPITAL AND RESERVES			
Called up share capital	17	100	100
Profit and loss account	18	202,381	187,374
Capital redemption reserve	18	1,100	1,100
TOTAL SHAREHOLDERS' FUNDS	19	<u>203,581</u>	<u>188,574</u>

These financial statements were approved by the Board of Directors and signed on its behalf by



Mr R C Desmond

Date 10 May 2011

Company registered number 1633971

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2006 and applicable accounting standards. The principal accounting policies are set out below.

(b) Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(c) Consolidated financial statements and cash flow statement

The Company is a wholly owned subsidiary of Northern & Shell Media Group Limited and is included in the consolidated financial statements of Northern & Shell Media Group Limited, and is therefore exempt from the obligation to prepare and deliver group accounts in accordance with Section 400 of the Companies Act 2006.

Northern & Shell Media Group 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.

(d) 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.

(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) 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) Fixed asset investments

Non marketable securities are stated at the lower of cost and net realisable value.

Investment income represents gains and losses on the sale or revaluation of current asset investments.

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) 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

(i) Debtors

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

(j) Leases

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

(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 and are calculated at the standard rate of corporation tax in the UK of 27% (2009 28%)

(l) Pension costs

The Company contributes to a defined contribution scheme for its employees. Contributions are charged to the profit and loss account to reflect amounts payable under the scheme

2. TURNOVER

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

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2010 £000	2009 £000
Profit on ordinary activities before tax is stated after charging/(crediting):		
Audit services		
Fees payable to the Company's auditor for the audit of the Company	29	36
Depreciation - owned assets	40	132
Profit on disposal of tangible fixed assets	(7)	-
Operating lease rentals - land and buildings	909	909
Operating lease rentals - other income	(329)	(302)
Foreign exchange (gain)/loss	(236)	690

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's accounts since the consolidated accounts of Northern & Shell Plc's operational parent, Northern & Shell Media Group Limited, are required to disclose other services on a consolidated basis

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2010 £000	2009 £000
Emoluments	911	1,450
Company contributions to money purchase pension scheme	34	34
	945	1,484

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 (2009: five)

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

	2010 £000	2009 £000
Emoluments	148	239

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

(b) Staff costs (including directors)

	2010 £000	2009 £000
Wages and salaries	4,934	5,043
Social security costs	551	667
Pension costs	91	75
	<u>5,576</u>	<u>5,785</u>
	2010 Number	2009 Number
Average number of people employed by activity		
Production	48	46
Selling and distribution	14	15
Administration	38	39
	<u>100</u>	<u>100</u>

5. PROFIT ON DISPOSAL OF INVESTMENT

	2010 £000	2009 £000
Profit on disposal of investment	<u>-</u>	<u>8,102</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £000	2009 £000
Bank deposit interest	99	146
Group interest receivable	<u>13,264</u>	<u>4,070</u>
	<u>13,363</u>	<u>4,216</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £000	2009 £000
Group interest payable	8,163	7,479
Discount on group loan notes	<u>432</u>	<u>7,166</u>
	<u>8,595</u>	<u>14,645</u>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£000	£000
Current tax:		
UK corporation tax	-	81
UK corporation tax – amounts payable to group companies in respect of group relief	-	1,707
Foreign taxes suffered	3	81
Double tax relief	-	(81)
Adjustment in respect of previous periods	151	-
	<hr/>	<hr/>
Total current tax charge	154	1,788
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences	20	(18)
Adjustment in respect of previous periods	13	48
	<hr/>	<hr/>
Total deferred tax charge (note 16)	33	30
	<hr/>	<hr/>
Tax on profit on ordinary activities	187	1,818
	<hr/>	<hr/>

The tax assessed for the year differs from the rate of 28% (2009 28%) and the differences are explained below

	2010	2009
	£000	£000
Profit on ordinary activities before tax	15,194	6,553
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the rate of 28% (2009 28%)	4,254	1,835
	<hr/>	<hr/>
Effects of		
Net effect of expenses not deductible for tax and income not subject to tax	(3,572)	197
Accelerated capital allowances/other timing differences	(17)	17
Overseas tax	3	-
Non taxable gain on intra group asset sale	-	(2,268)
Deferred tax asset not recognised	(665)	2,007
Adjustment in respect of previous periods	151	-
	<hr/>	<hr/>
Current tax charge for the year	154	1,788
	<hr/>	<hr/>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (Continued)

The Company has tax losses of £4.8 million (2009: £nil) available to carry forward against future profits. Whilst the Company expects to be able to benefit from tax losses carried forward, no deferred tax asset has been recognised as losses may be surrendered to other group companies.

On 22 June 2010, the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2010 has been included in the figures above.

On 23 March 2011, the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax asset. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 27% to 23%, if these applied to the deferred tax balance at 31 December 2010, would be to further reduce the deferred tax asset.

9. TANGIBLE ASSETS

	Motor Vehicles	Fixtures, Fittings and Office Equipment	Total
	£000	£000	£000
Cost			
At 1 January 2010	345	693	1,038
Additions	-	252	252
Disposals	(28)	-	(28)
At 31 December 2010	317	945	1,262
Depreciation			
At 1 January 2010	345	660	1,005
Charge for the year	-	40	40
Disposals	(28)	-	(28)
At 31 December 2010	317	700	1,017
Net book amounts			
At 31 December 2010	-	245	245
At 31 December 2009	-	33	33

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

10 FIXED ASSETS INVESTMENTS

	Shares in group undertakings £000
Cost	
At 1 January 2010	14,681
Additions	446
Disposals	-
	<hr/>
At 31 December 2010	15,127
	<hr/>
Provision for impairment	
At 1 January 2010	3,503
Impairment	-
	<hr/>
At 31 December 2010	3,503
	<hr/>
Net book amounts	
At 31 December 2010	11,624
	<hr/>
At 31 December 2009	11,178
	<hr/>

Investments in the following companies were held at a total value of £11.6 million in the accounts at 31 December 2010 (2009: £11.2 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%
Iberian Ediciones Limited***	Magazine Publishing	50%

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. *** Denotes operates a branch in Spain, entered into voluntary liquidation in the year

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

10. FIXED ASSETS INVESTMENTS (Continued)

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 18 Esplanade, St Helier, Jersey, JE4 8RT

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

11 STOCKS

	2010	2009
	£000	£000
Raw materials and consumables	<u>1,526</u>	<u>1,325</u>

12. DEBTORS

	2010	2009
	£000	£000
Trade debtors	2,172	2,267
Amounts owed by group undertakings	536,023	453,102
Amounts due from related parties	670	1,431
Other debtors	100	94
Prepayments and accrued income	423	781
Deferred tax asset (note 16)	<u>78</u>	<u>111</u>
	<u>539,466</u>	<u>457,786</u>

Amounts owed by group undertakings carry interest between nil% and 2.5% above base rate or LIBOR, are unsecured and repayable on demand. Amounts owed by dormant group undertakings, included in amounts owed by group undertakings are non interest bearing.

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13 CREDITORS: amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	3,919	4,747
Amounts owed to group undertakings	361,363	102,945
Amounts owed to group undertakings with respect to group relief	3,966	3,816
Discounted loan notes	-	187,257
Other creditors	1,059	1,073
Accruals and deferred income	6,092	7,489
	376,399	307,327

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.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Other
	£000
At 1 January 2010	901
Credited to the profit and loss account	(471)
At 31 December 2010	430

Other provisions of £0.4 million (2009: £0.9 million) relate to onerous rental commitments at The Northern & Shell Tower, City Harbour, London, E14 9GL. This provision is expected to be utilised during the period to 31 December 2012.

15. 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	
	2010	2009
	£000	£000
After 5 years	909	909

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. DEFERRED TAX ASSET

	£000
At 1 January 2010	111
Charged to the profit and loss account	(33)
	<hr/>
At 31 December 2010	78
	<hr/>

	2010 £000	2009 £000
Deferred tax asset		
Accelerated capital allowances	78	111
	<hr/>	<hr/>
Total deferred tax	78	111
	<hr/>	<hr/>

17 CALLED UP SHARE CAPITAL

	2010 £000	2009 £000
Authorised 500,000 Ordinary shares of £1 each	500	500
	<hr/>	<hr/>
Allotted and fully paid 100,000 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

18 RESERVES

	Capital redemption reserve £000	Profit and loss £000
At 1 January 2010	1,100	187,374
Profit for the year	-	15,007
	<hr/>	<hr/>
At 31 December 2010	1,100	202,381
	<hr/>	<hr/>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £000	2009 £000
Profit for the year	<u>15,007</u>	<u>4,735</u>
Increase in shareholders' funds	15,007	4,735
Opening shareholders' funds	<u>188,574</u>	<u>183,839</u>
Closing shareholders' funds	<u>203,581</u>	<u>188,574</u>

20. GUARANTEES AND CONTINGENT LIABILITIES

The Company is part of the Northern & Shell Media Group Limited group. At 31 December 2010, 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.

At 31 December 2010, the Company jointly guarantees a bank loan entered into by the ultimate parent undertaking, Northern & Shell Media Group Limited. The loan outstanding at 31 December 2010 is £60.0 million (2009: £nil).

21. RELATED PARTY TRANSACTIONS

During the year, the Company made £364,000 contributions (2009: £nil) 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 Media Group Limited group.

During the year the Company charged certain joint venture companies for license fees and picture recharges. An amount of £nil (2009: £59,000) was charged to OK! Verlag GmbH & Co KG. The Company also provided funding to support the ongoing operations of these companies. At 31 December 2010 OK! Verlag GmbH & Co KG owed the Company £nil (2009: £5,000).

22. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Northern & Shell Network Limited and the ultimate parent undertaking is Northern & Shell Media Group Limited. The ultimate controlling party is Richard Desmond, the chairman of Northern & Shell Media Group Limited.

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