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NORTHERN & SHELL PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



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NORTHERN & SHELL PLC

ANNUAL REPORT

31 DECEMBER 2002

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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 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

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 £1,971,544 (2001: profit £2,628,860).

The directors do not recommend the payment of a dividend (2001 - £nil) but have proposed and partially paid preferred ordinary dividends of £88,000 (2001: £100,000).

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 54 days' purchases outstanding at 31 December 2002 based on the average daily amount invoiced by suppliers during the year (2001: 87 days).

CHARITABLE DONATIONS

Charitable contributions were made during the year amounting to £208,683 (2001 - £122,465).
There were no political contributions made during the year (2001 - £100,023).

NORTHERN & SHELL PLC

DIRECTORS' REPORT

For the year ended 31 December 2002

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 distribution of the group corporate brochure. This practice is reviewed regularly.

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

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 with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting Policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 10 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company 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 :

24/04/03

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL PLC

For the year ended 31 December 2002

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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only a list of the officers and professional advisors and the directors' report.

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 2002 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 : 24 April 2003

NORTHERN AND SHELL PLC

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Notes	Total 2002 £000	As restated Total 2001 £000
Turnover	2	45,261	35,500
Cost of sales		<u>(28,350)</u>	<u>(22,533)</u>
Gross profit		16,911	12,967
Distribution costs		(8,505)	(5,332)
Administration expenses		(8,210)	(6,209)
Other operating income		<u>942</u>	<u>727</u>
		<u>(15,773)</u>	<u>(10,814)</u>
Operating profit	3	1,138	2,153
Interest receivable and similar income	5	866	1,690
Interest payable and similar charges	6	<u>(32)</u>	<u>(1,214)</u>
Profit on ordinary activities before taxation		1,972	2,629
Tax on profit on ordinary activities	7	<u>(710)</u>	<u>(931)</u>
Profit on ordinary activities after taxation		1,262	1,698
Dividends - non equity	8	<u>(88)</u>	<u>(100)</u>
Profit for the financial year	20	<u>1,174</u>	<u>1,598</u>

Statement of recognised gains & losses for year ended 31 December 2002

Total recognised gain relating to the year		1,262	1,698
Prior year adjustment	20	<u>760</u>	
Total gains recognised since last annual report		<u>2,022</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.

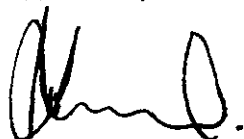
Turnover and operating profits is wholly attributable to continuing operations.

NORTHERN & SHELL PLC

BALANCE SHEET as at 31 December 2002

	Notes	2002 £000	As restated 2001 £000
FIXED ASSETS			
Intangible assets	9	24	26
Tangible assets	10	352	660
Investments	11	-	-
		<u>376</u>	<u>686</u>
CURRENT ASSETS			
Stocks	12	1,151	903
Debtors	13	63,310	47,831
Cash at bank and in hand		7,414	1,322
Deferred tax	18	232	760
		<u>72,107</u>	<u>50,816</u>
CREDITORS: amounts falling due within one year	14	<u>(57,358)</u>	<u>(37,403)</u>
NET CURRENT ASSETS		<u>14,749</u>	<u>13,413</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,125	14,099
CREDITORS: amounts falling due after more than one year	15	(66)	(214)
NET ASSETS		<u>15,059</u>	<u>13,885</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,200	1,200
Profit and loss account	20	13,859	12,685
TOTAL SHAREHOLDERS' FUNDS	21	<u>15,059</u>	<u>13,885</u>
Analysis of shareholders' funds			
Equity		13,959	12,785
Non-equity	19	1,100	1,100
		<u>15,059</u>	<u>13,885</u>

Approved by the Board of Directors :



Mr. R.C. Desmond

Dated 24-4-03

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

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.

Changes in accounting policies

In November and December 2000, the Accounting Standards Board issued FRS17, 'Retirement benefits', and FRS 19, 'Deferred tax'.

The company has adopted FRS 19, 'Deferred tax', in the financial statements. The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly. The company has chosen not to adopt FRS17 early but has complied with the transitional disclosures required by the standard.

The effect of the change in accounting policy to adopt FRS19 was to increase tax on profit on ordinary activities by £528,000 (2001 : £734,000). The adjustments to opening reserves are shown in note 20.

(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 2002

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

The company has adopted FRS 19 on deferred taxation in these financial statements, details of which are set out above.

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 2002

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

	2002 £000	2001 £000
Operating profit is stated after charging / (crediting) :		
Auditors' remuneration - audit services	110	106
Auditors' remuneration - non audit services	84	432
Depreciation - leased assets	174	256
Depreciation - owned assets	96	87
Amortisation of intangible assets	2	2
Profit on disposal of tangible fixed assets	(42)	(73)
Operating lease rentals	929	646
Operating income - rental income under operating leases	(942)	(727)
Foreign exchange loss	3	9

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2002 £000	2001 £000
Emoluments	1,778	779
Company contributions to money purchase pension scheme	1,345	31
	<u>3,123</u>	<u>810</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 (2001: 5) under money purchase schemes.

	2002 £000	2001 £000
The above details include the following amounts in respect of the highest paid director:		
Emoluments	629	330
Company contributions to money purchase pension schemes	1,251	2
	<u>1,880</u>	<u>332</u>

NORTHERN & SHELL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

(b) Staff Costs (Including Directors)

	2002	2001
	£000	£000
Wages and salaries	6,380	4,125
Social security costs	607	510
Pension costs	1,391	60
	<u>8,378</u>	<u>4,695</u>

	2002	2001
	Number	Number
Average number of people employed :		
Office and management (including directors)	<u>108</u>	<u>119</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£000	£000
Bank deposit interest	116	4
Group interest receivable	750	1,686
	<u>866</u>	<u>1,690</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£000	£000
Bank loans and overdrafts	4	2
Group interest payable	-	1,107
Interest payable on finance leases	27	52
Other interest payable	1	53
	<u>32</u>	<u>1,214</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2002	As restated
	£000	2001
		£000
Current tax:		
UK corporation tax on profits of the period	-	121
UK corporation tax - payable to group companies in respect of group relief	224	-
Adjustment in respect of previous periods	(42)	76
	<hr/>	<hr/>
Total current tax	182	197
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing difference	425	734
Adjustments in respect of previous periods	103	-
	<hr/>	<hr/>
Total deferred tax (Note 18)	528	734
	<hr/>	<hr/>
Tax on profit on ordinary activities	710	931
	<hr/>	<hr/>

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

The differences are explained below:

	2002	As restated
	£000	2001
		£000
Profit on ordinary activities before tax	1,972	2,629
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	592	789
Effects of:		
Expenses not deductible for tax purposes	57	49
Excess of capital allowances over depreciation and other timing differences	54	(19)
Utilisation of prior year tax losses	(479)	(727)
Other	-	29
Adjustments to tax charge in respect of previous period	(42)	76
	<hr/>	<hr/>
Current tax charge for the period	182	197
	<hr/>	<hr/>

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

	2002		2001	
	Per share	Total	Per share	Total
	£	£000	£	£000
£1 preferred ordinary shares :				
Interim Paid	0.04	44	0.0455	50
Proposed Final	0.04	44	0.0455	50
	<hr/>	<hr/>	<hr/>	<hr/>
Total dividends	0.08	88	0.0910	100
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9. INTANGIBLE FIXED ASSETS

	Trademarks £000
Cost:	
At 1 January 2002 and 31 December 2002	32
Amortisation:	
At 1 January 2002	6
Charge for the year	2
At 31 December 2002	8
Net book amounts:	
At 31 December 2002	24
At 31 December 2001	26

10. TANGIBLE ASSETS

	Motor vehicles £000	Fixtures, fittings, tools & equipment £000	Total £000
Cost:			
At 1 January 2002	621	2,227	2,848
Additions	-	1	1
Disposals	(110)	(1,535)	(1,645)
At 31 December 2002	511	693	1,204
Depreciation:			
At 1 January 2002	264	1,924	2,188
Charge for the year	127	143	270
Disposals	(71)	(1,535)	(1,606)
At 31 December 2002	320	532	852
Net book amounts:			
At 31 December 2002	191	161	352
At 31 December 2001	357	303	660

Fixtures, fittings, tools & equipment and motor vehicles includes assets acquired under finance leases in respect of which, as at 31 December 2002 the net book value was £179,216 (2001 - £388,969) after charging £173,531 (2001 - £256,493) depreciation for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

11. INVESTMENTS

Investments in the following companies were held at a total value of £215 in the accounts at 31 December 2002.

Company name	Principal activity	Percentage holding of £1 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	Property services	100%
Tower Magazines Limited	Dormant	100%
Northern & Shell Videos Limited	Dormant	100%
Sightline Publications Limited	Dormant	100%
Chic Magazines Limited	Magazine Publishing	90%
Burginhall 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	Not Trading	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

	2002 £000	2001 £000
Raw materials and consumables	1,146	902
Goods for resale	<u>5</u>	<u>1</u>
	<u><u>1,151</u></u>	<u><u>903</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

13. DEBTORS

	2002 £000	2001 £000
Trade debtors	1,266	1,460
Amounts owed by group undertakings	61,256	45,263
Other debtors	177	1
Prepayments and accrued income	611	1,107
	<u>63,310</u>	<u>47,831</u>

Amounts owed by group undertakings are unsecured, £15,171,260 of the balance is interest bearing, and repayable on demand.

14. CREDITORS: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	2,266	2,874
Amounts owed to group undertakings	48,723	27,714
Obligations under finance lease	132	180
Amounts owed to group undertakings in respect of group relief	225	-
Taxation and social security	-	200
Corporation tax	40	241
Other creditors	1,448	84
Accruals and deferred income	4,524	6,110
	<u>57,358</u>	<u>37,403</u>

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

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

	2002 £000	2001 £000
Obligations under finance leases	<u>66</u>	<u>214</u>
	<u>66</u>	<u>214</u>

16. OBLIGATIONS UNDER FINANCE LEASES

	2002 £000	2001 £000
Future minimum payments under finance leases are as follows:		
Within one year	132	180
In more than one year but less than five years	<u>66</u>	<u>214</u>
	<u>198</u>	<u>394</u>

17. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company was committed to making the following annual payments in respect of operating leases which expire:

	Land & buildings	
	2002 £000	2001 £000
After 5 years	<u>929</u>	<u>646</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

18. DEFERRED TAXATION

	2002	As restated
	£000	2001
		£000
Excess of capital allowances over depreciation	71	80
Other short term timing differences	161	17
Tax losses carried forward	-	663
	<u>232</u>	<u>760</u>

19. CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	2002	2001	2002	2001
	£000	£000	£000	£000
Ordinary shares of £1 each (500,000 shares)	500	500	100	100
Preferred ordinary shares of £1 each (1,100,000 shares)	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
	<u>1,600</u>	<u>1,600</u>	<u>1,200</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 share together with a sum equal to any dividend arrears.

With regard to return of assets on liquidation, reduction of capital or otherwise, the holders of Preferred ordinary shares shall be entitled, in priority to all other shareholders, to be paid out of the surplus assets of the company an amount equal to the nominal value of the shares and an amount equal to arrears of dividends. Holders of Preferred ordinary shares shall have one vote for every twenty shares held.

20. RESERVES

Profit and loss account	£000
Balance at 1 January 2001 as previously reported	9,593
Prior year adjustment to opening reserves	<u>1,494</u>
Balance at 1 January 2001 as restated	11,087
Retained profit for the 2001 financial year as previously reported	2,332
Prior year adjustment to 2001 retained profit	<u>(734)</u>
Retained profit for the 2001 financial year as restated	<u>1,598</u>
Balance at 1 January 2002 as restated	12,685
Retained profit for the financial year	<u>1,174</u>
At 31 December 2002	<u>13,859</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	As restated 2001 £000
Profit on ordinary activities after taxation	1,262	1,698
Dividends	(88)	(100)
Net addition to shareholders' funds	1,174	1,598
Opening shareholders' funds as previously reported	13,885	10,793
Prior year adjustment	-	1,494
Opening shareholders' funds as restated	13,885	12,287
Closing shareholders' funds	15,059	13,885

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

22. CONTINGENT LIABILITIES

As part of the agreement for the disposal of a subsidiary in March 1993, the company indemnified the purchaser and the subsidiary company in respect of any tax liability arising in the subsidiary on or before the date of sale. The maximum potential tax liability and interest which could arise as a result of this tax indemnity is estimated to be approximately £8.77m (2001 : £8.49m) as at 31 December 2002.

No provision has been made for any tax liability with regard to this matter as in the opinion of the directors, based on professional advice, no liability is expected to crystallise.

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.

NORTHERN & SHELL PLC

DETAILED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	<u>2002</u>		<u>2001</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
TURNOVER				
Advertising revenue	12,629		10,542	
Circulation and general sales	31,412		24,047	
Reprographic sales	564		260	
Other sales	<u>656</u>		<u>651</u>	
		45,261		35,500
COST OF SALES				
Covermounts	2		68	
Royalties	191		223	
Printing and paper	20,266		15,633	
Materials, artwork, photography and contributors	<u>7,891</u>		<u>6,609</u>	
		<u>28,350</u>		<u>22,533</u>
GROSS PROFIT		16,911		12,967
DISTRIBUTION COSTS				
Travel including motor expenses	150		339	
Advertising and promotions	8,060		4,825	
Entertaining	105		-	
Freight, delivery and storage	<u>190</u>		<u>168</u>	
	<u>8,505</u>		<u>5,332</u>	
ADMINISTRATION EXPENSES				
Postage and stationery	246		207	
Salaries including social costs	6,987		4,685	
Rent, rates and services	837		708	
Telephone, fax and photocopiers	69		98	
Recruiting costs	45		61	
Insurance	136		113	
Subscriptions and publications	111		26	
Donations & sponsorship	209		222	
Repairs and maintenance	153		174	
Bank charges	15		18	
Legal and professional	1,003		1,438	
Audit and accountancy	<u>113</u>		<u>112</u>	
Carried forward	9,924	16,911	7,862	12,967

NORTHERN & SHELL PLC

DETAILED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	<u>2002</u>		<u>2001</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£000</u>
Brought forward	9,924	16,911	7,862	12,967
Depreciation - motor vehicles	127		146	
Depreciation - fixtures, fittings tools & equipment	144		224	
Intangible assets amortisation	2		2	
Depreciation recharge	(19)		(23)	
Directors and staff pension	140		60	
Training and Conference	17		4	
Profit on sale of fixed assets	(42)		(73)	
Bad debts	10		108	
Exchange loss	3		9	
Management charges	<u>(2,096)</u>		<u>(2,110)</u>	
	<u>8,210</u>		<u>6,209</u>	
OTHER OPERATING INCOME				
Rent received	<u>(942)</u>		<u>(727)</u>	
	<u>(942)</u>		<u>(727)</u>	
		<u>15,773</u>		<u>10,814</u>
OPERATING PROFIT		<u><u>1,138</u></u>		<u><u>2,153</u></u>