

NORTHERN & SHELL MAGAZINES LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

WEDNESDAY



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NORTHERN & SHELL MAGAZINES LIMITED

ANNUAL REPORT

31 December 2006

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NORTHERN & SHELL MAGAZINES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr M S Ellice
Dr P Ashford

SECRETARY

Mr R Sanderson

COMPANY NUMBER

03009449 (England)

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

BANKERS

Bank of Scotland
155 Bishopsgate
London EC2M 3YB

REGISTERED OFFICE

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

NORTHERN & SHELL MAGAZINES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The principal activity of the Company is the publishing of magazines

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The profit and loss account is set out on page 6

The directors consider the result for the year to be satisfactory. The immediate holding company, Northern & Shell Plc, provides certain assets for the Company to use in publishing the magazines, and purchases stock on its behalf.

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 liabilities were £1.2 million at 31 December 2006 (2005: £1.3 million).

RESULTS AND DIVIDENDS

The Company recorded a profit before taxation of £44,000 (2005: £451,000 profit).

The directors do not recommend the payment of a dividend (2005: £nil).

DIRECTORS AND THEIR INTERESTS

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

No other directors held office throughout the entire year.

At the beginning and the end of the year, Mr R C Desmond was beneficially interested in the whole of the issued share capital of the Company. The interests of Mr R C Desmond, who is a director of the 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 2006	At 31 December 2006
Mr M S Ellice	75,000	75,000
Dr P Ashford	37,500	37,500

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include credit and liquidity. 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.

NORTHERN & SHELL MAGAZINES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

GOING CONCERN

The Company has negative net assets. A letter of support has been received from the ultimate operational parent company, Northern & Shell Network Limited, stating that this company will provide financial support as necessary to enable the Company to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 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.

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

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

Approved by the Board and signed on behalf of the Board



Mr R Sanderson
Secretary

Date 19 April 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL MAGAZINES LIMITED

For the year ended 31 December 2006

We have audited the financial statements of Northern & Shell Magazines Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Date 20 April 2007

NORTHERN & SHELL MAGAZINES LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Notes	Total 2006 £000	Total 2005 £000
Turnover	2	11,195	9,362
Cost of sales		<u>(7,252)</u>	<u>(6,417)</u>
Gross profit		<u>3,943</u>	<u>2,945</u>
Distribution costs		(2,701)	(800)
Administrative expenses		<u>(1,104)</u>	<u>(1,612)</u>
		<u>(3,805)</u>	<u>(2,412)</u>
Operating profit	3	138	533
Interest receivable and similar income	5	475	468
Interest payable and similar charges	6	<u>(569)</u>	<u>(550)</u>
Profit on ordinary activities before taxation		44	451
Tax on profit on ordinary activities	7	<u>39</u>	<u>(138)</u>
Profit for the financial year	12/13	<u>83</u>	<u>313</u>

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

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

Turnover and operating profits are wholly attributable to continuing operations


The notes on pages 8 to 12 form part of these financial statements

NORTHERN & SHELL MAGAZINES LIMITED

BALANCE SHEET as at 31 December 2006

	Notes	2006 £000	2005 £000
CURRENT ASSETS			
Debtors	8	<u>2,455</u>	<u>8,409</u>
CREDITORS amounts falling due within one year	9	<u>(3,670)</u>	<u>(9,707)</u>
NET LIABILITIES		<u>(1,215)</u>	<u>(1,298)</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	11	400	400
Profit and loss account	12	<u>(1,615)</u>	<u>(1,698)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	13	<u>(1,215)</u>	<u>(1,298)</u>

Approved by the Board


Mr M S. Ellice

Date 19 April 2007

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

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) Going concern

The Company has negative net assets. A letter of support has been received from the ultimate operational parent company, Northern & Shell Network Limited, stating that this company will provide financial support as necessary to enable the Company to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

(c) Consolidated financial statements and cash flow statement

Northern & Shell Network Limited prepares and files a consolidated cash flow statement which includes the cash flows 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) 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.

2 TURNOVER

The Company's turnover arises solely from its publishing activities within the United Kingdom.

3 OPERATING PROFIT

Audit Services

Fees paid to the Company's auditor, PricewaterhouseCoopers LLP, and its associates for services other than statutory audit of the Company are not disclosed in Northern & Shell Magazines Limited's accounts since the consolidated accounts of Northern & Shell Magazines Limited's ultimate operational parent, Northern & Shell Network Limited, are required to disclose other services on a consolidated basis.

Auditors' remuneration of £10k for the year ended 31 December 2006 (2005: £9k) is borne by Northern & Shell Plc, the immediate holding company.

Fixed assets used by the Company are held by other group companies, with depreciation charged via a management charge.

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

Directors' emoluments are borne by Northern & Shell Plc, the immediate holding company, and £50,000 (2005 £230,000) is recharged to the Company as part of a management charge from that company

(b) Staff Costs

	2006 £000	2005 £000
Wages and salaries	758	826
Social security costs	119	124
Pension costs	7	6
	<u>884</u>	<u>956</u>
	2006 Number	2005 Number
Average number of people employed		
Office and management (including directors)	<u>22</u>	<u>25</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £000	2005 £000
Group interest receivable	<u>475</u>	<u>468</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Group interest payable	<u>569</u>	<u>550</u>

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
Current tax		
UK corporation tax - payable to group companies in respect of group relief	14	138
Adjustment in respect of previous periods	(47)	71
	<hr/>	<hr/>
Total current tax	(33)	209
	<hr/>	<hr/>
Deferred tax		
Adjustment in respect of previous periods	-	(71)
Origination and reversal of timing differences	(6)	-
	<hr/>	<hr/>
Total deferred tax	(6)	(71)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(39)	138

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

	2006 £000	2005 £000
Profit on ordinary activities before tax	<hr/> 44	<hr/> 451
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	14	136
Effects of		
Expenses not deductible for tax purposes	-	2
Adjustment in respect of previous periods	(47)	71
	<hr/>	<hr/>
Current tax (credit)/charge	(33)	209

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

8 DEBTORS

	2006	2005
	£000	£000
Trade debtors	206	181
Amounts owed by group undertakings	1,700	7,726
Amounts owed by group undertakings with respect to group relief	458	425
Deferred tax asset (note 10)	76	70
Prepayments and accrued income	15	7
	<u>2,455</u>	<u>8,409</u>

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

9 CREDITORS amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	479	103
Amounts owed to group undertakings	3,008	9,361
Accruals and deferred income	183	243
	<u>3,670</u>	<u>9,707</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, are non interest bearing.

10 DEFERRED TAX ASSET

	2006	2005
	£000	£000
Deferred tax comprises		
Unutilised tax losses	<u>76</u>	<u>70</u>

11 SHARE CAPITAL

	2006	2005
	£000	£000
Authorised		
400,000 Ordinary shares £1 each	<u>400</u>	<u>400</u>
Allotted, called up and fully paid		
400,000 Ordinary shares £1 each	<u>400</u>	<u>400</u>

12 RESERVES

	Profit and Loss account
	£
At 1 January 2006	(1,698)
Profit for the financial year	<u>83</u>
At 31 December 2006	<u>(1,615)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2006	2005
	£000	£000
Opening shareholders' deficit	(1,298)	(1,611)
Profit for the financial year	<u>83</u>	<u>313</u>
Closing shareholders' deficit	<u>(1,215)</u>	<u>(1,298)</u>

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

14 GUARANTEES AND CONTINGENT LIABILITIES

At 31 December 2006, the assets of the Company are held as security for bank loans advanced to group undertakings. After the year end, the arrangements securing these bank loans were amended (note 15).

The Company is part of the Northern & Shell Network group. At 31 December 2006, 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.

15 POST BALANCE SHEET EVENT

On 18 April 2007, the bank loans referred to in note 14 were restructured. As a result, the arrangements in place as at 31 December 2006 were superseded and the bank loans are no longer secured on the assets of the Company.

16 RELATED PARTY TRANSACTIONS

The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Northern & Shell Network group.

17 ULTIMATE HOLDING COMPANY

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 largest and smallest groups into which these accounts are consolidated are RCD1 Limited and Northern & Shell Network Limited respectively.

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