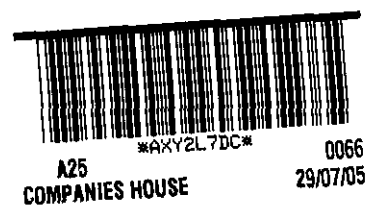


NORTHERN & SHELL MAGAZINES LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



NORTHERN & SHELL MAGAZINES LIMITED

ANNUAL REPORT

31 December 2004

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NORTHERN & SHELL MAGAZINES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. M.S. Ellice
Mr. P. Ashford

SECRETARY

Mr. M.S. Gill

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 2004

The directors present their report and the audited financial statements for the year ended 31 December 2004.

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 Company expects to continue its principal activity for the foreseeable future.

RESULTS AND DIVIDENDS

The Company recorded a loss before taxation of £235,456 (2003 : £1,897,402 loss).

The directors do not recommend the payment of a dividend (2003: £nil).

From 1 January 2004, interest at 2% above the base rate has been charged on all intercompany balances.

DIRECTORS AND THEIR INTERESTS

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

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

GOING CONCERN

The Company is trading at a loss and has negative net assets. A letter of support has been received from the 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.

NORTHERN & SHELL MAGAZINES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2004

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 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

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

Approved by the Board and signed on behalf of the Board



Mr. M.S. Gill
Secretary

Dated : 28th April 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL MAGAZINES LIMITED

For the year ended 31 December 2004

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss 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 : 28th April 2005

NORTHERN & SHELL MAGAZINES LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2004**

	Notes	Total 2004 £	Total 2003 £
Turnover	1	9,186,048	6,047,852
Cost of sales		<u>(6,432,398)</u>	<u>(4,811,075)</u>
Gross profit		<u>2,753,650</u>	<u>1,236,777</u>
Distribution costs		(1,543,182)	(2,186,246)
Administrative expenses		<u>(1,340,003)</u>	<u>(947,933)</u>
		<u>(2,883,185)</u>	<u>(3,134,179)</u>
Operating loss	2	(129,535)	(1,897,402)
Interest receivable and similar income	4	362,704	-
Interest payable and similar charges	5	<u>(468,625)</u>	<u>-</u>
Loss on ordinary activities before taxation		(235,456)	(1,897,402)
Tax on loss on ordinary activities	6	<u>64,378</u>	<u>569,193</u>
Loss for the financial year	10	<u><u>(171,078)</u></u>	<u><u>(1,328,209)</u></u>

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

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

Turnover and operating losses are wholly attributable to continuing operations.

NORTHERN & SHELL MAGAZINES LIMITED

BALANCE SHEET as at 31 December 2004

	Notes	2004 £	2003 £
CURRENT ASSETS			
Debtors	7	<u>6,089,078</u>	<u>3,006,902</u>
CREDITORS: amounts falling due within one year	8	<u>(7,699,581)</u>	<u>(4,446,327)</u>
NET LIABILITIES		<u>(1,610,503)</u>	<u>(1,439,425)</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	9	400,000	400,000
Profit and loss account	10	<u>(2,010,503)</u>	<u>(1,839,425)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	11	<u>(1,610,503)</u>	<u>(1,439,425)</u>

Approved by the Board :



Mr. M.S. Ellice

Dated : 28th April 2005

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Going concern

The company is trading at a loss and has negative net assets. A letter of support has been received from the 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 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 & 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.

(d) Turnover

Turnover represents the invoiced amount of goods sold and services provided (stated net of Value Added Tax).

2. OPERATING LOSS

The audit fee is borne by Northern & Shell plc, a group company. Fixed assets used by the Company are held by other group companies, with depreciation charged via a management charge.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

Directors' emoluments are borne by Northern & Shell Plc and £148,686 (2003: £137,685) is recharged to the Company as part of a management charge from that company.

(b) Staff Costs

	2004 £	2003 £
Wages and salaries	610,079	498,033
Social security costs	100,234	70,081
Pension costs	1,780	460
	<u>712,093</u>	<u>568,574</u>
	2004 Number	2003 Number
Average number of people employed :		
Office and management (including directors)	<u>20</u>	<u>17</u>

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £	2003 £
Group interest receivable	<u>362,704</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Group interest payable	<u>468,625</u>	<u>-</u>

6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2004 £	2003 £
Current tax:		
UK corporation tax - receivable from group companies in respect of group relief	(70,664)	(569,193)
Adjustment in respect of previous period	<u>6,286</u>	<u>-</u>
Total current tax	<u>(64,378)</u>	<u>(569,193)</u>

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

	2004 £	2003 £
Loss on ordinary activities before tax	<u>(235,456)</u>	<u>(1,897,402)</u>
Loss on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	(70,637)	(569,221)
Effects of:		
Expenses not deductible for tax purposes	-	28
Accelerated capital allowances	(27)	-
Adjustment in respect of previous period	<u>6,286</u>	<u>-</u>
Current tax charge for the period	<u>(64,378)</u>	<u>(569,193)</u>

7. DEBTORS

	2004 £	2003 £
Trade debtors	133,755	147,858
Amounts owed by group undertakings	5,321,490	2,275,387
Amounts owed by group undertakings with respect to group relief	633,571	569,193
Other debtors	-	14,464
Prepayments and accrued income	<u>262</u>	<u>-</u>
	<u>6,089,078</u>	<u>3,006,902</u>

Amounts owed by group undertakings are unsecured, interest bearing, and repayable on demand.
From 1 January 2004, interest at 2% above the base rate has been charged on all intercompany balances.

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

8. CREDITORS : amounts falling due within one year

	2004	2003
	£	£
Trade creditors	95,118	127,968
Amounts owed to group undertakings	7,295,207	3,691,070
Accruals and deferred income	309,256	627,289
	<u>7,699,581</u>	<u>4,446,327</u>

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.
From 1 January 2004, interest at 2% above the base rate has been charged on all intercompany balances.

9. SHARE CAPITAL

	2004	2003
	£	£
Authorised :		
400,000 Ordinary shares £ 1 each	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid :		
400,000 Ordinary shares £ 1 each	<u>400,000</u>	<u>400,000</u>

10. RESERVES

	Profit and Loss account
	£
At 1 January 2004	(1,839,425)
Loss for the financial year	<u>(171,078)</u>
At 31 December 2004	<u>(2,010,503)</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2004	2003
	£	£
Loss for the financial year	(171,078)	(1,328,209)
Opening shareholders' deficit	(1,439,425)	(111,216)
	<u>(1,610,503)</u>	<u>(1,439,425)</u>
Closing shareholders' deficit		

12. CONTINGENCIES

The company is part of the Northern & Shell Network group. At 31 December 2004, 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.

NORTHERN & SHELL MAGAZINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

13. 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.

14. IMMEDIATE HOLDING COMPANY

The company is a wholly owned subsidiary of Northern & Shell Plc, a company incorporated in England. Copies of the Northern & Shell Plc financial statements can be obtained from : The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN.

15. 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 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.