RCD1 LIMITED

GROUP REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

RCD1 LIMITED

ANNUAL REPORT

31 December 2007

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

Mr R Sanderson

COMPANY NUMBER

4086466 (England)

AUDITORS

KPMG LLP
20 Farringdon Street
London
EC4A 4PP

BANKERS

Bank of Scotland
155 Bishopsgate
London, EC2M 3YB

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New York
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USA

REGISTERED OFFICE

The Northern & Shell Building
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London, EC3R 6EN

RCD1 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

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

PRINCIPAL ACTIVITIES

RCD1 Limited is the ultimate holding company of the Northern & Shell group of companies The Company regards its subsidiary, Northern & Shell Network Limited, to be the operational parent of the Group It owns a group of companies principally engaged in newspaper publishing and printing, magazine publishing and television broadcasting The Group, through its subsidiary Northern & Shell Insurance Limited, is also engaged in insurance activities

It is the intention of the Group to continue trading in the printing and publishing areas in the foreseeable future The Group continues to review its strategic options with regard to its television activities

RESULTS AND DIVIDENDS

The Group recorded a profit before taxation of £55 4 million (2006 £5 6 million as restated)

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

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The Group responded to the competitive markets it faced in all of its principal publishing and broadcasting activities by increasing its investment in new products, including internationally, during the year Accordingly, the directors consider the underlying performance of the Group to be highly satisfactory Group turnover increased by £22 8 million (5 4%) and operating profit before tax and chairman's emoluments/pension contributions increased by £2 1 million (4 4%) After deducting £0 6 million (2006 £40 7 million) of Chairman's emoluments and pension contributions, and incurring continuing start-up operating losses of £24 3 million (2006 £19 6 million) in respect of the American and Australian editions of OK! Magazine, the Group recorded an operating profit of £49 5 million (2006 £7 3 million)

The Newspaper division's operating profit before tax and chairman's emoluments/pension contributions increased by £10 2 million (26 4%), through a combination of an increase in turnover and continued strong cost control During the year turnover increased by £5 1 million (1 9%), principally from circulation and advertising revenues despite a challenging national newspaper market with increased competition from free sheets and other new information and news mediums Given these conditions, the directors are highly satisfied with the performance of the division and feel that the newspaper division is well placed to both maintain its strong presence in the market and enhance its financial performance in the future

In the magazine publishing area, the major developments comprised the continuing establishment of the United States and Canadian OK! title in the year following its successful launch in August 2005, and the sale of 50% of the Australian OK! edition following its successful relaunch as a weekly title in 2006 Having received an acceptable offer for one half of the Australian business from PBL Media, a publisher with real critical mass in the Australian marketplace, the directors took the strategic decision to forge a new partnership to facilitate the further growth of the title in that territory The US and Canadian title continues to increase its sales and consolidate its place in the North American market The directors continue to view these international operations as a significant investment offering both financial and strategic benefits to the Group and by the first quarter of 2008 had added two further significant new joint ventures with publishing groups in Germany and Spain to launch local titles of OK! Magazine in those major territories Additionally, the worldwide presence of the brand has been further extended so that currently the Group also has 12 international editions of OK! Magazine under licence agreements with other publishers, with more scheduled to launch during 2008 The Group operates in highly competitive markets both in the UK and overseas, particularly around price and product quality, and given the nature of the environment, the directors are highly satisfied with the performance of the division

RCD1 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

REVIEW OF THE YEAR AND FUTURE PROSPECTS (Continued)

In the television production and broadcasting area, the Group operates in a highly competitive pay TV market, and its turnover and strong operating profit margins fell below those achieved in 2006 Primarily the directors attribute this to the increased competition from free to air telephony based channels, a situation which may prove to be transitory since many of these competitor channels are now finally attracting regulatory restrictions from OFCOM Responding to these challenges the Group has continued to focus on the product offering of its television broadcasting activities in the year, both in its core specialist market and through the commencement of operations in another niche broadcasting area, video games, during the second half of 2007 The division also continued its policy of diversifying into the provision of television production services by taking on more third party (non Group) business. With these developments, the directors view the future with confidence.

A range of key performance indicators (KPI's) are used to monitor the performance of the operating entities and the Group and their progress towards strategic objectives The principal KPI's vary according to division and include. circulation volumes, advertising yields, cost per copies, subscriber and pay per night numbers, contribution by title, profitability by business segment, year on year variance analysis and cash flows

Under FRS 17, 'Retirement benefits', the Group's financial statements recognise a net pension liability of £48 4 million at 31 December 2007 (excluding joint venture companies) (2006 £51.5 million). The directors continue to monitor the pension liability position and are committed to taking steps to reduce this deficit. The Group's net assets before a net pension liability of £48.4 million (2006 £51.5 million) were £86.0 million at 31 December 2007 (2006. £35.3 million as restated) The Group's net funds were £42 1 million at 31 December 2007 (2006. £29.5 million net debt).

The directors feel that the Group is well placed to build on its established activities and take advantage of new opportunities as they arise.

DIRECTORS AND THEIR INTERESTS

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

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

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

At the beginning and end of the year, Mr. R C Desmond was beneficially interested in the whole of the remaining issued share capital of the Company.

POLICY ON PAYMENT OF CREDITORS

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

The Company does not have any trade creditors

EMPLOYEE INVOLVEMENT

Durıng the year, the Group and Company maintaıned their practice of keepıng employees ınformed about current actıvıtıes and progress of the busıness usıng varıous methods ıncludıng formal brıefings, e-maıls, a corporate brochure and a corporate websıte Consultatıon wıth employees or theır representatıves has contınued at all levels, wıth the aım of ensurıng their vıews are taken ınto account where decısıons are lıkely to affect their ınterests This practice ıs revıewed regularly

Applıcatıons for employment by dısabled persons are always fully consıdered, bearıng ın mınd the respectıve aptıtudes and abılıtıes of the applıcant concerned In the event of members of staff becomıng dısabled every effort ıs made to ensure that theır employment wıth the Group and Company contınues and the approprıate traınıng ıs arranged It ıs the polıcy of the Group and Company that the traınıng, career development and promotıon of a dısabled person should, as far as possıble, be ıdentıcal to that of a person who does not suffer from a dısabılıty

FINANCIAL RISK MANAGEMENT

The Group's operatıons expose ıt to a varıety of fınancıal rısks that ınclude credıt, lıquıdıty, ınterest rate and foreıgn exchange rısks The Group has mechanısms ın place that seek to lımıt the ımpact of the adverse effects of these rısks on the fınancıal performance of the Group

Credıt rısk
The Group has ımplemented polıcıes that requıre approprıate credıt checks to be performed on potentıal customers before sales are made

Liquidity risk
The Group actıvely manages ıts fınances to ensure that the Group has suffıcıent funds avaılable for ıts operatıons

Interest rate cash flow risks
The Group has both ınterest bearıng assets and lıabılıtıes The ınterest bearıng assets are cash balances subject to floatıng ınterest rates The Group utılıses ınterest rate swaps wıth a fıxed rate to manage some of ıts lıabılıtıes Other lıabılıtıes are managed usıng floatıng rate arrangements The dırectors keep these measures under constant revıew

Foreıgn exchange rısk
The Group has foreıgn currency assets and lıabılıtıes The Group does not currently use fınancıal ınstruments to manage the rısk of fluctuatıng exchange rates and as such no hedge accountıng ıs applıed The dırectors keep these measures under constant revıew

POLITICAL AND CHARITABLE DONATIONS

Charıtable donatıons were made durıng the year amountıng to £547,000 (2006 £868,000) ıncludıng contrıbutıons to a charıtable trust (see note 30)

There were no polıtıcal contrıbutıons made durıng the year (2006 £nıl)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requıres the dırectors to prepare fınancıal statements for each fınancıal year, whıch gıve a true and faır vıew of the state of affaırs of the Company and the Group and of the profıt or loss of the Group for that perıod The dırectors are requıred to prepare the fınancıal statements on the goıng concern basıs, unless ıt ıs ınapproprıate to presume that the Company and the Group wıll contınue ın busıness

The dırectors confırm that suıtable accountıng polıcıes have been used and applıed consıstently They also confırm that reasonable and prudent judgments and estımates have been made ın preparıng the fınancıal statements for the year ended 31 December 2007 and that applıcable UK accountıng standards have been followed

The dırectors are responsıble for keepıng proper accountıng records that dısclose wıth reasonable accuracy at any tıme the fınancıal posıtıon of the Company and the Group and enable them to ensure that the fınancıal

RCD1 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are also responsible for the maintenance and integrity of the Group's website Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements

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 Group's auditors in connection with preparing their report) of which the Group'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 Group's auditors are aware of that information

AUDITORS

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

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

Mr R Sanderson
Secretary
Date 12 May 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RCD1 LIMITED

For the year ended 31 December 2007

We have audited the Group and Parent Company financial statements (the "financial statements") of RCD1 Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5 and 6

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

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

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2007 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Date 15 May 2008

RCD1 LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

Continuing operations	Notes	2007 £000	As restated 2006 £000
Turnover (including share of joint ventures)	2	**484,974**	460,527
Less share of joint venture turnover		**(43,628)**	(41,987)
Group turnover		**441,346**	418,540
Cost of sales		**(228,436)**	(213,379)
Gross profit		**212,910**	205,161
Distribution costs		**(31,338)**	(26,586)
Administrative expenses	3	**(134,439)**	(174,315)
Other operating income		**2,359**	3,076
Group operating profit before Chairman's emoluments and pension contributions		**50,123**	47,998
- Chairman's emoluments and pension contributions	5(a)	**(631)**	(40,662)
Group operating profit		**49,492**	7,336
Share of operating (loss)/profit of joint ventures (after £3 4m (2006 £3 4m) goodwill amortisation)		**(7,044)**	2,553
Total operating profit	2/4	**42,448**	9,889
Profit on sale of subsidiary	6	**15,020**	-
Profit on ordinary activities before interest and taxation		**57,468**	9,889
Interest receivable and similar income	7	**3,937**	1,055
Interest payable and similar charges	8	**(4,906)**	(4,409)
Other financing expenses	28	**(1,100)**	(900)
Profit on ordinary activities before taxation	2	**55,399**	5,635
Tax on profit on ordinary activities	9	**(7,781)**	(3,219)
Profit for the financial year	24	**47,618**	2,416

The notes on pages 13 to 38 form part of these financial statements

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

RCD1 LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2007 £000	As restated 2006 £000
Profit/(loss) for the financial year			
- Group		**52,545**	1,250
- Joint Ventures		**(4,927)**	1,166
		47,618	2,416
Revaluation reserve – (deficit)/surplus on revaluation of property	12	**(967)**	2,190
Actuarial gain/(loss) recognised in the pension scheme – excluding Joint Ventures	28	**4,800**	(24,000)
Movement on deferred tax relating to pension liability – excluding Joint Ventures		**(1,344)**	7,200
Actuarial gain recognised in the Joint Venture pension scheme		**5,136**	3,931
Movement on deferred tax relating to Joint Venture pension liability		**(1,438)**	(1,179)
Total gains/(losses) recognised for the year		**53,805**	(9,442)
Prior year adjustment	1a	**1,326**	
Total gains recognised since last annual report		**55,131**	
- Group		**56,360**	(13,360)
- Joint Ventures		**(1,229)**	3,918
Total gains/(losses) recognised for the year		**55,131**	(9,442)

RCD1 LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2007

	Notes	2007 £000	As restated 2006 £000
FIXED ASSETS			
Intangible assets	11	**9,054**	9,478
Tangible assets	12	**83,916**	82,105
Investments	13		
Interests in joint ventures			
Share of gross assets		**19,289**	25,119
Share of gross liabilities		**(18,589)**	(27,949)
Goodwill arising on acquisition		**12,985**	16,354
		13,685	13,524
Other		**85**	85
		13,770	13,609
		106,740	105,192
CURRENT ASSETS			
Stocks	14	**4,412**	3,789
Debtors	15	**51,772**	51,043
Current asset investments	16	**22**	22
Cash at bank and in hand		**122,188**	16,059
		178,394	70,913
CREDITORS amounts falling due within one year	17	**(111,316)**	(83,969)
NET CURRENT ASSETS/(LIABILITIES)		**67,078**	(13,056)
TOTAL ASSETS LESS CURRENT LIABILITIES		**173,818**	92,136
CREDITORS· amounts falling due after more than one year	18	**(73,203)**	(39,282)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(14,618)**	(17,526)
NET ASSETS excluding pension liability		**85,997**	35,328
PENSION LIABILITY	28	**(48,384)**	(51,520)
NET ASSETS/(LIABILITIES) including pension liability		**37,613**	(16,192)
CAPITAL AND RESERVES			
Called up share capital	23	**110**	110
Profit and loss account	24	**31,973**	(22,799)
Other reserves	24	**3,860**	3,860
Revaluation reserve	24	**1,570**	2,537
Capital redemption reserve	24	**100**	100
TOTAL EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	24	**37,613**	(16,192)

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

Mr R C Desmond
Chairman
Date 12 May 2008

RCD1 LIMITED

COMPANY BALANCE SHEET as at 31 December 2007

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible assets	12	11,294	12,261
Investments	13	110	110
		11,404	12,371
CURRENT ASSETS			
Debtors	15	23,612	22,048
CREDITORS. amounts falling due within one year	17	(25,433)	(23,626)
NET CURRENT LIABILITIES		(1,821)	(1,578)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,583	10,793
CREDITORS. amounts falling due after more than one year	18	(3,805)	(4,368)
NET ASSETS		5,778	6,425
CAPITAL AND RESERVES			
Called up share capital	23	110	110
Profit and loss account	24	4,098	3,778
Revaluation reserve	24	1,570	2,537
TOTAL SHAREHOLDERS' FUNDS	24	5,778	6,425

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

Mr R C Desmond
Chairman
Date 12 May 2008

RCD1 LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 £000	As restated 2006 £000
Net cash inflow from continuing operating activities	25	**78,069**	15,032
Dividends received from joint ventures		**2,036**	1,698
Returns on investments and servicing of finance			
Interest received		**3,057**	889
Interest paid		**(4,070)**	(4,111)
Issue costs of new bank loan		**(502)**	-
Interest element of finance lease rentals		**(49)**	(41)
Net cash outflow from returns on investments and servicing of finance		**(1,564)**	(3,263)
Taxation		**(228)**	(238)
Capital expenditure			
Payments to acquire tangible fixed assets		**(5,637)**	(7,163)
Payments to acquire intangible assets		**(1,134)**	(831)
Receipts from disposal of tangible fixed assets		**5**	26
Net cash outflow for capital expenditure		**(6,766)**	(7,968)
Acquisitions and disposals			
Contributions to joint ventures		**(3,445)**	-
Receipts from sale of subsidiary		**3,875**	-
Net cash disposal with subsidiary		**(50)**	-
Net cash inflow from acquisitions and disposals		**380**	-
Net cash inflow before use of liquid resources and financing		**71,927**	5,261
Management of liquid resources		**-**	(7)
Financing			
Joint venture loan repaid		**-**	(250)
External loan repayments		**(16,084)**	(14,546)
External loan		**50,500**	9,500
Capital element of finance lease rentals		**(397)**	(104)
Net cash inflow/(outflow) from financing		**34,019**	(5,400)
Increase/(decrease) in net cash	26/27	**105,946**	(146)

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards The principal accounting policies are set out below Certain comparative balances have been reclassified to conform with the current year presentation

Changes in accounting policy

The Group has changed its accounting policy for programming (note 1e) and the comparative figures have been restated accordingly Details of the effect of the prior year adjustment are given in note 24 The effect of the change in accounting policy was to reclassify the Group's television programming as 'Intangible assets – programming rights' (note 11), which had previously been shown as 'Stock – finished goods and goods for resale' This increased the Group's net assets by £1 3 million (2006 £1 3 million) and decreased profits by £45,000 (2006 £116,000 increase)

(b) Basis of consolidation

The consolidated profit and loss account, balance sheet, statement of total recognised gains and losses and cash flow statement include the results, financial position and cash flows of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its joint ventures, from the date of acquisition and until the date of disposal Intra-group sales, profits and balances are eliminated fully on consolidation

(c) Revenue recognition

Turnover represents the invoiced amount of goods dispatched and services provided (stated net of value added tax and net of trade discounts) Turnover generated from publishing activities is recognised on release of the newspaper or magazine issue to which it relates Television subscription revenue is recognised evenly over the period of the subscription, and pay for view revenue is recognised in the period in which the broadcast occurs

Group turnover includes sales made by group undertakings to joint ventures, but excludes sales by joint ventures

(d) Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange 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

For consolidation purposes, the monetary assets and liabilities of overseas subsidiary undertakings are translated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable Non-monetary assets and liabilities are translated at the exchange rate ruling at the date of transaction or, where forward contracts have been arranged, at the contracted rates The profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year Exchange differences arising are taken to reserves

Foreign operations which are conducted through a foreign branch and overseas subsidiary undertakings whose operations are closely interlinked with those of the Group and Company are accounted for using the temporal method, whereby transactions denominated in foreign currencies are recorded at the average rate of exchange during the year 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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Intangible fixed assets

Trademarks

Trademarks comprise the cost of registering trademarks These are amortised over 20 years, which is considered to be the useful economic life of the trademarks

Goodwill

Goodwill represents the excess of the fair value of the consideration paid for acquisitions over the fair value of net assets acquired Goodwill is amortised on a straight line basis over the estimated economic life of the acquisition

Goodwill arising on acquisition of the Express Newspapers in 2000 is being amortised over its estimated economic life of 20 years

Goodwill arising on joint venture acquisitions is being amortised over its estimated useful economic life of 10 years

These periods are the periods over which the directors estimate that the value of the underlying businesses acquired are expected to match the value of the underlying assets

Assets are reviewed for impairment at the level of income-generating units whenever events or changes in circumstances indicate that the carrying value may not be recoverable An impairment loss is recognised for the difference between the carrying amount and the recoverable amount and taken immediately to the profit and loss account The recoverable amount is the higher of the asset's net realisable value and its value in use

Programming rights

Programming rights are stated at cost less accumulated amortisation The cost of the programming rights represents the purchase cost together with any incidental costs of acquisition

Amortisation is provided on all programming rights to write off the cost of each asset, less any residual value, over its expected useful life of 4 years Amortisation is charged to the profit and loss account at 25 percent on date of first transmission in the first year, then evenly over 3 years The Group reviews its amortisation policy regularly to take account of changes to transmission of programming and the rights assigned Where the Group transmits programming, which is owned by a third party, the charge is written off to the profit and loss account over the period that the charge relates to

(f) Tangible fixed assets

Freehold investment properties are stated at their open market value at the balance sheet date In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit, or its reversal, is expected to be permanent in which case it is charged in the profit and loss account No provision is made for the depreciation of freehold investment properties This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards

All other 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 (including interest costs) 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 -

Leasehold land and buildings	50 years, estimated useful life or period of the lease, whichever is the shorter
Plant and machinery	3 to 24 years
Fixtures, fittings and office equipment	2 to 10 years or period of the lease, if shorter
Motor vehicles	2 to 5 years

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Tangible fixed assets (continued)

Assets in the course of construction are held on the balance sheet but depreciation is not charged until the assets are brought into use

The Group 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

Fixed asset investments are recorded at cost, adjusted for any permanent diminution in value Any diminution in value is reflected in the profit and loss account when the diminution is identified

The Company carries its investment in subsidiary undertakings at cost less any provision for permanent diminution in value Any diminution in value is reflected in the profit and loss account when the diminution is identified

(h) 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

(i) Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than one year are included within current liabilities For all other borrowings, accrued finance charges and issue costs are included within Creditors due after more than one year

(j) 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

(k) Leases

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

Finance costs are charged to the profit and loss account and allocated to accounting periods during the lease term so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Assets leased to third parties under operating leases are capitalised and depreciated over the estimated useful life of the asset

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 the lease commencement to the earlier of 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 and the lease end date

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Interests in joint ventures

Where the Group holds a 50% interest in an entity on a long term basis and this interest is jointly controlled by the Group and other parties, the investment is treated as a joint venture The Group's share of the profits and losses of the joint venture are disclosed separately in the Group's profit and loss account Joint ventures are disclosed using the gross equity method under which the share of gross assets and liabilities are disclosed in the balance sheet

(m) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted The recoverability of tax losses is assessed by reference to forecasts, which have been prepared and approved by the board

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

(n) Pension costs

For the defined benefit schemes, the amount charged to operating profit is the cost of accruing pension benefits promised to employees over the year plus any benefit improvements granted to members by the Group during the year Other finance charges/income in the profit and loss account include a credit equivalent to the Group's expected return on the pension plans' assets over the year, offset by a charge equal to the expected increase in the plans' liabilities over the year The difference between the market value of the plans' assets and the present value of the plans' liabilities is disclosed as an asset/liability on the balance sheet, net of deferred tax (to the extent that it is recoverable) Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognised in the statement of total recognised gains and losses

Pension costs relating to defined contribution schemes are the amount of the contributions payable for the year

(o) Insurance premiums and claims

Premiums written relate to business incepted during the period less an allowance for cancellations Premiums are accounted for net of relevant taxes

Claims incurred comprise claims and related expenses paid in the year

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported ("IBNR") to the Group The estimated cost of claims includes expenses to be incurred in settling claims The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established

2 SEGMENTAL ANALYSIS

The Group's turnover and profit before taxation arise solely from its publishing, broadcasting and printing activities The Group's turnover also includes income from its insurance activities which commenced in 2006

The Group's turnover, profits before taxation and net assets/(liabilities) are principally attributable to activities in the United Kingdom and the United States of America

Turnover in respect of continuing joint venture entities arises from printing activities in the United Kingdom and from publishing activities in the Republic of Ireland

	2007 £000	As restated 2006 £000
Turnover (including share of Joint Ventures)		
Publishing and printing – excluding US	**380,987**	364,546
Publishing – US	**26,160**	16,067
Publishing and printing – joint ventures	**43,628**	41,987
Broadcasting	**27,844**	31,593
Insurance	**6,355**	6,334
	484,974	460,527
Group operating profit/(loss) before Chairman's emoluments/pension contributions – including Joint Ventures.		
Publishing and printing – excluding US	**58,832**	54,359
Publishing – US	**(17,574)**	(16,549)
Publishing and printing – joint ventures	**(7,044)**	2,545
Broadcasting	**8,259**	11,493
Broadcasting – joint ventures	**-**	8
Insurance	**(98)**	(106)
Aborted project costs	**-**	(1,903)
Property Investment	**704**	704
	43,079	50,551
Group – excluding Joint Ventures	**50,123**	47,998
Joint Ventures	**(7,044)**	2,553
	43,079	50,551
Chairman's emoluments and pension contributions	**(631)**	(40,662)
Total operating profit:	**42,448**	9,889
Profit/(loss) before taxation·		
Publishing and printing – excluding US	**70,461**	9,099
Publishing – US	**(17,540)**	(16,616)
Publishing and printing – joint ventures	**(6,169)**	2,707
Broadcasting	**8,204**	11,956
Broadcasting – joint ventures	**-**	8
Insurance	**(11)**	(91)
Aborted project costs	**-**	(1,901)
Property Investment	**454**	473
	55,399	5,635

2 SEGMENTAL ANALYSIS (Continued)

Net operating (liabilities)/assets (including pension deficit)	2007 £000	As restated 2006 £000
Publishing and printing – excluding US	**(22,108)**	(13,327)
Publishing – US	**(7,902)**	(8,183)
Publishing and printing – joint ventures	**13,648**	13,487
Broadcasting	**(428)**	2,445
Broadcasting – joint ventures	**37**	37
Insurance	**(16)**	(91)
Aborted project costs	**(13)**	(1,097)
Property Investment	**10,478**	11,604
	(6,304)	4,875

Reconciliation of net operating(liabilities)/assets to net assets/(liabilities)

	2007 £000	2006 £000
Net operating assets	**(6,304)**	4,875
Investments	**107**	107
Corporation tax	**(20,795)**	(8,269)
Deferred tax – asset	**19,340**	14,114
Net funds/(borrowings)	**45,265**	(27,019)
	37,613	(16,192)

3. ADMINISTRATIVE EXPENSES

	2007 £000	2006 £000
Chairman's emoluments and pension contributions (note 5a)	**631**	40,662
Other administrative expenses	**133,808**	133,653
	134,439	174,315

4 GROUP OPERATING PROFIT

	2007 £000	As restated 2006 £000
Operating profit is stated after charging/(crediting)		
Depreciation – owned assets	**7,355**	7,184
Depreciation – leased assets	**2,303**	2,315
Amortisation of trademarks	**4**	4
Amortisation of programming rights	**987**	879
Amortisation of goodwill – acquisitions	**567**	567
Amortisation of goodwill – joint ventures	**3,369**	3,369
(Profit)/loss on disposal of fixed assets	**(5)**	1,216
Operating lease rentals – plant and machinery	**346**	386
Operating lease rentals – other	**9,064**	7,769
Foreign exchange loss/(gain)	**162**	(2,939)
Sale of share of intellectual property	**(1,000)**	(2,000)
Operating lease rentals – other income	**(2,917)**	(3,091)
Investment income	**-**	(2)

Services provided by the Group's auditor (in tenure as auditor) and associated firms

During the year the Group (including its overseas subsidiaries) obtained the following services from PricewaterhouseCoopers LLP, the Group's auditor for the period to 12 November 2007, at costs as detailed below

	2007 £000	2006 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	-	29
Other services		
Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation	**85**	381
Other services provided pursuant to such legislation	**380**	82
Other services relating to taxation	**1,406**	852
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	**362**	-
All other services	**141**	238

During the year, the Group (including its overseas subsidiaries) also obtained the following services from KPMG LLP, appointed as the Group's auditor on 18 December 2007, at costs as detailed below

	2007 £000	2006 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**23**	-
Other services		
Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation	**207**	-
All other services	**13**	-

There were no other services provided by KPMG LLP during their period as auditor

Audit fees for the Company are borne by subsidiary undertakings

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2007 £000	2006 £000
Emoluments	**2,034**	2,019
Company contributions to money purchase pension schemes	**72**	40,070
	2,106	42,089

Pension benefits are accruing to five directors under money purchase pension schemes (2006 five directors)

The above emoluments and pension contributions include the following amounts in respect of the highest paid director, the Chairman

Highest paid director	2007 £000	2006 £000
Emoluments	**631**	662
Company contributions to money purchase pension schemes	**-**	40,000
	631	40,662

(b) Staff costs (including directors)

	2007 £000	2006 £000
Wages and salaries	**59,359**	56,796
Social security costs	**6,948**	6,007
Pension costs	**4,230**	38,368
	70,537	101,171

Pension costs include an FRS 17 pension charge of £2 9 million (2006 £5 0 million credit) (note 28)

Average number of people employed by activity

	2007 Number	2006 Number
Production	**888**	906
Selling and distribution	**182**	174
Administration	**187**	172
	1,257	1,252

6. PROFIT ON SALE OF SUBSIDIARY

Durıng the year, the Group sold 50% of the ordınary share capıtal of Northern & Shell Pacıfic Lımıted to PBL Medıa Holdıngs Pty Lımıted for £5 9 mıllıon (at a profıt of £15 0 mıllıon) As at 31 December 2007, £2 0 mıllıon was owed to the Group The operatıons sold are not materıal to the Group and the dırectors do not consıder ıt necessary to treat ıt as a dıscontınued operatıon ın the profıt and loss account The company contınues to operate as a magazıne publısher throughout Australıa and New Zealand and ıs now consolıdated wıthın the Group as a joınt venture (note 31)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £000	2006 £000
Bank deposıt ınterest	**3,048**	720
Other ınterest receıvable	**9**	169
Joınt venture ınterest receıvable	**880**	166
	3,937	1,055

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Bank loans and overdrafts	**4,512**	3,218
Fınance leases	**49**	41
Amortısatıon of fınancıng charges	**225**	159
Other ınterest payable	**116**	987
Joınt venture ınterest payable	**4**	4
	4,906	4,409

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2007 £000	2006 £000
Current tax·		
UK corporation tax on profit for the year at 30% (2006 30%)	**15,119**	545
Adjustment in respect of previous periods	**412**	266
Foreign taxes suffered	**222**	270
Double taxation relief	**(161)**	(258)
Share of joint venture taxation	**(1,241)**	1,549
Total current tax charge	**14,351**	2,372
Deferred tax·		
Origination and reversal of timing differences (Accelerated capital allowances and other)	**(8,490)**	(1,775)
Adjustment in respect of previous periods	**-**	672
Total deferred tax credit excluding deferred tax credit on pension liability (note 19)	**(8,490)**	(1,103)
Pension cost relief in excess of pension cost charge	**448**	1,950
Change in tax rate in respect of pension liability	**1,472**	-
Total deferred tax (credit)/charge	**(6,570)**	847
Tax on profit on ordinary activities	**7,781**	3,219

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

	2007 £000	As restated 2006 £000
Profit on ordinary activities before tax	**55,399**	5,635
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	**16,620**	1,691
Effects of		
Net effect of expenses not deductible for tax and income not subject to tax	**(4,907)**	1,100
Excess of depreciation over capital allowances and other timing differences	**5,453**	(175)
Group relief surrendered not paid	**2,169**	-
Adjustments in respect of previous periods	**535**	231
Utilisation of prior year tax losses	**-**	(600)
Profits subject to lower level of overseas tax	**(5,557)**	(1,907)
Non tax deductible goodwill amortisation and other permanent differences	**1,181**	1,181
Deferred tax assets not recognised	**110,383**	851
Profits on sale of subsidiary not subject to tax	**(4,506)**	-
Deductible items not shown through profit and loss account	**(119,850)**	-
Increase in tax provision	**12,830**	-
Current tax charge for the year	**14,351**	2,372

Factors that may effect future tax charges

Based on current capital investment plans, the Group expects depreciation to continue to exceed capital allowances in future years The deferred tax asset not recognised relates to unutilised trading losses realised during the period

During the year, the Chancellor announced that the full rate of corporation tax will be reduced from 30% to 28% with effect from 1 April 2008, amongst other tax changes

10. PROFIT OF COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements The Company's profit for the year amounted to £320,000 (2006 £360,000)

11. INTANGIBLE ASSETS

	Trademarks £000	Goodwill £000	Programming Rights £000	Total £000
THE GROUP				
Cost				
At 1 January 2007 (as previously stated)	158	11,347	-	11,505
Prior year adjustment (see note 1a)	-	-	3,590	3,590
At 1 January 2007 (as restated)	158	11,347	3,590	15,095
Additions	-	-	1,134	1,134
At 31 December 2007	**158**	**11,347**	**4,724**	**16,229**
Amortisation				
At 1 January 2007 (as previously stated)	119	3,430	-	3,549
Prior year adjustment (see note 1a)	-	-	2,068	2,068
At 1 January 2007 (as restated)	119	3,430	2,068	5,617
Charge for the year	4	567	987	1,558
At 31 December 2007	**123**	**3,997**	**3,055**	**7,175**
Net book amounts				
At 31 December 2007	**35**	**7,350**	**1,669**	**9,054**
At 31 December 2006 (as restated)	39	7,917	1,522	9,478
At 31 December 2006 (as previously stated)	39	7,917	-	7,956

RCD1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

12 TANGIBLE ASSETS

THE GROUP	Freehold Land and Buildings £000	Short Leasehold Land and Buildings £000	Motor Vehicles, Plant and Machinery £000	Fixtures, Fittings and Office Equipment £000	Construction in progress £000	Total £000
Cost/ valuation						
At 1 January 2007	12,261	60,318	105,243	28,436	1,885	208,143
Additions	-	3,776	8,092	920	-	12,788
Disposals	-	-	(394)	(213)	-	(607)
Transfers	-	-	1,885	-	(1,885)	-
Revaluation	(967)	-	-	-	-	(967)
At 31 December 2007	**11,294**	**64,094**	**114,826**	**29,143**	**-**	**219,357**
Depreciation						
At 1 January 2007	-	17,898	84,825	23,315	-	126,038
Charge for the year	-	2,493	5,516	1,649	-	9,658
Disposals	-	-	(211)	(44)	-	(255)
At 31 December 2007	-	**20,391**	**90,130**	**24,920**	**-**	**135,441**
Net book amounts						
At 31 December 2007	**11,294**	**43,703**	**24,696**	**4,223**	**-**	**83,916**
At 31 December 2006	12,261	42,420	20,418	5,121	1,885	82,105

Freehold land and buildings represents an investment property from which the Group derives rental income, which was previously recorded at open market valuation of £12 3 million The property was valued at £11 3 million by Peter Galan & Company, a qualified chartered surveyor, as at 31 December 2007 on the basis of open market value At 31 December 2007 the property is stated at the open market valuation of £11 3 million The historical cost of the investment property is £10 5 million If the investment property was depreciated the accumulated depreciation at 31 December 2007 would be £4 2 million (2006 £4 0 million) The net book value at 31 December 2007 would be £6 3 million (2006 £6 5 million)

Motor vehicles, plant and machinery, fixtures, fittings and office equipment include assets acquired under finance leases in respect of which, as at 31 December 2007, the net book value was £5 5 million (2006 £7 8 million) after charging £2 3 million (2006 £2 3 million) depreciation for the year

Included within the following categories are assets leased to a joint venture under an operating lease

- Short leasehold land and buildings - gross asset cost of £19 0 million (2006 £19 0 million) and accumulated depreciation of £9 7 million (2006 £9 0 million) Motor vehicles, plant and machinery - gross cost of £57 8 million (2006 £57 8 million) and accumulated depreciation of £52 5 million (2006 £49 9 million)

Capitalised interest included in the net book value of fixed assets amounted to

- Short leasehold land and buildings - £0 8 million (2006 £0 8 million)

- Motor vehicles, plant and machinery - £0 3 million (2006 £0 4 million)

12. TANGIBLE ASSETS (Continued)

In November 2007, the Group sold 50% of the ordinary share capital of a subsidiary company, Northern & Shell Pacific Limited (note 6) Included in the following categories are assets treated as being disposed of since the company is now treated as a joint venture in the financial statements

- Motor vehicles, plant and machinery – gross cost £394,000 and accumulated depreciation of £211,000

- Fixtures, fittings and office equipment – gross cost of £213,000 and accumulated depreciation of £44,000

THE COMPANY

The tangible fixed assets of the company at 31 December 2007 amount to £11 3 million (2006 £12 3 million) and consist entirely of the investment property referred to above

13 FIXED ASSET INVESTMENTS

THE GROUP

	2007 £000	2006 £000
Interest in joint ventures		
At 1 January - net liabilities	(2,830)	(8,419)
- goodwill (gross)	33,691	33,691
	30,861	25,272
Share of profits retained	3,530	5,589
At 31 December – net assets/(liabilities)	700	(2,830)
- goodwill (gross)	33,691	33,691
	34,391	30,861
Aggregate amortisation of goodwill		
At 1 January	(17,337)	(13,968)
Charge for the period	(3,369)	(3,369)
At 31 December	(20,706)	(17,337)
Net book amount at 31 December		
Net assets/(liabilities)	700	(2,830)
Goodwill	12,985	16,354
	13,685	13,524
Other fixed asset investment	85	85
Total fixed asset investments	13,770	13,609

Interests in joint ventures principally comprise

- 50% of the equity share capital of West Ferry Printers Limited, a newspaper printing company

- 50% of the equity share capital of Independent Star Limited, a newspaper publisher registered in the Republic of Ireland, the principal activity of which is the publishing of 'The Star' newspaper in that country

- 50% of the equity share capital of Northern & Shell Pacific Limited, a magazine publisher registered in the United Kingdom, the principal activity of which is the publishing of OK! Magazine in Australia and New Zealand

13. FIXED ASSET INVESTMENTS (Continued)

Details of significant investments in Joint Venture Companies

	2007 £000	2006 £000
Summary of Joint Venture net assets		
Share of fixed assets	8,750	11,872
Share of current assets	10,539	13,247
Share of gross assets	19,289	25,119
Share of liabilities		
Due within one year	(5,580)	(4,883)
Due after one year	(13,009)	(23,066)
Share of gross liabilities	(18,589)	(27,949)
Net assets/(liabilities)	700	(2,830)

The Group's share of the results of its principal joint venture company is disclosed below

	2007 £000	2006 £000
West Ferry Printers Limited		
Turnover	26,949	27,269
(Loss)/profit before taxation	(5,083)	4,106
Taxation	1,427	(1,341)
(Loss)/profit after taxation	(3,656)	2,765
Gains recognised in statement of total recognised gains and losses	3,698	2,752
Fixed assets	8,311	11,680
Current assets	5,213	10,381
Liabilities due within one year	(720)	(2,446)
Liabilities due after more than one year	(12,897)	(23,000)
Net liabilities	(93)	(3,385)

THE COMPANY	2007 £000	2006 £000
Shares in group undertakings		
At 1 January 2007 and 31 December 2007	110	110

The immediate subsidiary undertaking and its percentage holding is

	Principal activity	Ordinary shares
Northern & Shell Network Limited	Publishing, printing and broadcasting	100%

Investments in group undertakings are stated at cost less any provision for permanent diminution in value A list of the principal subsidiaries and joint ventures is given in note 31

14. STOCKS

	The Group 2007 £000	As restated 2006 £000
Raw materials and consumables	4,408	3,781
Finished goods and goods for resale	4	8
	4,412	3,789

15 DEBTORS

	The Group 2007 £000	As restated 2006 £000
Trade debtors	32,081	33,449
Other debtors	4,084	5,596
Amounts owed by related party	408	-
Loan to joint venture company	2,025	2,025
Prepayments and accrued income	13,174	9,973
	51,772	51,043

	The Company 2007 £000	2006 £000
Amounts owed by group undertakings	23,612	22,048

Amounts owed by group undertakings carry interest between 2 0% and 2 5% above base rate, are unsecured and repayable on demand Amounts owed by dormant group undertakings, included in amounts owed by group undertakings, are non-interest bearing The loan to a joint venture company carries interest of 2 5% above LIBOR, is unsecured and repayable on demand

16 CURRENT ASSET INVESTMENTS

	The Group 2007 £000	2006 £000
Quoted investments	13	14
Unquoted investments	9	8
	22	22

17 CREDITORS. amounts falling due within one year

	The Group	
	2007	2006
	£000	£000
Bank loans and overdrafts (note 20 and note 27)	**6,559**	6,590
Less deferred finance charges	**(754)**	(477)
Amounts owed with respect to taxation and consortium relief	**5,024**	4,264
Other amounts owed to joint ventures	**1,686**	1,328
Trade creditors	**21,686**	26,746
Other creditors	**4,544**	3,629
Taxation and social security	**1,583**	1,617
Obligations under finance leases (note 21)	**348**	179
Corporation tax	**20,795**	8,269
Redeemable ordinary 'B' shares	**900**	900
Accruals and deferred income	**48,945**	30,924
	111,316	83,969

	The Company	
	2007	2006
	£000	£000
Bank loans (note 20)	**556**	545
Amounts owed with respect to group relief	**593**	459
Amounts owed to group undertakings	**24,062**	22,424
Accruals and deferred income	**222**	198
	25,433	23,626

Amounts owed to group undertakings carry interest between 2 0% and 2 5% above base rate, are unsecured and repayable on demand Amounts owed with respect to group relief are non interest bearing Amounts owed to joint ventures carry interest between 2 0% and 2 5% above base rate, are unsecured and repayable on demand

18. CREDITORS. amounts falling due after more than one year

	The Group	
	2007	2006
	£000	£000
Bank loans (note 20)	**72,928**	38,409
Obligations under finance leases (note 21)	**275**	402
Accruals and deferred income	**-**	471
	73,203	39,282

	The Company	
	2007	2006
	£000	£000
Bank loan (note 20)	**3,805**	4,368

19. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax – excluding deferred tax on pension liability £000	Insurance Claims provision £000	Other provisions £000	Total £000
The Group				
At 1 January 2007	7,966	6,320	3,240	17,526
(Credited)/charged to the profit and loss account	(8,490)	6,376	-	(2,114)
Utilised during the year	-	-	(794)	(794)
At 31 December 2007	(524)	12,696	2,446	14,618

The addition during the year of £6 4 million to the insurance claims provision relates to the potential costs arising from claims that could be made against Northern & Shell Insurance Limited, a group company, resulting from insurance contracts written by that company No claims have been made to date and, should they arise, any claims are likely to take several years to resolve Whilst the ultimate cost, if any, of settling the potential claims is uncertain the company has taken legal and professional advice and considers that a provision of £6 4 million is appropriate

Other provisions of £2 4 million relates to the provision for onerous rental commitments at the main business premises, Number 10 Lower Thames Street This provision is expected to be utilised during the period to 31 December 2011

The deferred taxation provided in these financial statements is as follows

	2007 £000	2006 £000
Provision for deferred tax including deferred tax on pension liability		
Accelerated capital allowances	**1,160**	7,759
Other timing differences	**(1,684)**	207
Deferred tax excluding that relating to pension liability	**(524)**	7,966
Deferred tax on pension liability (note 28)	**(18,816)**	(22,080)
Total provision for deferred tax – asset	**(19,340)**	(14,114)
1 January 2007	**(14,114)**	
Deferred tax credit in profit and loss account (note 9)	**(6,570)**	
Deferred tax on the actuarial loss on the pension scheme charged to the statement of total recognised gains and losses	**1,344**	
At 31 December 2007	**(19,340)**	

Based on current capital investment plans, the Group expects depreciation to continue to exceed capital allowances in future years Deferred tax is measured on a non-discounted basis at the rates and laws enacted at the balance sheet date

20. BANK LOAN OBLIGATIONS

	The Group	
	2007	2006
	£000	£000
The group's bank loan obligations are due		
Within one year	**6,312**	6,526
In more than one year but not more than two years	**6,821**	6,536
In more than two years but not more than five years	**21,961**	16,794
In more than five years	**44,146**	15,079
	79,240	44,935
Less deferred finance charges	**(754)**	(477)
	78,486	44,458

Bank loans are guaranteed by the Group (note 29) Included in bank loans is a loan of £34 9 million, which carries interest at LIBOR plus 1 0% and is repayable in quarterly instalments over nine years and a £40 0 million loan, which carries interest at LIBOR plus 2 0% The £40 0 million loan is split into two £20 0 million tranches, loan A and loan B Loan A is repayable in six monthly instalments over seven years Loan B is repayable over the same period, however, it is repaid with an annual 30% excess cash flow sweep payment and a final bullet repayment after loan A has been repaid in full The balance of £4 4 million is secured on the investment property held by the Group, is repayable over eight years and carries interest at the Natwest bank base rate plus 1 0%

During the year, the Group entered into certain interest rate swap arrangements One of the £20 0 million loans was fixed at a rate of 5 89% plus 2 0%, and 50% of the £34 9 million loan was fixed at a rate of 5 99% plus 1 0% After the year end, the remainder of the £34 9 million loan was also fixed at 5 07% plus 1 0%

During the year, the Group repaid its USD $ loan (2006 £12 2 million)

THE COMPANY

The Company's bank loan obligations of £4 4 million (2006 £4 9 million), of which £556,000 is due within one year (2006 £545,000), and £3 8 million is after more than one year (2006 £4 4 million), is subject to the terms and conditions set out in respect of the £4 4 million Group bank loan above

21 OBLIGATIONS UNDER FINANCE LEASES

The Group is subject to finance lease obligations which are due

	2007	2006
	£000	£000
Within one year	**348**	179
Within two to five years	**275**	402
	623	581

22. OPERATING LEASE COMMITMENTS

At 31 December 2007, the Group was committed to making the following annual payments in respect of operating leases which expire

	Land and Buildings		Other	
	2007	2006	2007	2006
	£000	£000	£000	£000
Within one year	**110**	2	**2**	8
Two to five years	**41**	492	**339**	341
After five years	**9,269**	8,447	**-**	-
	9,420	8,941	**341**	349

23. SHARE CAPITAL

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2007 £000	2006 £000	2007 £000	2006 £000
Ordinary shares of £1 each	**110**	110	**110**	110

24. RESERVES AND SHAREHOLDERS' FUNDS/(DEFICIT)

a) Reserves

	The Group			
	Capital redemption reserve £000	Other reserve £000	Revaluation reserve £000	Profit & loss £000
At 1 January 2007 as previously stated	100	3,860	2,537	(24,125)
Prior year adjustment (note 1a)	-	-	-	1,326
At 1 January 2007 as restated	100	3,860	2,537	(22,799)
Deficit on revaluation of property	-	-	(967)	-
Profit for the year	-	-	-	47,618
Actuarial gain on pension scheme - excluding Joint Ventures (note 28)	-	-	-	4,800
Movement on deferred tax relating to pension scheme - excluding Joint Ventures (note 19)	-	-	-	(1,344)
Actuarial gain on Joint Venture pension scheme	-	-	-	5,136
Movement on deferred tax relating to Joint Venture pension scheme	-	-	-	(1,438)
At 31 December 2007	**100**	**3,860**	**1,570**	**31,973**

Reserves

	The Company	
	Revaluation reserve £000	Profit & loss £000
At 1 January 2007	2,537	3,778
Profit for the year	-	320
Deficit on revaluation of property	(967)	-
At 31 December 2007	**1,570**	**4,098**

24 SHAREHOLDERS' FUNDS/(DEFICIT) (Continued)

b) Reconciliation of movements in shareholders' funds/(deficit)	The Group 2007 £000	As restated 2006 £000
Profit for the year	47,618	2,416
(Deficit)/surplus on revaluation of property	(967)	2,190
Actuarial gain/(loss) on pension scheme – excluding Joint Ventures (note 28)	4,800	(24,000)
Movement on deferred tax relating to pension scheme – excluding Joint Ventures (note 19)	(1,344)	7,200
Actuarial gain on Joint Venture pension scheme (24a)	5,136	3,931
Movement on deferred tax relating to Joint Venture pension scheme (24a)	(1,438)	(1,179)
Net addition to/(reduction in) shareholders' funds	53,805	(9,442)
Opening shareholders' deficit as previously reported	(17,518)	(7,960)
Prior year adjustment (note 1a)	1,326	1,210
Opening shareholders' deficit as restated	(16,192)	(6,750)
Closing shareholders' funds/(deficit)	37,613	(16,192)

	The Company 2007 £000	2006 £000
Profit for the year	320	360
(Deficit)/surplus on revaluation of property	(967)	2,190
Net (reduction in)/addition to shareholders' funds	(647)	2,550
Opening shareholders' funds	6,425	3,875
Closing shareholders' funds	5,778	6,425

25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW

	2007 £000	As restated 2006 £000
Operating profit	49,492	7,336
Depreciation charge	9,658	9,499
Amortisation of intangible assets	1,558	1,450
(Profit)/loss on sale of tangible assets	(5)	1,216
(Increase)/decrease in stocks	(643)	2,220
(Increase)/decrease in debtors	(2,102)	1,503
Increase/(decrease) in creditors	17,340	(6,915)
Difference between pension costs and cash contributions	(2,700)	(7,400)
Increase in provisions	5,582	9,061
Other non-cash changes	(111)	(2,938)
Net cash inflow from continuing operating activities	78,069	15,032

Non-cash changes comprise foreign exchange (gains)/losses

RCD1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS/(DEBT)

	2007 £000	2006 £000
Net debt at 1 January	**(29,499)**	(36,444)
Increase/(decrease) in cash in the period	**105,946**	(146)
Cash outflow from finance lease payments	**397**	104
Loan finance received	**(50,500)**	(9,500)
Loan finance repaid	**16,084**	14,546
Loan repaid to joint venture	**-**	250
Other non cash changes	**(439)**	1,684
Exchange movements	**111**	-
Liquid resources	**-**	7
Net funds/(debt) at 31 December	**42,100**	(29,499)

27. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	1 January £000	Cash flow £000	Non cash £000	Exchange movements £000	31 December £000
Cash in hand and at bank	16,059	106,129	-	-	**122,188**
Overdrafts excluding short term loan	(64)	(183)	-	-	**(247)**
	15,995	105,946	-		**121,941**
Finance leases	(581)	397	(439)	-	**(623)**
Loan finance due within 1 year	(6,526)	6,526	(6,312)	-	**(6,312)**
Loan finance due after 1 year	(38,409)	(40,942)	6,312	111	**(72,928)**
Liquid resources	22	-	-	-	**22**
Net (debt)/funds	(29,499)	71,927	(439)	111	**42,100**

28 PENSION SCHEMES

FRS17 Disclosure

The latest full actuarial valuations of the Express Newspapers 1988 Pension Fund and the Express Newspapers Senior Management Pension Fund were carried out as at 5 April 2006 The results below have been updated by a qualified independent actuary using the projected unit valuation method The Group increased contributions to 16% of the Contribution Earnings from 1 July 2007 (2006 6%), which amounted to £1 4 million (2006 £813,000) The Group also agreed a recovery plan in respect of the shortfall in funding and paid £3 0 million into the 1988 Pension Fund during the year, in addition to £294,000 paid into the Senior Management Pension Fund Both Funds are defined benefit schemes

The Group also participates in a defined contribution scheme for its employees Contributions are charged to the profit and loss account to reflect amounts payable under the scheme The charge for the year was £745,000 (2006 £708,000) At 31 December 2007, contributions of £63,000 were outstanding (2006 £62,000) These have been paid in full after the year end

The Express Newspapers 1988 Pension Fund was closed to new members in October 1996 As a result of the Fund becoming closed, the current service cost, as a percentage of Contribution Earnings, will increase as members approach retirement (but will reduce as members leave and are not replaced)

The major financial assumptions used in the calculations at 31 December were

	2007	2006	2004
Discount rate	6 00%	5 20%	4 90%
Rate of increase in salaries	3 50%	3 20%	3 10%
Rate of LPI increase in pensions in payment	3 40%	3 10%	3 00%
Inflation assumption	3 10%	2 80%	2 70%

The fair value of the assets presented below reflect the aggregated assets of the Express Newspapers 1988 Pension Fund and the Express Newspapers Senior Management Fund

The fair value of the assets in the schemes and the expected rates of return at 31 December were

	Long – term rate of return expected at 2007	Fair value at 2007 £000	Long – term rate of return expected at 2006	Fair value at 2006 £000	Long – term rate of return expected at 2005	Fair value at 2005 £000
Equities	8 15%	149,300	8 25%	144,900	7 75%	114,000
Gilts	4 40%	68,600	4 50%	62,900	4 00%	153,000
Corporate bonds	6 00%	102,900	5 20%	142,200	4 90%	102,300
Other	5 50%	31,000	5 00%	14,500	4 50%	5,700
Total market value of assets		351,800		364,500		375,000
Present value of scheme liabilities		(419,000)		(438,100)		(431,100)
Deficit in the schemes		(67,200)		(73,600)		(56,100)
Related deferred tax asset		18,816		22,080		16,830
Net pension liability under FRS 17		(48,384)		(51,520)		(39,270)

28 PENSION SCHEMES (Continued)

FRS 17 Disclosure (continued)

Details of experience gains and losses for the year ended 31 December 2007

History of experience gains and losses	2007	2006	2005	2004	2003
Difference between the expected and actual					
Rate of return on assets	(£15 3m)	(£11 4m)	£26 5m	£11 7m	£11 6m
Percentage of scheme assets	4 3%	(3 1)%	7 1%	3 4%	3 5%
Experience (loss)/gain on scheme liabilities	(£1 2m)	(£25 9m)	£2 0m	(£28 6m)	(£0 9m)
Percentage of the present value of the scheme liabilities	(0 3)%	(5 9)%	0 5%	(6 8)%	(0 2)%
Total amount recognised in STRGL	£4 8m	(£24 0m)	£15 3m	(£19 4m)	(£5 7m)
Percentage of the present value of the scheme liabilities	1 1%	(5 5)%	3 5%	(4 6)%	(1 5)%

The following amounts have been recorded in the consolidated profit and loss account for both schemes as at 31 December 2007

Operating profit	2007 £000	2006 £000
Current service cost	3,400	3,300
Past service cost	-	200
Settlement gains	(500)	(8,500)
Total operating charge/(credit)	2,900	(5,000)

Other finance income/(expenses)	2007 £000	2006 £000
Expected return on assets	21,200	19,600
Interest cost	(22,300)	(20,500)
Total net return	(1,100)	(900)

Movement in deficit during the year	2007 £000	2006 £000
Deficit at start of year	(73,600)	(56,100)
Current service cost	(3,400)	(3,300)
Past service cost	-	(200)
Settlement gains	500	8,500
Employer contributions	5,600	2,400
Other financing expenses	(1,100)	(900)
Actuarial gain/(loss)	4,800	(24,000)
Deficit at end of the year	(67,200)	(73,600)

Statement of total recognised gains and losses	2007 £000	2006 £000
Actual return less expected return on scheme assets	(15,300)	(11,400)
Experience losses on scheme liabilities	(1,200)	(25,900)
Change in actuarial assumptions	21,300	13,300
Actuarial gain/(loss)	4,800	(24,000)

29 GUARANTEES AND CONTINGENT LIABILITIES

Durıng the year, bank loans were restructured and new credıt arrangements were entered ınto (note 20) As a result, the arrangements ın place for certaın guarantees as at 31 December 2006 were superseded and the £34 9 mıllıon bank loan ıs now jointly and severally guaranteed by two subsıdıary companıes, wıth the shares of the other subsıdıary companıes no longer pledged as a securıty for these arrangements The investment property of the Company ıs pledged as securıty for the £4 4 mıllıon Natwest loan and the £40 0 mıllıon bank loan entered ınto durıng the year ıs guaranteed by certaın subsıdıary companıes At 31 December 2007, the maxımum lıabılıtıes that could arıse under these credıt arrangements, was £79 2 mıllıon (2006 £44 9 mıllıon)

At 31 December 2007 a joint venture company, Northern & Shell Pacıfıc Lımıted, also held ın place a bank guarantee The bank, subject to the terms of the guarantee but otherwıse uncondıtıonally, undertakes to pay to the landlord of the company's busıness premıses on demand any sum or sums to an amount not exceedıng AUD $188,000 (sterlıng equıvalent at 31 December 2007 £83,000) The bank's lıabılıtıes have also been jointly guaranteed by the Company's subsıdıary, Northern & Shell Network Lımıted The bank's lıabılıtıes cease and are determıned on 18 July 2016

Durıng the year a group company, Northern & Shell North Amerıca Lımıted, also entered ınto a bank guarantee The bank, subject to the terms of the guarantee but otherwıse uncondıtıonally, undertakes to pay to the landlord of the company's busıness premıses on demand any sum or sums to an amount not exceedıng USD $5 2 mıllıon (sterlıng equıvalent at 31 December 2007 £2 7 mıllıon) The guarantee amortıses on a reducıng balance basıs over the term of the lease and shall be reduced to USD $1 5 mıllıon followıng the nınth year of the lease The bank's lıabılıtıes have also been jointly guaranteed by the company The bank's lıabılıtıes cease and are determıned on 31 August 2018

The Group, through ıts subsıdıary company Northern & Shell Insurance Lımıted, provıdes agaınst any potentıal ınsurance claıms No claıms have been made to date and, should they arıse, any claıms are lıkely to take several years to resolve (note 19)

At 31 December 2007, certaın claıms ın the normal course of busıness were pendıng agaınst the Company and Group and certaın tax computatıons were stıll subject to agreement wıth the relevant taxatıon authorıtıes Although there ıs uncertaınty regardıng the fınal outcome of these matters, the dırectors belıeve, based on professıonal advıce receıved, that adequate provısıon has been made ın the fınancıal statements for antıcıpated lıabılıtıes and the probable ultımate resolutıon of such matters wıll not have a materıal effect on the fınancıal statements of the Company and Group

30. RELATED PARTY TRANSACTIONS

The Group, through ıts subsıdıary company Express Newspapers, partıcıpates ın a joint venture under whıch ıt holds a 50% shareholdıng ın the company West Ferry Prınters Lımıted, where the remaınıng shares are owned by Telegraph Medıa Group Lımıted The purpose of the joint venture ıs the provısıon of prıntıng facılıtıes to both Express Newspapers and Telegraph Medıa Group Lımıted and certaın thırd partıes In the year ended 31 December 2007, West Ferry Prınters Lımıted provıded Express Newspapers wıth prıntıng whıch was ıncluded ın the turnover of the year ended 31 December 2007 at £15 5 mıllıon (2006 £15 3 mıllıon) At 31 December 2007, £1 6 mıllıon was payable ın respect of that prıntıng (2006 £1 3 mıllıon) by the Group to West Ferry Prınters Lımıted

The Group, through ıts subsıdıary company Northern & Shell Network Lımıted, partıcıpates ın a joint venture wıth N Brown Group Plc under whıch ıt holds a 50% shareholdıng ın the company Express Shoppıng Channel Lımıted In 2005 the joint venture company termınated ıts broadcastıng actıvıtıes and ceased tradıng As at 31 December 2007, the loan amount owed to the Group was £2 0 mıllıon (2006 £2 0 mıllıon) The loan ıncurred ınterest of base rate plus 2 5% and there are no fixed repayment terms Loan ınterest due ın respect of thıs loan at 31 December 2007 amounted to £174,000 (2006 £174,000) As at 31 December 2007, the company also owed the Group £24,000 (2006 £1 9 mıllıon) These amounts are ıncluded ın 'trade debtors' and 'other debtors' respectıvely Tax losses ıncurred by Express Shoppıng Channel Lımıted were surrendered to Group companıes ın accordance wıth the Consortıum Relıef provısıons and wıll be paıd for At 31 December 2007, the Group owed £2 4 mıllıon (2006 £4 3 mıllıon) to the company ın respect of these tax losses Thıs amount ıs ıncluded wıthın Credıtors 'amounts owed wıth respect to taxatıon and consortıum relıef'

30 RELATED PARTY TRANSACTIONS (Continued)

In November 2007 the Group, through its subsidiary company Northern & Shell plc, entered into a joint venture arrangement under which it holds a 50% shareholding in the company Northern & Shell Pacific Limited (note 6), where the remaining shares are owned by PBL Media Holdings Pty Limited The company's principal activity is magazine publishing throughout Australia and New Zealand In the period to December 2007, the Group charged the company a license fee of £110,000 and provided funding to support the ongoing operations of the company At 31 December 2007, the company owed £408,000 to the Group

During the year, the Group made contributions of £419,000 (2006 £588,000) to a charitable trust, of which Mr R C Desmond is a trustee At the year end, there were no balances due to or from the charitable trust

Badger Property Partners LLP, of which Mr R C Desmond is a partner, owns the 10 Lower Thames Street property which is the head office of the Northern & Shell Network group The 10 Lower Thames Street property is let to Express Newspapers on a 20 year lease from 1 January 2004 for an annual rental of £7 6 million (2006 £7 6 million), with a rent review every 5 years The charge for the year was £7 6 million (2006 £6 4 million) No amounts were due to Badger Property Partners LLP as at 31 December 2007 (2006 £nil)

During the year, Mr R C Desmond paid insurance premiums of £6 4 million (2006 £6 3) to a subsidiary company, Northern & Shell Insurance Limited The purpose of the premiums was to insure against personal risks and liabilities The Group is committed to taking steps to mitigate the risks and liabilities, however, the amount of the potential liabilities is uncertain

The Company has taken advantage of the exemption available under FRS 8 from disclosing transactions with other group companies that form part of the wholly owned group

31 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Principal subsidiaries and percentage holding

Company Name	Principal Activity	% Shareholding
Northern & Shell Network Limited	Principal holding company	100%
Northern & Shell Group Limited	Holding company	100%
Portland Media Group Limited	Holding company	100%
Northern & Shell Finance Limited	Treasury	100%
Express Newspapers	Publishing	100%
Broughton Printers Limited	Printing	100%
Northern & Shell Distribution Limited	Magazine distributor	100%
Northern & Shell plc	Publishing	100%
Portland Enterprises Limited	Television production	100%
Portland Enterprises (CI) Limited	Television broadcasting	100%
RHF Productions Limited	Television broadcasting	100%
Northern & Shell Magazines Limited	Publishing	100%
Northern & Shell North America Limited *	Publishing	100%
Northern & Shell Insurance Limited	Insurance	100%
Northern & Shell Luxembourg SARL	Finance	100%

All of the above companies are registered in England, except for Portland Enterprises (CI) Limited and RHF Productions Limited which are registered in Jersey, Northern & Shell Insurance Limited which is registered in Guernsey and Northern & Shell Luxembourg SARL which is registered in Luxembourg *Denotes operates a branch in the United States of America

All of the above companies are consolidated within the group accounts

31. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

Joint Ventures	Incorporated in	Principal activity	Stake	Nominal value of allotted share
West Ferry Printers Limited	United Kingdom	Printing	50%	£50 ordinary shares
Independent Star Limited	Republic of Ireland	Publishing	50%	€635 'E' ordinary shares
Express Shopping Channel*	United Kingdom	Broadcasting	50%	£449 ordinary shares
Northern & Shell Pacific Limited**	United Kingdom	Publishing	50%	£50 ordinary shares
OK! Verlag Verwaltungsgesellschaft mbH i Gr	Germany	Publishing	50%	€12,500 ordinary shares
OK! Verlag GmbH & Co KG	Germany	Publishing	50%	€10,000 partnership interest

* Denotes ceased trading in 2005 (note 30)
** Denotes operates a branch in Australia

32 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounted to $33 9 million (sterling equivalent at 31 December 2007 £17 0 million) relating to the purchase of a corporate aircraft (2006 £10 0 million)

33. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Richard Desmond, the Chairman of the Company