

NORTHERN & SHELL MEDIA GROUP LIMITED
GROUP ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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NORTHERN & SHELL MEDIA GROUP LIMITED

ANNUAL REPORT

For the year ended 31 December 2015

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NORTHERN & SHELL MEDIA GROUP LIMITED

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)

AUDITOR

KPMG LLP
15 Canada Square
London, E14 5GL
United Kingdom

BANKERS

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

REGISTERED OFFICE

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

NORTHERN & SHELL MEDIA GROUP LIMITED

STRATEGIC REPORT

For the year ended 31 December 2015

PRINCIPAL ACTIVITIES

Northern & Shell Media Group Limited is the ultimate holding company of the Northern & Shell group of companies. It owns a group of companies principally engaged in newspaper publishing and printing, magazine publishing, lottery management services, television broadcasting, property related businesses and the exploitation and further development of intellectual property and media assets. During the year, the Group ceased its insurance activities previously carried out through its subsidiary, Northern & Shell Insurance Limited. After the year end, the Group disposed of its remaining television broadcasting interests.

It is the intention of the Group to continue trading in these areas for the foreseeable future. In 2014, the Group divested of its public service broadcasting interests with the sale of Channel 5 Broadcasting Limited (note 23).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The consolidated profit and loss account is set out on page 11.

Following the sale of Channel 5 in 2014, the Group has pursued its strategic aim to rationalise its operations down to its core activities of publishing and printing, lotteries and property. During 2015, the Group ceased its insurance activities and effective 1 April 2016, disposed of its legacy television broadcasting business, the Portland TV division, in a management buyout.

As in recent years, the trading environment for newspapers remained challenging in 2015, with continued pressures on circulation volumes and print advertising revenues. Despite these conditions, a strong focus on cost control, with particular savings achieved on staff and printing costs, resulted in a significantly improved financial performance for the newspapers division.

The business benefited from a restructuring exercise with targeted headcount reductions that commenced in the latter part of 2014 and was completed in early 2015. Cost savings and other efficiencies were also achieved following the cessation of the printing operations of Broughton Printers Limited, a subsidiary undertaking, with the outsourcing of the newspaper division's north of England printing requirements in July 2015.

In response to the rapidly changing market for print media, the Group is continuing with a significant programme of investment in its digital assets, with the strategic objective of growing digital revenues to offset declines in print advertising revenues. The investment in digital headcount, infrastructure and content is delivering ongoing improvements in the news sites' usability and reach. Digital audiences grew, with year on year monthly average unique users up by 41% and monthly average page views up by 152%, resulting in a significant increase in digital revenues in 2015. Built on the solid foundations of the strength of the print brands, this investment in the digital portfolio is continuing to strongly grow digital audiences and revenues in 2016.

We are also intent on continuing to ensure that the print brands meet the needs and requirements of our readers and advertisers. To that end, circulation volumes are a key performance measure and the business seeks to outperform the market in year on year circulation numbers through various measures, including cover prices which have been set to be attractive against our competitors' titles. The result of this is that, despite a highly challenging market, at the date of this report our titles are now selling more copies in total week on week compared to the previous year.

The directors continue to focus on and manage the risk areas inherent in the evolving newspaper sector, through targeted restructuring exercises and with various strategic investment initiatives. One of these initiatives has involved the establishment of a ventures arm, which has been challenged to identify growing 'business to consumer' companies and sell media inventory into these companies under media for equity type deals. Under this model, the Group has provided media inventory, which has to date contributed to significant growth in three businesses and is currently assessing a pipeline of other potential opportunities. Through clear focus on the core business and innovation around its inventory, the directors remain optimistic on the outlook for the Group's newspaper business.

NORTHERN & SHELL MEDIA GROUP LIMITED

STRATEGIC REPORT

For the year ended 31 December 2015

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)

In the highly challenging magazine publishing business the Northern & Shell titles, OK!, new! and Star magazines, have maintained the Group's market leading position in the UK celebrity weekly magazine market during the year, with our titles comprising 3 of the top 6 selling titles on the newsstand in this category. The strength of the Group's titles is evidenced by both OK! and new! magazines being within the top 20 actively purchased magazines in the UK, as measured by both copy sales and by retail value. The OK! Magazine website is also by far the most visited site in the celebrity magazine sector within the UK, with 4.8 million monthly average UK unique users in December 2015.

Internationally, the OK! Magazine brand is widely recognised. There are currently 20 international editions of OK! Magazine, including 16 that the Group has under licence agreements with other publishers. We remain committed to the overseas licence network and continue to explore further opportunities for expansion as they arise.

The Group's magazine division has an agreement with Shop Direct to publish and distribute a monthly magazine, 'Very', on its behalf. This arrangement has been in place since September 2013 and the Group is looking to build on the success of this venture by expanding further into contract publishing.

Despite reduced revenues in a difficult publishing market, strict management of costs enabled the Group's magazines division to limit the impact on its underlying profitability in 2015.

In our lottery division, The Health Lottery has, after its fourth full year of operation, been successfully established in Great Britain as a highly visible lottery product with strong brand recognition.

The Health Lottery, through its brand, provides lottery management services for 51 Community Interest Companies (CIC's) covering each region of Great Britain, who raise monies for health related causes with a specific brief of addressing health inequalities in their individual localities. In a little over 4 years in excess of £76.0 million has been raised for good causes to date, with donations awarded and distributed through a separate Charity, The Peoples Health Trust (PHT).

To date, grants through the PHT have been made to more than 2,100 local health projects throughout England, Scotland and Wales which has directly aided around 380,000 people. Among Charities that have benefited are national charities such as the Royal Voluntary Service, The Conservation Volunteers (TCV) and Sustrans, in addition to many local community projects such as Plas Derw Trust in Flintshire, Wales, Barra Children's Centre (BCC) in Western Isles, Scotland and the Independent Arts in the Isle of Wight. Organisations interested in, or enquiring about, funding should apply to The Peoples Health Trust, 356 Holloway Road, London, N7 6PA and application forms are available at www.peopleshealthtrust.org.uk/apply-for-funding.

The directors take much pride in the philanthropic work that has been enabled through the efforts and activities of The Health Lottery and the truly positive effects that it has already had on so many people's lives throughout Great Britain. However, this has been achieved at some considerable cost to the Group, which as at the end of 2015 had accumulated pre tax losses of £108.4 million on a total investment of £134.7 million since acquiring the business. In order to secure a sustainable future for these charitable works it is vital that in the medium term the business is in a position to cease relying on support from the Northern & Shell group and starts to self-finance its operations.

To that end, considerable progress was made in the year. Building on the lottery management infrastructure that underpins the business, three further weekly draws were successfully launched in 2015 to supplement the core Saturday and Wednesday draws, providing a boost to total ticket sales and revenues. The Group is also actively engaged in discussions to develop, manage and provide other services for further new lottery products for its customers, some of which are anticipated to be launched later in 2016. Accordingly, with these trends, the directors are encouraged by the potential of the lottery management business and view the future with confidence.

In relation to the Group's property interests, a strong balance sheet, with net assets of almost £400.0 million, provides the Group with a great deal of flexibility and strategic options. The Group is hopeful of securing appropriate planning permission for a residential led development in 2016 on its 15.5 acre site in the London Docklands. Once approval has been obtained, the Group has the financial resources to participate in the development to whatever extent is deemed desirable.

NORTHERN & SHELL MEDIA GROUP LIMITED

STRATEGIC REPORT

For the year ended 31 December 2015

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)

Given the resources of the Group, its positioning in the various markets in which it operates and the clear strategic focus that underlies its corporate development, the directors are optimistic on the future prospects of the Group's businesses.

Under FRS 102, the Group's financial statements recognise a net pension liability of £17.7 million at 31 December 2015 (2014: £42.3 million), after a net remeasurement gain of £17.7 million (2014: £16.8 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 gross pension liability of £21.6 million (2014: £52.8 million) were £417.5 million at 31 December 2015 (2014: £465.8 million).

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

KEY PERFORMANCE INDICATORS

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, net advertising revenues, share of viewing figures, subscriber and pay per night numbers, lottery draw ticket sales, contribution by title, profitability by business segment, year on year variance analysis and cash flows.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations expose it to a variety of financial risks that include credit, liquidity, interest rate, foreign exchange and advertising market risks. The Group has mechanisms in place that seek to limit the impact of the adverse effects of these risks on the financial performance of the Group.

Credit risk

The Group has implemented policies that require appropriate credit checks to be performed on potential customers before sales are made.

Liquidity risk

The Group actively manages its finances to ensure that the Group has sufficient funds available for its operations.

Interest rate cash flow risks

The Group has both interest bearing assets and liabilities. The interest bearing assets are cash balances and current asset investments subject to floating and fixed interest rates. Where appropriate, the Group utilises interest rate swaps with a fixed rate to manage its liabilities. The directors keep these measures under constant review.

Foreign exchange risk

The Group has foreign currency assets and liabilities. The Group does not currently use financial instruments to manage the risk of fluctuating exchange rates and as such no hedge accounting is applied. The directors keep these measures under constant review.

Market risk

The Group actively looks to maintain and improve product quality and customer offerings, which together with established strong customer relationships combine to mitigate advertising market risk.

By order of the Board:



Mr. R. Sanderson
Secretary

Date: 21 April 2016

NORTHERN & SHELL MEDIA GROUP LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The Group recorded a loss before tax for the financial year of £24.8 million (2014: profit of £327.6 million restated), with an operating loss of £26.3 million (2014: £30.2 million restated), after recording non-recurring overhead costs of £13.6 million (2014: £38.1 million) including costs in the comparative year associated with the sale of discontinued operations (note 23).

The directors do not recommend the payment of a dividend (2014: £nil).

DIRECTORS

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

EMPLOYEE INVOLVEMENT

During the year, the Group and Company maintained their practice of keeping employees informed about current activities and progress of the business using various methods including formal briefings, e-mails and a corporate website. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account where decisions are likely to affect their interests. This practice is reviewed regularly. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group and Company continues and the appropriate training is arranged. It is the policy of the Group and Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations were made during the year amounting to £29,000 (2014: £48,000).

Political donations were made during the year amounting to £1.0 million (2014: £300,000). Political donations were made solely to the UK Independence Party.

DISCLOSURE OF INFORMATION TO AUDITOR

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

NORTHERN & SHELL MEDIA GROUP LIMITED

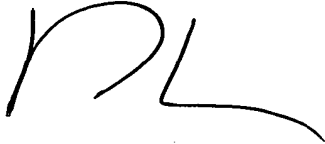
DIRECTORS' REPORT

For the year ended 31 December 2015

AUDITOR

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

By order of the Board:

A handwritten signature in black ink, appearing to be 'R. Sanderson', written over a horizontal line.

Mr. R. Sanderson
Secretary

Date: 21 April 2016

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

NORTHERN & SHELL MEDIA GROUP LIMITED

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

For the year ended 31 December 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



15 Canada Square
London
E14 5GL
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL MEDIA GROUP LIMITED

For the year ended 31 December 2015

We have audited the financial statements of Northern & Shell Media Group Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL MEDIA GROUP LIMITED

For the year ended 31 December 2015

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London, E14 5GL
United Kingdom

Date: 22 April 2016

NORTHERN & SHELL MEDIA GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2015

	Notes	2015 £000	Restated 2014 £000
TURNOVER	3	241,448	478,267
Continuing operations		232,677	239,328
Discontinued operations		8,771	238,939
	5	241,448	478,267
Cost of sales	5	(103,334)	(311,117)
GROSS PROFIT	5	138,114	167,150
Distribution costs	5	(17,721)	(21,420)
Administrative expenses	4/5	(147,578)	(177,573)
Other operating income	5	846	1,622
GROUP OPERATING LOSS		(26,339)	(30,221)
Continuing operations		(16,148)	(37,656)
Discontinued operations		(10,191)	7,435
	5	(26,339)	(30,221)
Share of operating loss of associates		(1,265)	(130)
Share of operating profit of joint ventures		789	626
TOTAL OPERATING LOSS	2/6	(26,815)	(29,725)
Profit on sale of discontinued operations	23	-	359,432
Other interest receivable and similar income	8	1,977	943
Interest payable and similar charges	9	-	(3,069)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(24,838)	327,581
Tax on (loss)/profit on ordinary activities	10	(9,866)	1,456
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(34,704)	329,037

The notes on pages 18 to 54 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 £000	Restated 2014 £000
(Loss)/profit for the financial year		(34,704)	329,037
OTHER COMPREHENSIVE INCOME			
Remeasurement of the net defined benefit pension liability		21,551	21,041
Movement on deferred tax relating to net defined benefit pension liability		(3,879)	(4,208)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>17,672</u>	<u>16,833</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(17,032)</u>	<u>345,870</u>

The notes on pages 18 to 54 form an integral part of these financial statements.

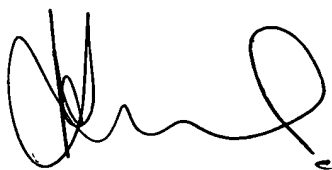
NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2015

	Notes	2015 £000	Restated 2014 £000
FIXED ASSETS			
Intangible assets	12	6,745	7,902
Tangible assets	13	118,580	129,091
Investments:	14		
Interests in joint ventures			
Share of gross assets		1,828	1,963
Share of gross liabilities		(1,510)	(1,739)
		318	224
Investments in associates		4,885	3,600
Other investments		85	85
		5,288	3,909
		130,613	140,902
CURRENT ASSETS			
Stocks	15	1,731	2,501
Debtors	16	43,365	61,639
Current asset investments	17	232,690	285,000
Cash at bank and in hand		71,158	49,295
		348,944	398,435
CREDITORS: amounts falling due within one year	19	(59,884)	(70,096)
NET CURRENT ASSETS		289,060	328,339
TOTAL ASSETS LESS CURRENT LIABILITIES		419,673	469,241
CREDITORS: amounts falling due after more than one year	20	-	(359)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(2,163)	(3,056)
NET ASSETS excluding pension liability		417,510	465,826
PENSION LIABILITY	25	(21,558)	(52,842)
NET ASSETS including pension liability		395,952	412,984
CAPITAL AND RESERVES			
Called up share capital	24	110	110
Other reserves		3,860	3,860
Profit and loss account		391,982	409,014
TOTAL SHAREHOLDERS' FUNDS		395,952	412,984

The notes on pages 18 to 54 form an integral part of these financial statements.

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



Mr. R.C. Desmond
Chairman
Date: 21 April 2016

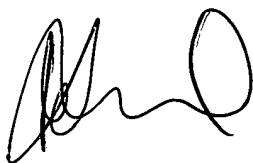
Company registered number: 4086466

NORTHERN & SHELL MEDIA GROUP LIMITED
COMPANY BALANCE SHEET as at 31 December 2015

	Notes	2015 £000	2014 £000
FIXED ASSETS			
Investments	14	<u>256,640</u>	<u>186,311</u>
CURRENT ASSETS			
Debtors	16	10,511	3,034
CREDITORS: amounts falling due within one year	19	<u>(4,115)</u>	<u>(3,029)</u>
NET CURRENT ASSETS		<u>6,396</u>	<u>5</u>
NET ASSETS		<u>263,036</u>	<u>186,316</u>
CAPITAL AND RESERVES			
Called up share capital	24	110	110
Profit and loss account		<u>262,926</u>	<u>186,206</u>
TOTAL SHAREHOLDERS' FUNDS		<u>263,036</u>	<u>186,316</u>

The notes on pages 18 to 54 form an integral part of these financial statements.

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



Mr. R.C. Desmond
Chairman
Date: 21 April 2016

Company registered number: 4086466

NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	110	3,860	63,144	67,114
Effect of change in accounting policy - note 30	-	-	-	-
Balance at 1 January 2014	110	3,860	63,144	67,114
Total comprehensive income for the year:				
Profit for the year	-	-	329,037	329,037
Other comprehensive income (note 25)	-	-	16,833	16,833
Total comprehensive income for the year	-	-	345,870	345,870
Balance at 31 December 2014	110	3,860	409,014	412,984

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	110	3,860	409,014	412,984
Total comprehensive income for the year:				
Loss for the year	-	-	(34,704)	(34,704)
Other comprehensive income (note 25)	-	-	17,672	17,672
Total comprehensive income for the year	-	-	(17,032)	(17,032)
Balance at 31 December 2015	110	3,860	391,982	395,952

Other reserves represent a merger reserve arising from the reorganisation of Northern & Shell Group Limited, a subsidiary undertaking, on 30 October 2000.

The notes on pages 18 to 54 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	110	(8,345)	(8,235)
Total comprehensive income for the year:			
Profit for the year	-	194,551	194,551
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	194,551	194,551
Balance at 31 December 2014	110	186,206	186,316

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	110	186,206	186,316
Total comprehensive income for the year:			
Profit for the year	-	76,720	76,720
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	76,720	76,720
Balance at 31 December 2015	110	262,926	263,036

The notes on pages 18 to 54 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT****For the year ended 31 December 2015**

	2015 £000	Restated 2014 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the financial year	(34,704)	329,037
Adjustments for:		
Amortisation of intangible assets	1,346	2,916
Depreciation of tangible assets	7,384	9,359
Impairment of tangible assets	8,478	-
Interest receivable and similar income	(1,977)	(943)
Interest payable and similar charges	-	3,069
(Profit)/loss on sale of tangible assets	(80)	897
Profit on sale of discontinued operations	-	(359,432)
Pension cost in excess of pension cash contributions	(9,733)	(11,063)
Share of loss from associate undertakings	1,265	130
Share of profit from joint ventures	(789)	(626)
Impairment of current asset investment	2,310	-
Taxation	9,866	(1,456)
Interest received	1,977	943
Interest paid	-	(3,069)
Decrease in stocks	770	2,854
Decrease/(increase) in debtors	7,354	(20,935)
Decrease in creditors	(13,238)	(39,526)
(Decrease)/increase in provisions	(893)	788
Taxation (paid)/received	(43)	7
NET CASH USED IN OPERATING ACTIVITIES	(20,707)	(87,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of tangible assets	113	73
Purchase of tangible assets	(5,384)	(20,660)
Purchase of intangible assets	(189)	(237)
Contributions to associates	(2,550)	(3,730)
Dividends received	580	398
Proceeds from sale of discontinued operations	-	463,342
Cash outflow on sale of discontinued operations	-	(2,226)
Investment in current asset investments	(335,000)	(285,000)
Proceeds from current asset investments	385,000	-
NET CASH FROM INVESTING ACTIVITIES	42,570	151,960
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(52,940)
NET CASH USED IN FINANCING ACTIVITIES	-	(52,940)
NET INCREASE IN CASH AT BANK AND IN HAND	21,863	11,970
CASH AT BANK AND IN HAND AT 1 JANUARY	49,295	37,325
CASH AT BANK AND IN HAND AT 31 DECEMBER	71,158	49,295

The notes on pages 18 to 54 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES

These Group and Parent Company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 30.

In the transition to FRS 102 from old UK GAAP, the Company has not made any measurement and recognition adjustments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition, accounting estimates or discontinued operations.

In these financial statements the Group and Company has changed its accounting policies in the following areas:

Goodwill arising on acquisition of The Health Lottery group in 2011 is now being amortised over 10 years, a change from the previous accounting policy which estimated the economic life to be 20 years.

Short term cash deposits with a maturity date of more than 3 months are recognised within current asset investments in accordance with FRS 102. Under the old basis of accounting (UK GAAP), the Group recognised all cash on deposit amounts within cash at bank and in hand.

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

b) Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

The directors believe that the Group is well placed to manage its business risk successfully. The directors made enquiries of, and considered the Group's performance against its plans and objectives and satisfied themselves that the Group is performing as expected.

The Company and its subsidiaries are seen as significant market participants in their industries and the directors feel that they are well placed to build on their established activities and broader media interests to take advantage of improved market conditions and new opportunities as they arise.

The directors have also considered the Company's ability to provide ongoing support to those subsidiaries which may require it, and have concluded that the Company has sufficient resources to provide the support required by those subsidiaries.

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in the preparation of accounts.

c) Basis of consolidation

The consolidated profit and loss account and other comprehensive income, balance sheet 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 and associates, from the date of acquisition and until the date of disposal. Intra-group sales, profits/(losses) and balances are eliminated fully on consolidation.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

c) Basis of consolidation (continued)

The Parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Parent Company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- No separate Parent Company Cash Flow Statement with related notes is included.

d) Revenue recognition

Turnover represents the invoiced amount of goods dispatched and services provided (stated net of value added tax, or other applicable sales taxes and net of trade discounts). Turnover generated from publishing activities is recognised on release of the newspaper or magazine issue to which it relates.

Public Service Broadcasting revenue includes amounts invoiced for advertisements transmitted, programme rights sold, internet advertising, premium rate telephone revenues associated with programmes broadcast and other sales. Revenue is stated exclusive of value added tax and net of agency commissions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Advertising sales are recognised when the related advertisement is broadcast.
- Sales of programme rights under licence are recognised when the licence period commences and the sale is unconditional.
- Premium rate telephone revenues are recognised when the related programme is broadcast.

Television subscription revenue is recognised evenly over the period of the subscription and pay per view revenue is recognised in the period in which the broadcast occurs.

Lottery turnover represents the gross amount receivable for lottery management services and money transfer and money handling services (stated net of value added tax or other applicable sales taxes). Turnover is recognised when the lottery draw to which the services relate has taken place.

Revenues are recognised from barter transactions involving advertising exchanged for services and are measured with reference to the fair value of the advertising provided.

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

e) 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 and associated 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.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) Intangible fixed assets

i. Trademarks

Trademarks comprise the cost of registering trademarks. These are amortised over 10 years, which is considered to be the useful economic life of the trademarks.

ii. 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 Express Newspapers in 2000, the Channel 5 Television group in 2010 (note 23) and The Health Lottery group in 2011 is being amortised over its estimated economic life of 10 years in accordance with FRS 102.

Goodwill arising on joint venture and associate 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.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging/(crediting) the unamortised amount of any related goodwill/(negative goodwill).

iii. 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% on the 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.

iv. Videostream assets

Videostream assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and intended use.

The videostream asset is the investment in Top Up TV 1 Limited which is amortised over its finite life. This asset reflects the two videostreams used to broadcast the Group's Channel 5 digital channels. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset which is 7 years (note 23).

An intangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the item is derecognised.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

g) Tangible fixed assets

Freehold investment properties are stated at their open market value at the balance sheet date. Investment properties are revalued annually and the aggregate surplus or deficit is transferred to 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 2006, 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
Freehold land	No depreciation
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

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.

h) 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.

i) Current asset investments

Current asset investments are liquid resources which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying value or traded in an active market. Liquid resources comprise cash, equities and government securities. Current asset investments are stated at the lower of cost and net realisable value.

j) Cash and liquid resources

Cash, for the purpose of the consolidated cash flow statement, comprises cash in hand and cash deposits with a maturity of less than 3 months, less overdrafts repayable on demand. Short term cash deposits with a maturity of greater than 3 months are recognised within current asset investments in accordance with FRS 102.

k) 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.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

l) Programme inventory

Programme inventory is acquired with the primary intention to be broadcast in the normal course of the Group's operating cycle. The term "programme inventory" covers acquired programme rights and commissioned programmes.

Programme inventory is stated at the lower of cost and net realisable value.

Where programme rights are surplus to the Group's requirements or where the programme will not be broadcast for any other reason, a write-down to the profit and loss account is made within cost of sales. Reversals of programme rights write-downs are recognised as reductions in cost of sales.

Programme rights are recognised according to the following criteria:

- Acquired programme rights are recognised at the level of payments made until the rights are available for transmission, whereupon the full cost of the rights is recognised within programme rights in current assets. For the majority of programmes transmitted on the Channel 5 main channel, costs are recognised over the first two transmissions. The exception to this is major films, for which costs are recognised over three transmissions. Acquired programme costs for programmes transmitted on multi-channel are recognised over up to six transmissions (note 23).
- The cost of commissioned programmes is recognised as costs are incurred (for fully funded programmes) or when completed episodes are available from the production company. The total cost is expensed to the profit and loss account on the date of first transmission.

m) 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.

n) 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.

o) 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.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

p) 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.

q) Investments in associate undertakings

Where the Group holds an investment in a undertaking, not a subsidiary or a joint venture, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, the investment is treated as an associate. An investment in an associate is accounted for under the equity method from the date on which it falls within the definition of an associate. On acquisition of the investment any difference between the cost of acquisition and the investor's share of the equity of the associate is described as goodwill. The Group's share of the profits and losses of the associate are disclosed separately in the Group's profit and loss account.

r) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 Directors.

Deferred tax assets and liabilities are not discounted and are calculated at the standard rate of corporation tax in the UK substantively enacted at the balance sheet date of 18% (2014: 20%).

s) Employee benefits

Defined benefit plans:

The Group participates in three defined benefit schemes, the Express Newspapers 1988 Pension Fund, the Express Newspapers Senior Management Pension Fund and the West Ferry Printers Pension Scheme. Both the Express Newspapers Schemes and the West Ferry Printers Scheme were closed to future accrual with effect from 31 December 2008 and 28 February 2010 respectively.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date based on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. A valuation is performed tri-annually by a qualified actuary using the projected unit valuation method. The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

s) Employee benefits (continued)

Defined benefit plans (continued):

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/(asset) is recognised in other comprehensive income in the period in which it occurs.

Defined contribution plans:

Pension costs relating to defined contribution schemes are the amount of contributions payable for the year and are recognised as an expense in the profit or loss in the periods during which services are rendered by employees.

t) 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.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SEGMENTAL ANALYSIS

The Group's turnover and (loss)/profit before taxation arise principally from its publishing and printing, broadcasting and lottery management activities. The Group's turnover also includes income from its insurance activities. During the year, the Group ceased its insurance activities and its public service broadcasting activities were discontinued on 10 September 2014 (note 23).

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

Segmental analysis is presented after elimination of intra-group sales, profits/(losses) and balances.

	P&P	P&P (D)	B - PS (D)	B - O	INS (D)	LM	PI & O	TOTAL
	2015	2015	2015	2015	2015	2015	2015	2015
	£000	£000	£000	£000	£000	£000	£000	£000
TURNOVER								
Turnover gross	215,586	8,265	-	6,854	506	28,303	87	259,601
Inter-segment sales	(10,009)	(7,465)	-	(173)	(506)	-	-	(18,153)
Third party sales	205,577	800	-	6,681	-	28,303	87	241,448
OPERATING (LOSS)/PROFIT	1,931	(17,325)*	-	1,142	271*	(5,263)	(7,571)	(26,815)
Release of amounts owed to group undertakings	26,217	-	-	-	-	(26,217)	-	-
	28,148	(17,325)	-	1,142	271	(31,480)	(7,571)	(26,815)

Common costs – net interest receivable	<u>1,977</u>
Loss on ordinary activities before taxation	<u>(24,838)</u>

	P&P	P&P (D)	B - PS (D)	B - O	INS (D)	LM	PI & O	Restated TOTAL
	2014	2014	2014	2014	2014	2014	2014	2014
	£000	£000	£000	£000	£000	£000	£000	£000
TURNOVER								
Turnover gross	245,287	16,513	220,895	8,479	1,531	34,210	56	526,971
Inter-segment sales	(8,294)	(15,660)	(23,219)	(219)	(1,312)	-	-	(48,704)
Third party sales	236,993	853	197,676	8,260	219	34,210	56	478,267
OPERATING (LOSS)/PROFIT	1,450	(6,043)*	3,735*	1,426	964*	(18,212)	(13,045)	(29,725)
Profit on sale of discontinued operations (note 23)	-	-	359,432	-	-	-	-	359,432
	1,450	(6,043)	363,167	1,426	964	(18,212)	(13,045)	329,707

Common costs – net interest payable	<u>(2,126)</u>
Profit on ordinary activities before taxation	<u>327,581</u>

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. SEGMENTAL ANALYSIS (Continued)

The common costs are the sum of other interest receivable and similar income of £2.0 million (2014: £943,000) and interest payable and similar charges of £nil (2014: 3.1 million).

*The difference between discontinued operating (loss)/profit as stated above and the operating (loss)/profit shown in note 5 is as follows:

	2015 £000	2014 £000
Segmental operating (loss)/profit - P&P (D)	(17,325)	(6,043)
Segmental operating profit - B - PS (D)	-	3,735
Segmental operating profit - INS (D)	271	964
	(17,054)	(1,344)
Foreign exchange on amounts owed to other group undertakings	6,863	8,779
Operating (loss)/profit per analysis of discontinued operations (note 5)	(10,191)	7,435

The abbreviations used above relate to the following segments:

P&P	Publishing and printing
P&P (D)	Publishing and printing (discontinued)
B - PS (D)	Broadcasting - public service (discontinued)
B - O	Broadcasting - other
INS (D)	Insurance (discontinued)
LM	Lottery management
PI & O	Property investment and other

	2015 £000	Restated 2014 £000
Net operating assets (including pension deficit)		
Publishing and printing	146,229	111,761
Publishing and printing (discontinued)	(84,400)	(66,375)
Broadcasting - other	6,576	11,428
Insurance (discontinued)	14,264	13,447
Lottery management	(99,023)	(102,239)
Property investment and other	93,184	83,169
	76,830	51,191
Reconciliation of net operating assets to net assets		
Net operating assets	76,830	51,191
Investments (note 14)	5,288	3,909
Corporation tax (note 19)	(8,040)	(5,359)
Deferred tax – asset (note 18)	18,026	28,948
Current asset investments (including cash balances held on deposit – note 17)	232,690	285,000
Cash at bank and in hand	71,158	49,295
	395,952	412,984

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2015 £000	2014 £000
Provision of services	71,072	276,230
Sale of goods	159,307	187,725
Royalties	3,092	5,637
Commission	3,599	3,900
Rental income	3,308	3,125
Other income	1,070	1,650
	<hr/>	<hr/>
Total Group Turnover	241,448	478,267

4. ADMINISTRATIVE EXPENSES

	2015 £000	Restated 2014 £000
Chairman's emoluments and pension contributions	516	795
Other administrative expenses	147,062	176,778
	<hr/>	<hr/>
	147,578	177,573

5. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2015 Continuing Operations £000	2015 Discontinued Operations £000	2015 Total £000	2014 Continuing Operations £000	Restated 2014 Discontinued Operations £000	2014 Total £000
Group turnover	232,677	8,771	241,448	239,328	238,939	478,267
Cost of sales	(86,720)	(16,614)	(103,334)	(97,699)	(213,418)	(311,117)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	145,957	(7,843)	138,114	141,629	25,521	167,150
Distribution costs	(17,721)	-	(17,721)	(21,420)	-	(21,420)
Administrative expenses	(145,230)	(2,348)	(147,578)	(159,487)	(18,086)	(177,573)
Other operating income	846	-	846	1,622	-	1,622
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Group operating (loss)/profit	(16,148)	(10,191)	(26,339)	(37,656)	7,435	(30,221)

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. NOTES TO THE PROFIT AND LOSS ACCOUNT	2015 £000	Restated 2014 £000
Profit on ordinary activities before tax is stated after charging/(crediting):		
Depreciation – owned assets (note 13)	7,384	9,359
Impairment losses on tangible fixed assets (note 13)	8,478	-
Amortisation of trademarks (note 12)	7	3
Amortisation of programming rights (note 12)	223	321
Amortisation of videostream assets (note 12)	-	743
Amortisation of goodwill – acquisitions (note 12)	1,116	1,849
(Profit)/loss on disposal of fixed assets	(80)	897
Impairment losses on current asset investments (note 17)	2,310	-
Redundancy costs	5,079	8,089
Operating lease rentals – other	1,597	4,887
Operating lease rentals – land and buildings	8,922	9,637
Operating lease rentals – transmission and distribution	-	24,384
Foreign exchange loss/(gain)	110	(304)
Operating lease rentals – other income	<u>(2,864)</u>	<u>(2,594)</u>

Services provided by the Group's auditor and associated firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from KPMG LLP, at costs as detailed below:

Audit services

Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	26	26
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Other services

Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation	399	414
Other services provided pursuant to such legislation	127	162
Transaction services	<u>-</u>	<u>245</u>

Audit fees for the Company are borne by subsidiary undertakings.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2015 £000	2014 £000
Emoluments	2,010	18,290
Company contributions to money purchase pension schemes	18	17
	<u>2,028</u>	<u>18,307</u>

Pension benefits are accruing to two directors under money purchase pension schemes (2014: two directors).

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

	2015 £000	2014 £000
Emoluments	606	4,607
Company contributions to money purchase pension schemes	-	-
	<u>606</u>	<u>4,607</u>

(b) Staff costs (including directors) (continued)

	2015 £000	Restated 2014 £000
Wages and salaries	43,722	80,392
Social security costs	5,323	7,565
Contributions to defined contribution plans	1,447	2,100
Expenses related to defined benefit plans (net of other income) (note 25)	4,796	4,147
	<u>55,288</u>	<u>94,204</u>

Average number of people employed by activity:

	2015 Number	2014 Number
Production	462	639
Selling and distribution	97	218
Administration	155	220
	<u>714</u>	<u>1,077</u>

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £000	2014 £000
Bank and term deposit interest receivable	1,974	932
Other interest receivable	3	11
	<u>1,977</u>	<u>943</u>

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	2014 £000
Bank loans, overdrafts and other loans	-	3,069

Other loan interest payable of £nil (2014: £3.1 million) was payable in respect of related party loans, of which Mr. R.C. Desmond was the beneficiary (note 27).

10. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2015 £000	Restated 2014 £000
Current tax		
UK corporation tax on (loss)/profit for the year at 20.25% (2014: 21.5%)	47	-
Adjustments in respect of previous periods	2,659	-
Foreign taxes suffered	49	36
Double taxation relief on (loss)/profit on ordinary activities	(47)	-
Share of Joint Venture taxation	115	88
Total current tax expense	2,823	124
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	878	(3,069)
Adjustments in respect of previous periods	3,356	(724)
Total deferred tax expense/(income) excluding deferred tax on pension liability (note 18)	4,234	(3,793)
Deferred tax on pension liability – recognised in profit and loss account	2,809	2,213
Deferred tax on pension liability – recognised in other comprehensive income	3,879	4,208
Total deferred tax expense (note 18)	10,922	2,628
Tax on (loss)/profit on ordinary activities	13,745	2,752

Total tax analysed as:

	Current Tax £000	2015 Deferred Tax £000	Total Tax £000	Current Tax £000	2014 Deferred Tax £000	Total Tax £000
Recognised in profit and loss account	2,823	7,043	9,866	124	(1,580)	(1,456)
Recognised in other comprehensive income	-	3,879	3,879	-	4,208	4,208
Total tax	2,823	10,922	13,745	124	2,628	2,752

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (Continued)

The tax assessed for the year differs from the rate of 20.25% (2014: 21.5%) and the differences are explained below:

	2015 £000	Restated 2014 £000
(Loss)/profit on ordinary activities before tax	(24,838)	327,581
(Loss)/profit on ordinary activities multiplied by the rate of 20.25% (2014: 21.5%)	(5,030)	70,430
Effects of:		
Net effect of expenses not deductible for tax and income not subject to tax	806	2,654
Excess of depreciation over capital allowances and other timing differences	157	(648)
Adjustments in respect of previous periods	6,015	(724)
Profits subject to lower level of overseas tax	(44)	(709)
Non tax deductible goodwill amortisation and other permanent differences	312	422
Deferred tax assets not recognised	5,282	6,550
Profit on disposal of subsidiary undertaking not subject to tax	-	(79,431)
Impact of tax rate changes	2,368	-
Total tax expense included in profit or loss	9,866	(1,456)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. The deferred tax balance at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Group's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2015 by £1.0 million.

Factors that may affect future tax charges:

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

The Group has tax losses of £165.1 million (2014: £129.1 million) available to carry forward against future profits. Whilst the Group expects to be able to benefit from tax losses carried forward, a deferred tax asset has only been recognised in respect of £42.6 million (2014: £51.6 million) of the available losses as future benefit is not certain.

11. PROFIT OF THE COMPANY

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company's profit for the year amounted to £76.7 million (2014: £194.6 million), after receiving dividends of £80.1 million from group undertakings (2014: £207.6 million) and a charge for impairment losses of £400,000 (2014: £nil) (note 14).

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. INTANGIBLE ASSETS

	Trademarks	Goodwill	Programming Rights	Restated Total
	£000	£000	£000	£000
THE GROUP				
Cost:				
At 1 January 2015	165	41,443	8,769	50,377
Additions	-	-	189	189
Disposals	-	-	-	-
At 31 December 2015	165	41,443	8,958	50,566
Amortisation:				
At 1 January 2015	131	33,898	8,446	42,475
Charge for the year	7	1,116	223	1,346
Disposals	-	-	-	-
At 31 December 2015	138	35,014	8,669	43,821
Net book amounts:				
At 31 December 2015	27	6,429	289	6,745
At 31 December 2014	34	7,545	323	7,902

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. TANGIBLE ASSETS

	Assets under construction	Land and Buildings	Motor Vehicles, Plant and Machinery	Fixtures, Fittings and Office Equipment	Total
	£000	£000	£000	£000	£000
THE GROUP					
Cost/valuation:					
At 1 January 2015	104	132,362	100,401	26,685	259,552
Additions	345	51	209	4,779	5,384
Transfer	(104)	-	-	104	-
Disposals	-	-	(82)	(868)	(950)
At 31 December 2015	345	132,413	100,528	30,700	263,986
Depreciation:					
At 1 January 2015	-	46,464	60,633	23,364	130,461
Charge for the year	-	2,987	2,405	1,992	7,384
Impairment losses	-	-	8,478	-	8,478
Disposals	-	-	(59)	(858)	(917)
At 31 December 2015	-	49,451	71,457	24,498	145,406
Net book amounts:					
At 31 December 2015	345	82,962	29,071	6,202	118,580
At 31 December 2014	104	85,898	39,768	3,321	129,091

During the year, the printing operations of Broughton Printers Limited, a subsidiary undertaking, were closed. Accordingly, the directors carried out an impairment review of plant and machinery, on the basis that the assets were no longer in use. The review indicated that the asset's carrying amount exceeded its recoverable amount by £8.5 million and therefore they have been written down by this amount. The impairment loss has been recognised within cost of sales in the profit and loss account (note 6).

During the year, assets under the course of construction with a cost of £104,000 were also brought into use and have therefore been transferred to fixtures, fittings and office equipment.

Land and buildings includes the following assets at net book value as at 31 December 2015:

- freehold land and buildings £51.0 million (2014: £51.4 million).
- short leasehold buildings £32.0 million (2014: £34.5 million).

As at 31 December 2015, the net book value of assets acquired under finance leases was £nil (2014: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2014: £nil).

THE COMPANY

The tangible fixed assets of the Company at 31 December 2015 amount to £nil (2014: £nil).

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. FIXED ASSET INVESTMENTS

THE GROUP	2015 £000	2014 £000
Interest in joint ventures		
At 1 January - net assets	224	85
- goodwill (gross)	<u>9,856</u>	<u>9,856</u>
	<u>10,080</u>	<u>9,941</u>
Share of profit	674	537
Movement in profit and loss reserves	<u>(580)</u>	<u>(398)</u>
	<u>94</u>	<u>139</u>
At 31 December - net assets	318	224
- goodwill (gross)	<u>9,856</u>	<u>9,856</u>
	<u>10,174</u>	<u>10,080</u>
Aggregate amortisation of goodwill		
At 1 January	(9,856)	(9,856)
Charge for the year	<u>-</u>	<u>-</u>
At 31 December	<u>(9,856)</u>	<u>(9,856)</u>
Net book amount at 31 December		
Net assets	318	224
Goodwill	<u>-</u>	<u>-</u>
	<u>318</u>	<u>224</u>
Interest in associate undertakings	4,885	3,600
Other fixed asset investment	<u>85</u>	<u>85</u>
Total fixed asset investments	<u>5,288</u>	<u>3,909</u>
	2015 £000	2014 £000
Summary of Joint Venture net assets		
Share of fixed assets	212	315
Share of current assets	<u>1,616</u>	<u>1,648</u>
Share of gross assets	<u>1,828</u>	<u>1,963</u>
Share of liabilities		
Due within one year	<u>(1,510)</u>	<u>(1,739)</u>
Share of gross liabilities	<u>(1,510)</u>	<u>(1,739)</u>
Net assets	<u>318</u>	<u>224</u>

For the year ended 31 December 2015, the joint ventures do not exceed the 15% and 25% thresholds of gross assets, gross liabilities, turnover or, on a three-year average, operating result of the investing group under FRS 102. Therefore, the Group's share of its principal joint venture has not been disclosed.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2015, the Group held interests in the following joint ventures:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Independent Star Limited	Ordinary	50	Republic of Ireland	Publishing
Iberian Ediciones Limited *	Ordinary	50	United Kingdom	Publishing

* Denotes operates a branch in Spain. The company is currently in voluntary liquidation.

At 31 December 2015, the Group held interests in the following associate undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Tepilo Limited	Ordinary	39	United Kingdom	Online estate agency
Tepilo Limited	Preference	100	United Kingdom	Online estate agency
OpenRent Limited	Ordinary	30	United Kingdom	Online lettings agency
My Single Friend Limited	Ordinary	40	United Kingdom	Online dating

	Tepilo Limited	OpenRent Limited	My Single Friend Limited	Total
	£000	£000	£000	£000
Share of profit/(loss) for the year	(820)	17	(39)	(842)

During the year, Northern & Shell Ventures Limited, a subsidiary undertaking, subscribed for 1,334 ordinary shares of £1 each in the capital of My Single Friend Limited, for a total consideration of £1.6 million. Northern & Shell Ventures Limited also subscribed for 1,000,000 preference shares of £1 each in the capital of Tepilo Limited, for a total consideration of £1.0 million. The preference shares rank pari passu in all respects with the ordinary shares save for the preference shares have priority capital rights but do not have any voting rights or rights to receive a dividend distribution.

In 2014, Northern & Shell Ventures Limited subscribed for 6,000 ordinary shares of £0.0001 each in the capital of OpenRent Limited, for a total consideration of £1.2 million. The company also subscribed for 7,995 ordinary shares of £0.01 each in the capital of Tepilo Limited, for a total consideration of £2.5 million.

THE COMPANY

Shares in group undertakings

	2015 £000	2014 £000
Cost:		
At 1 January	186,311	169,667
Additions	70,729	51,644
Transfer of ordinary shares	-	(35,000)
At 31 December	<u>257,040</u>	<u>186,311</u>
Provision for impairment:		
At 1 January	-	-
Impairment losses	400	-
At 31 December	<u>400</u>	<u>-</u>
Net book amounts:		
At 31 December	<u>256,640</u>	<u>186,311</u>

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2015, the Company held interests in the following subsidiary undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Northern & Shell Network	Ordinary	100	United Kingdom	Holding company
Northern & Shell Plc	Ordinary	100	United Kingdom	Publishing
Northern & Shell Media Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Worldwide Limited	Ordinary	100	United Kingdom	Intellectual property exploitation
Northern & Shell Leasing Limited	Ordinary	100	United Kingdom	Leasing assets
Northern & Shell Titles Limited	Ordinary	100	United Kingdom	Holding of trademarks
Northern & Shell Insurance Limited *	Ordinary	100	Guernsey	Insurance
Northern and Shell Finance Limited	Ordinary	100	United Kingdom	Treasury
Northern & Shell Digital Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Ventures Limited	Ordinary	100	United Kingdom	Media assets exploitation
Northern & Shell Media Holdings Limited	Ordinary	100	United Kingdom	Holding company
Broughton Printers Limited **	Ordinary	100	United Kingdom	Printing
OK! Magazine Holdings Limited	Ordinary	100	United Kingdom	Dormant
Express Newspapers	Ordinary	100	United Kingdom	Publishing
Express Printers Manchester Limited	Ordinary	100	United Kingdom	Dormant
LTS Contractors Limited	Ordinary	100	United Kingdom	Dormant
LTS Rentals Limited	Ordinary	100	United Kingdom	Letting of office space
West Ferry Printers Limited	Ordinary	100	United Kingdom	Printing
West Ferry Leasing Limited	Ordinary	100	United Kingdom	Leasing assets
West Ferry Printers Pension Scheme Trustees Limited	Ordinary	100	United Kingdom	Dormant
Beaverbrook Newspapers Limited	Ordinary	100	United Kingdom	Dormant
Blackfriars Leasing Limited	Ordinary	100	United Kingdom	Dormant
Daily Star Limited	Ordinary	100	United Kingdom	Dormant
Express Property Management Limited	Ordinary	100	United Kingdom	Dormant
Express Newspapers Pension Trustees Limited	Ordinary	100	United Kingdom	Dormant
Daily Express Limited	Ordinary	100	United Kingdom	Dormant
Express Newspapers Properties Limited	Ordinary	100	United Kingdom	Dormant
Sunday Express Limited	Ordinary	100	United Kingdom	Dormant
United Magazines Publishing Services Limited	Ordinary	100	United Kingdom	Dormant
Scottish Express Newspapers Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell North America Limited ***	Ordinary	100	United Kingdom	Publishing
Northern & Shell Marketing LLC	Ordinary	100	United States of America	Publishing
Northern & Shell Distribution Limited	Ordinary	100	United Kingdom	Magazine distributor
Northern & Shell Magazines Limited	Ordinary	100	United Kingdom	Publishing
The Green Magazine Company Limited	Ordinary	100	United Kingdom	Dormant
Sightline Publications Limited	Ordinary	100	United Kingdom	Dormant
The Northern & Shell Tower Management Services Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell (Jersey) Limited	Ordinary	20	Jersey	Non-trading
The Northern & Shell Network Limited Employee Benefit Trust	Ordinary	-	Jersey	Non-trading

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2015, the Company held interests in the following subsidiary undertakings (continued):

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Burginhall 677 Limited	Ordinary	100	United Kingdom	Dormant
Export Magazine Distributors Limited	Ordinary	100	United Kingdom	Dormant
Tower Magazines Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Videos Limited	Ordinary	100	United Kingdom	Dormant
OK Magazines Limited	Ordinary	100	United Kingdom	Dormant
OK Magazines Trading Co Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Properties Limited	Ordinary	100	United Kingdom	Property related businesses
Northern & Shell Investments No. 2 Limited	Ordinary	100	United Kingdom	Property related businesses
Northern & Shell Broadcasting (CI) Limited	Ordinary	100	Jersey	Holding company
Northern & Shell Enterprises Limited (formerly Northern & Shell Television Group Limited)	Ordinary	100	United Kingdom	Holding company
Northern & Shell Engineering Services Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Music Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Text Limited	Ordinary	100	United Kingdom	Dormant
5 Direct Limited	Ordinary	100	United Kingdom	Dormant
Portland Media Group Limited	Ordinary	100	United Kingdom	Holding company
Portland Media Group UK Limited	Ordinary	100	United Kingdom	Holding company
NS Jersey Finance Limited	Ordinary	100	United Kingdom	Holding company
Portland UK Holdings Limited ****	Ordinary	100	United Kingdom	Holding company
Portland Enterprises Limited ****	Ordinary	100	United Kingdom	Television broadcasting
Portland Broadcasting Limited ****	Ordinary	100	Jersey	Television broadcasting
Portland Titles Limited ****	Ordinary	100	United Kingdom	Holding of trademarks
Portland Interactive Limited ****	Ordinary	100	United Kingdom	Non Trading
RHF Productions Limited ****	Ordinary	100	Jersey	Television broadcasting
Portland International Sales Limited ****	Ordinary	100	United Kingdom	Non Trading
Portland International Broadcasting Limited ****	Ordinary	100	United Kingdom	Dormant
Northern & Shell Services Limited	Ordinary	100	United Kingdom	Service Company
Sorse Distribution Limited	Ordinary	100	United Kingdom	Online distribution
Northern & Shell Group Limited	Ordinary	100	United Kingdom	Holding company
Nasnet Online Limited	Ordinary	100	Jersey	Non-trading
Northern & Shell Financing No. 2 Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Luxembourg S.a.r.l.	Ordinary	100	Luxembourg	Non-trading
Northern & Shell Property Luxembourg S.a.r.l.	Ordinary	100	Luxembourg	Non-trading
Northern & Shell Investments Limited	Ordinary	100	Isle of Man	Holding of investments
Northern & Shell Health Limited	Ordinary	100	United Kingdom	Holding company
The Health Lottery Limited	Ordinary	100	United Kingdom	Lottery management services
Health Lottery ELM Limited	Ordinary	100	United Kingdom	Lottery management services
Health Lottery Financial Limited	Ordinary	100	United Kingdom	Money handling and money transfer services
Health Lottery Trustee Company Limited	Ordinary	100	United Kingdom	Dormant

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. FIXED ASSET INVESTMENTS (Continued)

- * Denotes the Company was entered in to voluntary liquidation on 23/02/2016;
- ** Denotes during the year the Company ceased its principal activity;
- *** Denotes operates a branch in the United States of America, of which the principal trade and assets were disposed during 2011; and
- **** Denotes were sold after the year end.

All of the above companies are consolidated within the Group's financial statements.

During the year, as part of a group reorganisation, Northern & Shell Network Limited, a subsidiary undertaking issued to the Company 2 ordinary shares of £1 each in the capital of the company, for a total consideration of £1.6 million.

Subsequently, the Company received dividends in the amount of £69.1 million from Northern & Shell Network Limited, comprising the entire issued share capital of Northern & Shell Group Limited, Portland Media Group Limited, Northern & Shell Luxembourg S.a.r.l., Northern & Shell Health Limited, Northern & Shell Services Limited, Sorse Distribution Limited and the share capital of Northern & Shell Investments Limited, each subsidiary undertakings, and 20% of the share capital of Northern & Shell (Jersey) Limited.

In 2014, as part of a group simplification, Northern & Shell Properties Limited issued to the Company 2 ordinary shares of £1 each in the capital of the company, at a premium of £35.0 million, in exchange for the 100% shareholding in Northern & Shell Investments No. 2 Limited, a subsidiary undertaking, at its carrying value of £35.0 million. These amounts are included in additions and transfer of ordinary shares in the table above. Subsequently, the Company also subscribed for 2 ordinary shares of £1.00 each in the capital of Northern & Shell Network Limited, a subsidiary undertaking, for an aggregate subscription price of £16.6 million. The Company also transferred 100 ordinary shares of £1.00 each, comprising the entire issued capital of Northern & Shell Ventures Limited, to Northern & Shell Network Limited, for a consideration of £1.00 and transferred 1 ordinary share of £1.00, comprising the entire issued capital of West Ferry Leasing Limited, to Express Newspapers, a subsidiary undertaking, for a consideration of £1.00.

Investments in group undertakings are stated at cost less any provision for permanent diminution in value.

Impairment testing:

The Company's policy is to carry out annual impairment reviews of investments. Based on operating results, future forecasts and the recoverable net assets of the Company's subsidiary undertakings, as at 31 December 2015, the carrying amount of investments exceeded the recoverable amount by £400,000 and consequently has been written down by this amount. The impairment loss has been recognised in the profit and loss account (note 11).

NORTHERN & SHELL MEDIA GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****15. STOCKS**

	2015 £000	2014 £000
Raw materials and consumables	<u>1,731</u>	<u>2,501</u>

16. DEBTORS

	The Group	
	2015 £000	Restated 2014 £000
Trade debtors	12,262	13,868
Other debtors	5,774	7,267
Prepayments and accrued income	7,303	11,556
Deferred tax asset (note 18)	<u>18,026</u>	<u>28,948</u>
	<u>43,365</u>	<u>61,639</u>

	The Company	
	2015 £000	2014 £000
Amounts owed by group undertakings	10,225	-
Amounts owed by group undertakings with respect to group relief	276	3,034
Other debtors	<u>10</u>	<u>-</u>
	<u>10,511</u>	<u>3,034</u>

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

NORTHERN & SHELL MEDIA GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****17. CURRENT ASSET INVESTMENTS**

	The Group	
	2015	2014
	£000	£000
Bonds	5,009	-
Quoted investments	37,428	-
Unquoted investments	5,093	-
Cash on deposit	185,160	285,000
	<u>232,690</u>	<u>285,000</u>

The Group holds a mixed portfolio of current asset investments with maturities of one year or less. These investments include diversified growth funds and cash balances held on deposit with financial institutions. The cash balances are held for maturities of between three months and one year and in accordance with the requirements of FRS 102 have been re-presented under current asset investments. Under its old basis of accounting (UK GAAP), these amounts were previously presented within cash at bank and in hand (note 30).

The Group intends to hold the investments until maturity, at which time the proceeds will either be converted into cash or used for new investments. Subsequent to the year end, £15.0 million of cash on deposit matured with the proceeds held by the Group as cash at bank and in hand.

The market value of current asset investments as at 31 December 2015 is:

	The Group	
	2015	2014
	£000	£000
At 1 January 2015	285,000	-
Additions	335,000	285,000
Disposals	(385,000)	-
Impairment losses (note 6)	(2,310)	-
At 31 December 2015	<u>232,690</u>	<u>285,000</u>

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. DEFERRED TAX ASSET

	£000
At 1 January 2015	18,380
Effect of change in accounting policy – defined benefit pension plan (notes 25 and 30)	10,568
Restated as at 1 January 2015	28,948
Charged to the profit and loss account (note 10)	(7,043)
Recognised in other comprehensive income (note 10)	(3,879)
At 31 December 2015	18,026

The deferred taxation recognised in these financial statements is as follows:

	2015 £000	Restated 2014 £000
Deferred tax recognised including deferred tax on pension liability		
Accelerated capital allowances	5,268	6,842
Other timing differences	1,208	873
Losses	7,670	10,665
Deferred tax excluding that relating to pension liability	14,146	18,380
Deferred tax on pension liability (note 25)	3,880	10,568
Total deferred tax asset recognised	18,026	28,948
1 January	28,948	58,403
Sale of discontinued operations (note 23)	-	(26,827)
Deferred tax (expense)/income in profit and loss account (note 10)	(7,043)	1,580
Deferred tax on the actuarial gain/(loss) on the pension scheme charged to other comprehensive income	(3,879)	(4,208)
At 31 December	18,026	28,948

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

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. CREDITORS: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	11,945	14,701
Other creditors	5,248	6,579
Taxation and social security	48	3,730
Corporation tax	8,040	5,359
Redeemable ordinary 'B' shares	900	900
Accruals and deferred income	33,703	38,827
	<u>59,884</u>	<u>70,096</u>

	The Company	
	2015 £000	2014 £000
Other creditors	-	13
Amounts owed to group undertakings	3,965	3,016
Accruals and deferred income	150	-
	<u>4,115</u>	<u>3,029</u>

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

	The Group	
	2015 £000	2014 £000
Trade creditors	<u>-</u>	<u>359</u>

The Group's creditors falling due after more than one year are due:

	2015 £000	2014 £000
In more than one year but not more than two years	<u>-</u>	<u>359</u>

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. PROVISIONS FOR LIABILITIES AND CHARGES

	£000
The Group	
At 1 January 2015	3,056
Credited to the profit and loss account	<u>(893)</u>
At 31 December 2015	<u>2,163</u>

Provisions of £2.2 million relate to the provision for onerous rental commitments of £1.2 million (2014: £1.7 million) at the main business premises, Number 10 Lower Thames Street, and other provisions of £20,000 (2014: £50,000) and £937,000 (2014: £1.3 million) at other business premises 4 Selsdon Way, London and 1155 Avenue of the Americas, New York, respectively. The remaining provisions are expected to be utilised during the period to 31 December 2022.

22. OPERATING LEASE COMMITMENTS

At 31 December 2015, the Group had total commitments under non-cancellable operating leases as follows:-

	2015 £000	2014 £000
Within one year	11,101	10,820
Between one and five years	39,929	39,796
More than five years	<u>140,984</u>	<u>150,898</u>
	<u>192,014</u>	<u>201,514</u>

23. DISPOSALS

Sale of discontinued operations

On 10 September 2014, the Group sold its entire shareholding in Channel 5 Broadcasting Limited, a subsidiary undertaking, to a subsidiary of Viacom Inc., for a total consideration of £463.3 million. The total profit recognised in the consolidated profit and loss account in respect of the sale of the subsidiary was £359.4 million, after a charge for unamortised goodwill of £19.7 million. The profit on disposal is analysed as follows:

	2015 £000	2014 £000
Sale proceeds	-	463,342
Repayment of loan owed to group undertakings	-	(13,342)
Net assets at date of disposal	-	(70,906)
Goodwill on consolidation unamortised at date of disposal (note 12)	<u>-</u>	<u>(19,662)</u>
Profit on disposal	<u>-</u>	<u>359,432</u>

NORTHERN & SHELL MEDIA GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****24. SHARE CAPITAL**

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2015 £000	2014 £000	2015 £000	2014 £000
110,000 Ordinary shares of £1 each	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>

25. PENSION SCHEMES

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 2015. The latest full actuarial valuation of the West Ferry Printers Pension Fund was carried out as at 31 December 2014. The results below have been updated by a qualified independent actuary using the projected unit valuation method. Both the Express Newspapers schemes and the West Ferry Printers scheme were closed to future accruals with effect from 31 December 2008 and 28 February 2010 respectively. The Group currently has an agreed recovery plan in respect of the shortfall in funding and has paid £10.0 million (2014: £10.4 million) into the 1988 Pension Fund, £542,000 (2014: £527,000) into the Senior Management Pension Fund and £2.8 million (2014: £2.8 million) into the West Ferry Printers Pension Fund during the year. All three Funds are defined benefit schemes. The Group expects to contribute £13.6 million towards the deficit in its defined benefit plans in the next financial year.

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 £1.4 million (2014: £2.1 million). At 31 December 2015, contributions of £115,000 were outstanding (2014: £141,000). These have been paid in full after the year end.

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

	2015	2014	2013
Discount rate	3.80%	3.60%	4.50%
Rate of LPI increase in pensions in payment	3.00%-3.20%	2.90%-3.20%	3.30%-3.40%
Inflation assumption	2.00%	1.90%	2.40%

The mortality assumptions used in the calculation at 31 December 2015 were:

Express Newspapers 1988 Fund mortality:

"S1PA" base tables with year of birth projections and future improvements from a central year of 2006 in line with CMI 2011 model and a long term rate of improvement of 1.25% per annum.

Express Newspapers Senior Management Fund mortality:

"S1PA" base tables with year of birth projections and future improvements from a central year of 2003 in line with the CMI 2011 model and a long term rate of improvement of 1.25% per annum.

West Ferry Printers Fund mortality:

"S1NA" base tables with year of birth projections and future improvements from a central year of 2003 in line with the CMI 2011 model and a long term rate of improvement of 1.25% per annum.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. PENSION SCHEMES (Continued)

The fair values of the assets presented below reflect the aggregated assets of the Express Newspapers 1988 Pension Fund, the Express Newspapers Senior Management Pension Fund and the West Ferry Printers Pension Fund.

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

	Fair value at 2015 £000	Fair value at 2014 £000
Equities	193,442	166,718
Gilts	80,257	97,137
Corporate bonds	56,140	70,950
Other	341,583	360,609
Total market value of assets	671,422	695,414
Present value of scheme liabilities	(679,673)	(735,959)
Deficit in the schemes	(8,251)	(40,545)
Irrecoverable surplus	(13,307)	(12,297)
Deficit in the schemes after irrecoverable surplus	(21,558)	(52,842)
Related deferred tax asset	3,880	10,568
Net pension liability	(17,678)	(42,274)

The pension schemes do not hold any ordinary shares issued or property occupied by Express Newspapers or West Ferry Printers Limited.

	2015 £000	Restated 2014 £000
The actual return on assets over the period was:		
Return on assets	17,917	120,694

NORTHERN & SHELL MEDIA GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****25. PENSION SCHEMES (Continued)**

The following amounts have been recorded in the consolidated profit and loss account for the schemes as at 31 December 2015:

Operating profit	2015 £000	Restated 2014 £000
Expenses paid	2,247	1,642
Settlements	1,375	-
Net interest on the net defined benefit liability	1,723	3,559
	<hr/>	<hr/>
Total expense	5,345	5,201

The expense is recognised in the following line items in the profit and loss account:

	2015 £000	Restated 2014 £000
Administrative expenses	5,345	5,201

Remeasurement of the net defined benefit liability to be shown in the statement of other comprehensive income:

	2015 £000	Restated 2014 £000
Actuarial gains/(losses) on the liabilities	28,462	(73,379)
Return on assets (excluding interest income)	(6,369)	94,337
Impact of surplus restrictions	468	591
Change in irrecoverable surplus	(1,010)	(508)
	<hr/>	<hr/>
Total remeasurement of the net defined benefit liability	21,551	21,041

The total remeasurement gain of the net defined benefit liability to be shown in other comprehensive income of £21.6 million (2014: £21.0 million) relates to an actuarial gain on liabilities of £28.5 million, a return on assets (excluding interest income) loss of £6.4 million, an impact of surplus restrictions of £468,000, less £1.0 million for the change in irrecoverable surplus.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. PENSION SCHEMES (Continued)

Movements in defined benefit obligation during the year:

	2015 £000	2014 £000
Defined benefit obligation	(679,673)	(735,959)
Plan assets	671,422	695,414
Net pension liability	(8,251)	(40,545)
Irrecoverable surplus	(13,307)	(12,297)
Net pension liability after irrecoverable surplus	(21,558)	(52,842)

Movements in present value of the defined benefit obligation:

	2015 £000	Restated 2014 £000
At 1 January	735,959	669,663
Settlements	(18,560)	-
Interest expense	25,542	29,325
Remeasurement: actuarial (gain)/loss	(28,462)	73,379
Benefits paid	(34,806)	(36,408)
At 31 December	679,673	735,959

Movements in fair value of the scheme assets:

	2015 £000	Restated 2014 £000
At 1 January	695,414	596,506
Settlements	(19,935)	-
Interest income on scheme assets	24,287	26,357
Remeasurement: return on assets (excluding interest income)	(6,369)	94,337
Contributions by employers	14,529	15,210
Net income	549	1,054
Benefits paid	(34,806)	(36,408)
Expenses paid	(2,247)	(1,642)
At 31 December	671,422	695,414

The deficit at the end of the year of £21.6 million (2014: £52.8 million) is after an irrecoverable surplus of £13.3 million (2014: £12.3 million). The deficit includes a remeasurement gain of £21.6 million (2014: £21.0 million) and is after recognising the impact of surplus restrictions of £468,000 (2014: £591,000) and allowance for the change in irrecoverable surplus of £1.0 million loss (2014: £508,000). The movements in defined benefit obligation and fair value of the scheme assets are before the irrecoverable surplus.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. GUARANTEES AND CONTINGENT LIABILITIES

At 31 December 2015, a group undertaking, Northern & Shell North America Limited, held in place a bank guarantee. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the landlord of the Company's former business premises on demand a sum or sums to an amount not exceeding USD \$2.7 million (sterling equivalent at 31 December 2015: £1.8 million) (2014: \$3.5 million). The guarantee amortises on a reducing balance basis over the term of the lease and shall be reduced to USD \$1.6 million following the ninth year of the lease. The bank's liabilities have also been jointly guaranteed by the Company. The bank's liabilities cease and are determined on 31 August 2018.

In 2014, Northern & Shell Investments No. 2 Limited, a subsidiary undertaking, acquired freehold interest in property for the total sum of £18.1 million, included in land and buildings (note 13). Under the terms of the acquisition deed, further amounts may become due payable to the seller, a third party. Accordingly, as at 31 December 2015, Northern & Shell Investments No. 2 Limited held in place a bank guarantee. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the seller on demand any sum or sums due under the terms of the guarantee to an amount not exceeding £719,000. Northern & Shell Investments No. 2 Limited has also pledged certain assets as security for the bank guarantee facility.

The Group, through its subsidiary undertaking Northern & Shell Insurance Limited, provides against any potential insurance claims. During the year, £nil claims (2014: £nil) were made against the company.

During the year, Health Lottery ELM Limited, a subsidiary undertaking, entered into contracts for the provision of advertising and production services. Under the terms of the contracts, the company is committed to a minimum annual media spend of £21.8 million and a minimum annual production spend of £5.7 million to £11.8 million for the periods ending 31 December 2018 and 30 September 2018 respectively (note 28). Express Newspapers, a fellow subsidiary undertaking, irrevocably and unconditionally guarantees the company's obligations under the agreements.

At 31 December 2015, certain claims in the normal course of business were pending against the Company and certain subsidiaries 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 Group.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. RELATED PARTY TRANSACTIONS

Badger Property Partners LLP, of which Mr. R.C. Desmond is a member, owns the Number 10 Lower Thames Street property which is the head office of the Northern & Shell Media Group Limited group. The Number 10 Lower Thames Street property is leased to Express Newspapers, a subsidiary undertaking, for a period of 20 years from 10 October 2013, for an annual rental of £6.9 million and with a rent review every 5 years. The charge for the year was £6.9 million (2014: £6.9 million). No amounts were due to Badger Property Partners LLP as at 31 December 2015 (2014: £nil).

During the year, Northern & Shell Ventures Limited, a subsidiary undertaking, provided media services to its associate undertakings and as at 31 December, was committed to provide further media services as follows:

Associate undertaking	Media Services		Commitment	
	2015 £000	2014 £000	2015 £000	2014 £000
Tepilo Limited	2,148	214	638	1,786
OpenRent Limited	345	529	355	700
My Single Friend Limited	85	-	1,415	-

In 2014, the Group sold a motor vehicle with a net book value of £nil to Mr. R.C. Desmond, for a total consideration of £71,000. No amounts were due to the Group as at 31 December 2015 (2014: £nil).

During the year, Mr. R.C. Desmond paid insurance premiums of £nil (2014: £nil) to a subsidiary undertaking, Northern & Shell Insurance Limited. The purpose of the premiums was to insure against personal risks and liabilities. During 2011, Mr. R.C. Desmond made a claim of £60.5 million in relation to these insurance premiums. The excess of the claim over provisions made of £46.6 million was charged to the profit and loss account in 2011. In 2014, the Group repaid in full a total amount of £29.1 million, included in other creditors, owing to Mr. R.C. Desmond in relation to the insurance claim.

The Company previously received loans totalling £65.0 million from Blue Cube Investments Limited, a company wholly owned by The Northern & Shell Richard Desmond Funded Unapproved Retirement Benefit Scheme, of which Mr. R.C. Desmond is the beneficiary, and The Northern & Shell Plc Group Pension Scheme, a personal Small Self Administered Scheme of which Mr. R.C. Desmond is the beneficiary. In 2014, the Company repaid and cancelled in full the loan balances outstanding as at 31 December 2013 of £23.2 million and £29.7 million respectively. Interest payable on the loans, included in interest payable and similar charges, amounted to £nil (2014: £3.1 million) (note 9).

The Company has taken advantage of the exemption available under FRS 102 from disclosing transactions with other group undertakings that form part of the wholly owned Group.

28. COMMITMENTS

During the year, Health Lottery ELM Limited, a subsidiary undertaking, entered into contracts for the provision of advertising and production services. Under the terms of the contracts, the company is committed to a minimum annual media spend of £21.8 million and a minimum annual production spend of £5.7 million to £11.8 million for the periods ending 31 December 2018 and 30 September 2018 respectively (note 26).

29. ULTIMATE CONTROLLING PARTY

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

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (Continued)

Reconciliation of shareholders' funds - Group

		1 January 2014			31 December 2014		
			Effect of		Effect of		
	Notes	UK GAAP	transition	FRS 102	UK GAAP	transition	FRS 102
		£000	to FRS	£000	£000	to FRS	£000
			102			102	
			£000			£000	
FIXED ASSETS							
Intangible assets	12	30,243	-	30,243	11,508	(3,606)	7,902
Tangible fixed assets	13	125,202	-	125,202	129,091	-	129,091
Investments	14						
Investments in Joint Ventures		2,009	-	2,009	1,963	-	1,963
Share of gross assets		(1,924)	-	(1,924)	(1,739)	-	(1,739)
Share of gross liabilities		85	-	85	224	-	224
Investments in Associates		-	-	-	(6)	3,606	3,600
Other investments		107	-	107	85	-	85
		192	-	192	303	3,606	3,909
		155,637	-	155,637	140,902	-	140,902
CURRENT ASSETS							
Stocks	15	5,355	-	5,355	2,501	-	2,501
Programme inventory		107,102	-	107,102	-	-	-
Debtors	16	129,704	16,989	146,693	51,071	10,568	61,639
Current asset investments	17	-	-	-	-	285,000	285,000
Cash at bank and in hand		37,325	-	37,325	334,295	(285,000)	49,295
		279,486	16,989	296,475	387,867	10,568	398,435
CREDITORS: amounts due within one year	19	(204,808)	-	(204,808)	(70,096)	-	(70,096)
NET CURRENT ASSETS		74,678	16,989	91,667	317,771	10,568	328,339
TOTAL ASSETS LESS CURRENT LIABILITIES		230,315	16,989	247,304	458,673	10,568	469,241
CREDITORS: amounts falling due after more than one year	20	(92,976)	-	(92,976)	(359)	-	(359)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(2,268)	-	(2,268)	(3,056)	-	(3,056)
NET ASSETS excluding pension liability		135,071	16,989	152,060	455,258	10,568	465,826
PENSION LIABILITY	25	(67,957)	(16,989)	(84,946)	(42,274)	(10,568)	(52,842)
NET ASSETS including pension liability		67,114	-	67,114	412,984	-	412,984
CAPITAL AND RESERVES							
Called up share capital	24	110	-	110	110	-	110
Other reserves		3,860	-	3,860	3,860	-	3,860
Profit and loss account		63,144	-	63,144	409,014	-	409,014
TOTAL SHAREHOLDERS' FUNDS		67,114	-	67,114	412,984	-	412,984

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (Continued)

Notes to the reconciliation of shareholders' funds

In preparing their FRS 102 Balance Sheet, the Group has recognised its defined benefit pension liability gross of deferred tax. Accordingly, the related deferred tax on the defined benefit pension liability is included in debtors (notes 16 and 18). Under its old basis of accounting (UK GAAP), the Group recognised its defined benefit pension liability net of deferred tax (note 25). The Group has also presented cash deposits, which mature in periods of more than 3 months but no more than one year, as current asset investments. Under its old basis of accounting (UK GAAP), the Group previously recognised the cash deposit amounts within cash at bank and in hand (note 17).

There is also a reduction in intangible assets of £3.6 million and a corresponding increase in investments in associates, whereby the Group previously recognised the goodwill on acquisition of its associated undertakings in intangible fixed assets. The transitional adjustments are presentational only and there is no impact on shareholders' funds.

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (Continued)

Reconciliation of consolidated profit for the year ending 31 December 2014

			2014	
	Note	UK GAAP	Effect of	FRS 102
		£000	transition to	£000
			FRS 102	
			£000	
GROUP TURNOVER	2/3	478,267	-	478,267
Continuing operations		239,328	-	239,328
Discontinued operations		238,939	-	238,939
	5	478,267	-	478,267
Cost of sales	5	(311,117)	-	(311,117)
GROSS PROFIT	5	167,150	-	167,150
Distribution costs	5	(21,420)	-	(21,420)
Administrative expenses	4/5	(173,673)	(3,900)	(177,573)
Other operating income	5	1,622	-	1,622
GROUP OPERATING LOSS	5	(26,321)	(3,900)	(30,221)
Continuing operations		(33,756)	(3,900)	(37,656)
Discontinued operations		7,435	-	7,435
		(26,321)	(3,900)	(30,221)
Share of operating loss of associates		(17)	(113)	(130)
Share of operating profit of joint ventures		626	-	626
TOTAL OPERATING LOSS	2/6	(25,712)	(4,013)	(29,725)
Profit on sale of discontinued operations	23	359,432	-	359,432
Other interest receivable and similar income	8	943	-	943
Interest payable and similar charges	9	(3,069)	-	(3,069)
Other financing income	25	2,103	(2,103)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	333,697	(6,116)	327,581
Tax on profit on ordinary activities	10	233	1,223	1,456
PROFIT FOR THE YEAR		333,930	(4,893)	329,037

NORTHERN & SHELL MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (Continued)

Notes to the reconciliation of profit

In preparing their profit and loss account, the Group has recognised its defined benefit pension liability under FRS 102. The net impact on the profit and loss account for the comparative period is an expense of £4.9 million comprising primarily of an expense of £4.0 million taken to administrative expenses, a reduction in other financing income of £2.1 million and a related increase in deferred tax income of £1.2 million. All of the adjustments are in respect of the Group's defined benefit pension schemes (note 25).

There is also an increase in the share of operating loss of associates of £113,000 and a reduction in administrative expenses for the same amount, being a reclassification of the goodwill amortisation charge for the associate undertakings.

There is a related net credit in other comprehensive income of £4.9 million in respect of the Group's defined benefit pension scheme and therefore the overall net impact on the profit and loss account is £nil.