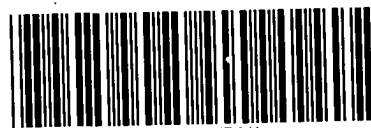


**NORTHERN & SHELL MEDIA GROUP LIMITED**

**GROUP ANNUAL REPORT & FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**NORTHERN & SHELL MEDIA GROUP LIMITED**

**ANNUAL REPORT**

**For the year ended 31 December 2013**

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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)

**AUDITORS**

KPMG LLP  
8 Salisbury Square  
London, EC4Y 8BB  
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

**STRATEGIC REPORT**

**For the year ended 31 December 2013**

**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, television broadcasting, lottery management services, property investment and the exploitation and further development of intellectual property. The Group, through its subsidiary Northern & Shell Insurance Limited, is also engaged in insurance activities.

It is the intention of the Group to continue trading in these areas for the foreseeable future. After the year end, the Group divested of its public service broadcasting interests with the sale of Channel 5 Broadcasting Limited (note 34).

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

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

The performance of the Group in 2013, with a return to profitability, was built on the solid foundations laid in the previous year.

Benefitting from a recovering UK economy and advertising market, particularly in the latter half of the year, Channel 5 produced a turnaround in its financial performance in 2013, with record revenues of £359.7 million driving an operating profit of £32.6 million (2012: loss £16.6 million), before goodwill amortisation of £1.2 million (2012: £1.2 million).

The impressive revenue result also reflected the success of the Group's policy of diversifying its advertiser relationships, with Channel 5 achieving a 10% year on year increased share of the television advertising market, its share of UK net advertising revenue rising to 8.8% (2012: 8.0%).

Targeted programme investment once again produced a further improvement in audience share and profile, with the Channel 5 family achieving a year on year increase in share of viewing. The improvement was such that for one full week in 2013 the Channel 5 main channel outperformed its Channel 4 equivalent in share of viewing, the first time that has occurred in the history of the business.

The Company's success was assisted by increased investment into its in-house production division. The 'and proud' series, developed and produced internally, was the channel's highest rating new commission in 2013. With such in-house production expertise, shows can be made for the channel at a lower cost with the rights being fully owned by the business for further exploitation, including for international sales.

Cost management remained a constant focus of the business. In January 2014, the videostream repurchase agreement came to an end resulting in an annualised saving to the business of £9.4 million. Further significant reductions in infrastructure costs have now been negotiated in long term deals, the benefits of which will be largely accrued from 2014 onwards.

The focus for 2014 was on continuing to improve ratings, enhancing the partnerships engagement with advertisers, growing in-house production and driving the Company's digital capability. A new time shifted channel, Channel 5 +24, came on air in February 2014, with the aim of enhancing the Channel family's share of viewing.

Channel 5 has continued to build on its significant digital presence. The Demand 5 service is available on more platforms and devices than any other commercial UK broadcaster and in August 2014 generated some 23 million long form video views in the month.

With all these developments signposting very positive prospects for the business, and following receipt of a number of unsolicited approaches from major international media groups, the directors decided to run a formal sale process for the Channel 5 business. This culminated in the signing of an agreement on 30 April 2014 to sell the business, which the Group had purchased for £99.1 million in July 2010, to a subsidiary of Viacom Inc. Following approval from the EU competition authorities the sale transaction was completed on 10 September 2014, for a total consideration of £463.3 million.

**STRATEGIC REPORT**

**For the year ended 31 December 2013**

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)**

The trading environment for newspapers remained challenging in the year with continued pressures on circulations and print advertising revenues. Despite these conditions, selected cover price increases and a strong focus on cost control, with savings achieved on newsprint and printing costs, delivered an improved financial performance.

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. In 2013, the Group's websites were redesigned and re-launched providing great improvements in usability and reach. Combined with an increased level of investment in digital infrastructure, content and data platforms, digital audiences grew with year on year monthly unique users up from 4.4 million to 15.6 million, an increase of more than 250%, and monthly page views up from 17.1 million to 52.8 million, an increase of more than 200%, resulting in a significant increase in digital revenues. This investment in the digital portfolio, built on the solid foundations of the strength of the print brands, is continuing to rapidly grow digital audiences and revenues in 2014. The monthly unique users and page views were 27.0 million and 135.8 million respectively in August 2014, a further increase on December 2013 of 73% and 157% respectively.

The directors continue to focus on and manage the risk areas inherent in the evolving newspaper sector. Given the pressures on revenues, tight control of costs is vital in order to properly secure the future of Express Newspapers and to that end in July 2014 the Group initiated a major editorial department restructuring which will ultimately involve significant redundancies in that area. With these necessary measures the directors remain optimistic on the outlook for the newspaper business.

In the highly challenging magazine publishing business the Northern & Shell titles, OK!, new! and Star magazines, consolidated the Group's market leading position in the UK celebrity weekly magazine market, with our titles comprising 3 of the top 5 selling titles on the newsstand in this category. The strength of the Group's titles is evidenced by all three of them being within the top 15 actively purchased magazines in the UK, measured by both copy sales and retail value. Across our print and digital footprint OK! Magazine continues to remain the number one publication in the UK celebrity magazine sector, with a total monthly brand reach across print and digital of 4.5 million adults.

Internationally, the OK! Magazine brand is also widely recognised. The Group currently has 17 international editions of OK! Magazine under licence agreements with other publishers. While the Group remains committed to its overseas licence network and expects the launch of further OK! international titles in 2014, the Group has now completed its strategic objective of focusing its directly owned publishing activities on the UK market. Following on from the sales of OK! USA and its joint venture interest in OK! Germany in previous years, the Group undertook a strategic review of its OK! Australia Magazine business. Following from that review, on 21 June 2013 the Group sold its 50% shareholding in Northern & Shell Pacific Limited, together with the intellectual property and trademark rights for OK! Australia, to Bauer Media Australia LP for a total consideration of AUD \$7.0 million (sterling equivalent £4.2 million), a total profit on sale of joint venture operations of £5.3 million (note 23).

As in newspaper publishing, the Group's magazines publishing divisions are progressing with a programme of investment in their digital assets, with plans to redesign and re-launch all of our websites over the next twelve months and to maximise the opportunities presented by data, tablet and mobile applications.

In our lottery division The Health Lottery has, after its second 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, manages lotteries and provides financial 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 less than 3 years, in excess of £55.0 million has been raised for charities to date, with donations distributed through a separate charity, The Peoples Health Trust (PHT).

To date, grants through the PHT have been made to more than 1,300 local projects throughout England, Scotland and Wales which has directly aided around 130,000 people. Among charities that have benefitted are national charities such as the Royal Voluntary Service, Mencap, Scope, Children's Food Trust and Youth Sport Trust, in addition to many local community projects such as the Meon Valley Dementia Carers, Sin Cru Health Through Dance and Shadwell Community Trust. 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](http://www.peopleshealthtrust.org.uk/apply-for-funding).

**STRATEGIC REPORT**

**For the year ended 31 December 2013**

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)**

The directors are enormously proud of 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 in Great Britain. However, as at the end of 2013, the Group had accumulated pre tax losses of £81.7 million since acquiring the business in February 2011. In order to secure a sustainable future for these charitable works it is vital now 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 this end considerable progress has been made in recent months. Ticket sales are running at a higher level to date in 2014 compared with the previous year. The business has also significantly reduced its cost base whilst continuing to make improvements in the retailer network selling the lottery and to the online players offering. Accordingly, with these trends, the directors are encouraged by the potential of the business and view the future with confidence.

Under FRS 17, 'Retirement benefits', the Group's financial statements recognise a net pension liability of £68.0 million at 31 December 2013 (2012: £59.3 million), after an actuarial loss of £15.6 million (2012: £20.0 million). The directors continue to monitor the pension liability position and are committed to taking steps to reduce this deficit. The Group's net assets before a net pension liability of £68.0 million (2012: £59.3 million) were £135.1 million at 31 December 2013 (2012: £116.2 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 subject to floating and fixed interest rates respectively. 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.

**STRATEGIC REPORT**

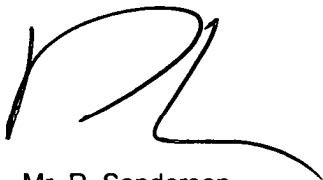
**For the year ended 31 December 2013**

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)**

**Advertising 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:

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

Mr. R. Sanderson  
Secretary

Date: 29 September 2014

**DIRECTORS' REPORT**

**For the year ended 31 December 2013**

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2013.

**RESULTS AND DIVIDENDS**

The Group recorded a profit before tax for the financial year of £34.9 million (2012: loss £20.1 million), with an operating profit of £37.1 million (2012: loss £5.6 million).

The directors do not recommend the payment of a dividend (2012: £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 £103,000 (2012: £262,000).

There were no political contributions made during the year (2012: £nil).

**DISCLOSURE OF INFORMATION TO AUDITORS**

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 auditors are 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 auditors are aware of that information.

**AUDITORS**

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

By order of the Board:



Mr. R. Sanderson  
Secretary

Date: 29 September 2014

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



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

**For the year ended 31 December 2013**

The directors are responsible for preparing the Strategic Report and 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).

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.



8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **NORTHERN & SHELL MEDIA GROUP LIMITED**

**For the year ended 31 December 2013**

We have audited the financial statements of Northern & Shell Media Group Limited for the year ended 31 December 2013 set out on pages 11 to 47. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 AUDITORS**

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 (APB'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](http://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 the Parent Company's affairs as at 31 December 2013 and of the Group's profit 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**NORTHERN & SHELL MEDIA GROUP LIMITED**

**For the year ended 31 December 2013**

**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 by the Parent Company, 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  
8 Salisbury Square  
London, EC4Y 8BB  
United Kingdom

Date: 29 September 2014

**NORTHERN & SHELL MEDIA GROUP LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2013**

	Notes	2013 £000	2012 £000
Turnover (including share of joint ventures)	2	621,014	642,046
Less: share of joint venture turnover		<u>(10,136)</u>	<u>(19,962)</u>
<b>GROUP TURNOVER</b>		<b>610,878</b>	<b>622,084</b>
Cost of sales	4	<u>(407,746)</u>	<u>(442,572)</u>
<b>GROSS PROFIT</b>	4	<b>203,132</b>	<b>179,512</b>
Distribution costs	4	<b>(21,986)</b>	<b>(22,612)</b>
Administrative expenses	3/4	<b>(145,331)</b>	<b>(163,821)</b>
Other operating income	4	<u>502</u>	<u>1,086</u>
<b>GROUP OPERATING PROFIT/(LOSS)</b>		<b>36,317</b>	<b>(5,835)</b>
Continuing operations		<b>36,769</b>	<b>(6,428)</b>
Discontinued operations		<b>(452)</b>	<b>593</b>
	4	<u><b>36,317</b></u>	<u><b>(5,835)</b></u>
Share of operating profit of Joint Ventures		<u>757</u>	<u>230</u>
<b>TOTAL OPERATING PROFIT/(LOSS)</b>	2/5	<b>37,074</b>	<b>(5,605)</b>
Investment property revaluation	12	-	<b>(6,824)</b>
Profit on sale of joint venture operation	23	<b>5,262</b>	-
Other interest receivable and similar income	7	<b>169</b>	<b>243</b>
Interest payable and similar charges	8	<b>(5,639)</b>	<b>(7,079)</b>
Other financing expenses	29	<u><b>(1,930)</b></u>	<u><b>(839)</b></u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<b>34,936</b>	<b>(20,104)</b>
Tax on profit/(loss) on ordinary activities	9	<u><b>(9,196)</b></u>	<u><b>(6,591)</b></u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	25	<u><b>25,740</b></u>	<u><b>(26,695)</b></u>

The notes on pages 16 to 47 form part of these financial statements.

**NORTHERN & SHELL MEDIA GROUP LIMITED****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 December 2013**

	<b>Notes</b>	<b>2013 £000</b>	<b>2012 £000</b>
Profit/(loss) for the financial year			
- Group		<b>25,129</b>	(26,755)
- Joint Ventures		<b>611</b>	60
		<b>25,740</b>	(26,695)
Release to profit & loss account	12	-	3,424
Actuarial loss recognised in the pension scheme	29	<b>(19,476)</b>	(25,988)
Movement on deferred tax relating to pension liability		<b>3,896</b>	5,977
Total gains/(losses) recognised since last annual report		<b>10,160</b>	(43,282)
- Group		<b>9,549</b>	(43,342)
- Joint Ventures		<b>611</b>	60
Total gains/(losses) recognised since last annual report		<b>10,160</b>	(43,282)

**NORTHERN & SHELL MEDIA GROUP LIMITED**

**CONSOLIDATED BALANCE SHEET as at 31 December 2013**

	Notes	2013 £000	2012 £000
<b>FIXED ASSETS</b>			
Intangible assets	11	30,243	41,900
Tangible assets	12	125,202	131,904
Investments	13		
Interests in joint ventures			
Share of gross assets		2,009	2,615
Share of gross liabilities		(1,924)	(3,524)
		85	(909)
Other Investments		107	107
		192	(802)
		155,637	173,002
<b>CURRENT ASSETS</b>			
Stocks	14	5,355	3,675
Programme inventory	15	107,102	112,477
Debtors	16	129,704	134,204
Cash at bank and in hand		37,325	34,449
		279,486	284,805
<b>CREDITORS: amounts falling due within one year</b>	18	(204,808)	(218,064)
<b>NET CURRENT ASSETS</b>		74,678	66,741
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		230,315	239,743
<b>CREDITORS: amounts falling due after more than one year</b>	19	(92,976)	(118,307)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	(2,268)	(5,218)
<b>NET ASSETS excluding pension liability</b>		135,071	116,218
<b>PENSION LIABILITY</b>	29	(67,957)	(59,264)
<b>NET ASSETS including pension liability</b>		67,114	56,954
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	110	110
Other reserves	25	3,860	3,860
Profit and loss account	25	63,144	52,984
<b>TOTAL SHAREHOLDERS' FUNDS</b>	25	67,114	56,954

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



Mr. R.C. Desmond  
Chairman  
Date: 29 September 2014

Company registered number: 4086466

**NORTHERN & SHELL MEDIA GROUP LIMITED**

**COMPANY BALANCE SHEET as at 31 December 2013**

	Notes	2013 £000	2012 £000
<b>FIXED ASSETS</b>			
Tangible assets	12	-	2,900
Investments	13	<u>169,667</u>	<u>35,110</u>
		<b>169,667</b>	<b>38,010</b>
<b>CURRENT ASSETS</b>			
Debtors	16	<b>23,022</b>	162,184
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(160,482)</u>	<u>(151,656)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(137,460)</u>	<u>10,528</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>32,207</b>	<b>48,538</b>
<b>CREDITORS: amounts falling due after more than one year</b>	19	<u>(40,442)</u>	<u>(52,940)</u>
<b>NET LIABILITIES</b>		<u>(8,235)</u>	<u>(4,402)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	<b>110</b>	110
Profit and loss account	25	<u>(8,345)</u>	<u>(4,512)</u>
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	25	<u>(8,235)</u>	<u>(4,402)</u>

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



Mr. R.C. Desmond

Chairman

Date: 29 September 2014

Company registered number: 4086466

**NORTHERN & SHELL MEDIA GROUP LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the year ended 31 December 2013**

	<b>Notes</b>	<b>2013 £000</b>	<b>2012 £000</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	26	<b>21,984</b>	<b>(2,839)</b>
<b>DIVIDENDS RECEIVED FROM JOINT VENTURES</b>		<b>1,148</b>	<b>646</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		<b>169</b>	243
Interest paid		<b>(5,751)</b>	<b>(6,910)</b>
Interest element of finance lease rentals		<b>-</b>	<b>(5)</b>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(5,582)</b>	<b>(6,672)</b>
<b>TAXATION</b>		<b>(138)</b>	<b>(523)</b>
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		<b>(8,940)</b>	<b>(14,422)</b>
Payments to acquire intangible assets		<b>(7)</b>	<b>(380)</b>
Receipts from disposal of fixed assets		<b>2,938</b>	<b>500</b>
<b>NET CASH OUTFLOW FOR CAPITAL EXPENDITURE</b>		<b>(6,009)</b>	<b>(14,302)</b>
<b>ACQUISITIONS AND DISPOSALS</b>			
Contributions to Joint Ventures		<b>-</b>	<b>(252)</b>
Sale of joint venture operation	23	<b>4,173</b>	<b>403</b>
<b>NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS</b>		<b>4,173</b>	<b>151</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE USE OF FINANCING</b>		<b>15,576</b>	<b>(23,539)</b>
<b>FINANCING</b>			
External loan repayments		<b>(12,700)</b>	<b>(78,309)</b>
New loan finance		<b>-</b>	<b>75,000</b>
<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>(12,700)</b>	<b>(3,309)</b>
<b>INCREASE/(DECREASE) IN NET CASH</b>	27/28	<b>2,876</b>	<b>(26,848)</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**1. PRINCIPAL ACCOUNTING POLICIES**

**( a ) Basis of accounting**

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 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 6.

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

**( 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**( d ) Revenue recognition (continued)**

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, but excludes sales by joint ventures.

**( 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.

**( f ) Intangible fixed assets**

**Trademarks**

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

**Goodwill**

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

Goodwill arising on acquisition of Express Newspapers in 2000, the Channel 5 Television group in 2010 and The Health Lottery group in 2011, is being amortised over its estimated economic life of 20 years.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**( f ) Intangible fixed assets (continued)**

**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.

**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.

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.

**( g ) Tangible fixed assets**

Freehold investment properties are stated at their open market value at the balance sheet date. In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit, or its reversal, is expected to be permanent in which case it is charged in the profit and loss account. No provision is made for the depreciation of freehold investment properties. This departure from the requirements of the Companies Act 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**( i ) Cash and liquid resources**

Cash, for the purpose of the consolidated cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

**( j ) Stocks**

Raw materials comprise mainly paper and are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**( k ) 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.
- 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.

**( l ) 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.

**( m ) 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.

**( n ) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**( n ) Leases (continued)**

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.

**( o ) 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.

**( p ) Deferred taxation**

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

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

Deferred tax assets and liabilities are not discounted and are calculated at the standard rate of corporation tax in the UK substantively enacted at the balance sheet date of 20% (2012: 23%).

**( q ) Pension costs**

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

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

**( r ) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**2. SEGMENTAL ANALYSIS**

The Group's turnover and profit/(loss) 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.

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

Turnover in respect of continuing joint venture entities arises principally from publishing activities in the Republic of Ireland. Joint venture activities in Australia were discontinued on 21 June 2013 and activities in Germany were discontinued in 2012 (note 23).

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

	<b>P&amp;P</b>	<b>P&amp;P - D</b>	<b>P&amp;P - JV</b>	<b>B - PS</b>	<b>B - O</b>	<b>INS</b>	<b>LM</b>	<b>PI</b>	<b>TOTAL</b>
	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>TURNOVER</b>									
Turnover gross	257,371	-	10,136	359,702	9,315	1,166	26,457	28	<b>664,175</b>
Inter-segment sales	(7,028)	-	-	(34,747)	(220)	(1,166)	-	-	<b>(43,161)</b>
Third party sales	250,343	-	10,136	324,955	9,095	-	26,457	28	<b>621,014</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>30,515</b>	<b>2,788*</b>	<b>757</b>	<b>31,320</b>	<b>1,696</b>	<b>627</b>	<b>(28,428)</b>	<b>(2,201)</b>	<b>37,074</b>
Profit on sale of joint venture (note 23)	5,262	-	-	-	-	-	-	-	<b>5,262</b>
Other financing expenses (note 29)	(1,930)	-	-	-	-	-	-	-	<b>(1,930)</b>
	33,847	2,788	757	31,320	1,696	627	(28,428)	(2,201)	<b>40,406</b>
Common costs									<b>(5,470)</b>
Profit on ordinary activities before taxation									<b>34,936</b>

	<b>P&amp;P</b>	<b>P&amp;P - D</b>	<b>P&amp;P - JV</b>	<b>B - PS</b>	<b>B - O</b>	<b>INS</b>	<b>LM</b>	<b>PI</b>	<b>TOTAL</b>
	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>TURNOVER</b>									
Turnover gross	286,369	-	19,962	323,806	13,344	1,903	37,624	-	<b>683,008</b>
Inter-segment sales	(8,743)	-	-	(30,114)	(202)	(1,903)	-	-	<b>(40,962)</b>
Third party sales	277,626	-	19,962	293,692	13,142	-	37,624	-	<b>642,046</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>24,623</b>	<b>4,716*</b>	<b>230</b>	<b>(17,797)</b>	<b>2,203</b>	<b>927</b>	<b>(19,348)</b>	<b>(1,159)</b>	<b>(5,605)</b>
Investment property revaluation (note 12)	-	-	-	-	-	-	-	(6,824)	<b>(6,824)</b>
Other financing expenses (note 29)	(839)	-	-	-	-	-	-	-	<b>(839)</b>
	23,784	4,716*	230	(17,797)	2,203	927	(19,348)	(7,983)	<b>(13,268)</b>
Common costs									<b>(6,836)</b>
Loss on ordinary activities before taxation									<b>(20,104)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**2. SEGMENTAL ANALYSIS (Continued)**

The common costs are the sum of other interest receivable and similar income of £169,000 (2012: £243,000) and interest payable and similar charges of £5.6 million (2012: 7.1 million).

\*The difference between discontinued operating profit as stated above and the operating (loss)/profit shown in note 4 is as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Segmental operating profit	<b>2,788</b>	4,716
Foreign exchange on amounts owed to group undertakings	<b>(3,240)</b>	(4,123)
Operating (loss)/profit per analysis note (note 4)	<b>(452)</b>	593

The abbreviations used above relate to the following segments:

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

**Net operating assets (including pension deficit)**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Publishing and printing	<b>190,690</b>	70,949
Publishing and printing (discontinued)	<b>(126,058)</b>	(125,862)
Publishing and printing - joint ventures	<b>85</b>	(909)
Broadcasting - public service	<b>(9,992)</b>	(34,710)
Broadcasting - other	<b>9,139</b>	114,258
Insurance	<b>7,610</b>	(2,113)
Lottery management	<b>(83,104)</b>	(52,139)
Property Investment	<b>41,170</b>	60,007
	<b>29,540</b>	29,481

**Reconciliation of net operating assets to net assets**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Net operating assets	<b>29,540</b>	29,481
Investments (note 13)	<b>107</b>	107
Corporation tax (note 18)	<b>(5,321)</b>	(5,364)
Deferred tax – asset (note 17)	<b>58,403</b>	63,478
Net deficit	<b>(15,615)</b>	(30,748)
	<b>67,114</b>	56,954

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**3. ADMINISTRATIVE EXPENSES**

	<b>2013 £000</b>	<b>2012 £000</b>
Chairman's emoluments and pension contributions	<b>452</b>	320
Other administrative expenses	<b>144,879</b>	163,501
	<b>145,331</b>	163,821

**4. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS**

	<b>2013 Continuing Operations £000</b>	<b>2013 Discontinued Operations £000</b>	<b>2013 Total £000</b>	<b>2012 Continuing Operations £000</b>	<b>2012 Discontinued Operations £000</b>	<b>2012 Total £000</b>
Group turnover	610,878	-	<b>610,878</b>	622,084	-	622,084
Cost of sales	(407,746)	-	<b>(407,746)</b>	(442,572)	-	(442,572)
Gross profit	203,132	-	<b>203,132</b>	179,512	-	179,512
Distribution costs	(21,986)	-	<b>(21,986)</b>	(22,612)	-	(22,612)
Administrative expenses	(144,879)	(452)	<b>(145,331)</b>	(164,414)	593	(163,821)
Other operating income	502	-	<b>502</b>	1,086	-	1,086
Group operating profit/(loss)	36,769	(452)	<b>36,317</b>	(6,428)	593	(5,835)



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**5. NOTES TO THE PROFIT AND LOSS ACCOUNT**

**2013  
£000**

**2012  
£000**

**Profit/(loss) on ordinary activities before tax is stated after charging/(crediting):**

Depreciation – owned assets	10,958	12,185
Depreciation – leased assets	-	100
Amortisation of trademarks	4	4
Amortisation of programming rights	506	782
Amortisation of videostream assets	8,922	8,921
Amortisation of goodwill – acquisitions	2,232	2,826
Profit on disposal of fixed assets	(27)	(387)
Impairment of fixed assets (note 12)	-	4,070
Operating lease rentals – other	8,606	7,137
Operating lease rentals – land and buildings	12,131	11,722
Operating lease rentals – transmission and distribution	44,504	46,658
Foreign exchange gain	(653)	(1,814)
Operating lease rentals – other income	<u>(1,661)</u>	<u>(2,300)</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**

**25**

**Other services**

Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation

**444**

**420**

All other services

**2**

**2**

Other services provided pursuant to such legislation

**84**

**117**

Transaction services

**100**

**-**

Audit fees for the Company are borne by subsidiary undertakings.

**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**( a ) Directors**

**2013  
£000**

**2012  
£000**

Emoluments	1,920	1,756
Company contributions to money purchase pension schemes	<u>43</u>	<u>74</u>
	<u><b>1,963</b></u>	<u><b>1,830</b></u>

Pension benefits are accruing to five directors under money purchase pension schemes (2012: five directors).

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

	<b>2013 £000</b>	<b>2012 £000</b>
Emoluments	589	589
Company contributions to money purchase pension schemes	<u>16</u>	<u>16</u>
	<u><b>605</b></u>	<u><b>605</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)**

**( b ) Staff costs (including directors)**

	<b>2013 £000</b>	<b>2012 £000</b>
Wages and salaries	<b>68,515</b>	68,426
Social security costs	<b>7,459</b>	7,566
Pension costs	<b>2,741</b>	2,864
	<b><u>78,715</u></b>	<u>78,856</u>

Pension costs include an FRS17 pension charge of £1.3 million (2012: £1.2 million) (note 29).

Average number of people employed by activity:

	<b>2013 Number</b>	<b>2012 Number</b>
Production	<b>664</b>	717
Selling and distribution	<b>272</b>	265
Administration	<b>254</b>	260
	<b><u>1,190</u></b>	<u>1,242</u>

**7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2013 £000</b>	<b>2012 £000</b>
Bank deposit interest	<b>132</b>	231
Other interest receivable	<b>37</b>	11
Joint venture interest receivable	<b>-</b>	1
	<b><u>169</u></b>	<u>243</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2013 £000</b>	<b>2012 £000</b>
Bank loans and overdrafts	<b>5,135</b>	2,867
Finance leases	<b>-</b>	5
Amortisation of financing charges	<b>-</b>	557
Other interest payable	<b>504</b>	1,520
Settlement of interest rate swaps	<b>-</b>	2,130
	<b><u>5,639</u></b>	<u>7,079</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**9. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Current tax</b>		
Adjustments in respect of previous periods	5	882
Foreign taxes suffered	74	419
Share of Joint Venture taxation	146	135
	<hr/>	<hr/>
Total current tax charge	225	1,436
<b>Deferred tax</b>		
Origination and reversal of timing differences (accelerated capital allowances and other)	5,381	(216)
Adjustments in respect of previous periods	(1,019)	1,216
Total deferred tax charge excluding deferred tax on pension liability (note 17)	4,362	1,000
Pension cost relief in excess of pension cost charge	4,609	4,155
	<hr/>	<hr/>
Total deferred tax charge (note 17)	8,971	5,155
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	9,196	6,591

The tax assessed for the year differs from the rate of 23.25% (2012: 24.5%) and the differences are explained below:

	<b>2013 £000</b>	<b>2012 £000</b>
Profit/(loss) on ordinary activities before tax	34,936	(20,104)
Profit/(loss) on ordinary activities multiplied by the rate of 23.25% (2012: 24.5%)	8,123	(4,925)
Effects of:		
Net effect of expenses not deductible for tax and income not subject to tax	2,535	4,838
Excess of depreciation over capital allowances and other timing differences	(849)	(508)
Adjustments in respect of previous periods	5	882
Profits subject to lower level of overseas tax	(1,833)	(774)
Non tax deductible goodwill amortisation and other permanent differences	519	692
Deferred tax assets not recognised	6,101	2,915
Utilisation of losses	(14,376)	(1,684)
	<hr/>	<hr/>
Current tax charge for the year	225	1,436

On 21 March 2012, the Chancellor announced a reduction in the main rate of UK corporation tax from 24% to 23% with effect from 1 April 2013. On 2 July 2013, further reductions in the UK corporation tax rate from 23% to 21%, with effect from 1 April 2014 and then from 21% to 20%, with effect from 1 April 2015, were substantively enacted.

The deferred tax balance at 31 December 2013 has been calculated based on the rate of 20% and the effect of these rate reductions as at 31 December 2013 has been included in the figures above.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**9. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (Continued)**

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 £231.4 million (2012: £261.3 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 £167.8 million (2012: £159.0 million) of the available losses as future benefit is not certain.

**10. LOSS 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 loss for the year amounted to £3.8 million (2012: £9.7 million).

**11. INTANGIBLE ASSETS**

	<b>Trademarks</b>	<b>Goodwill</b>	<b>Programming Rights</b>	<b>Videostream Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>THE GROUP</b>					
Cost:					
At 1 January 2013	156	66,224	8,610	65,426	140,416
Additions	-	-	7	-	7
<b>At 31 December 2013</b>	<b>156</b>	<b>66,224</b>	<b>8,617</b>	<b>65,426</b>	<b>140,423</b>
Amortisation:					
At 1 January 2013	124	34,936	7,695	55,761	98,516
Charge for the year	4	2,232	506	8,922	11,664
<b>At 31 December 2013</b>	<b>128</b>	<b>37,168</b>	<b>8,201</b>	<b>64,683</b>	<b>110,180</b>
Net book amounts:					
<b>At 31 December 2013</b>	<b>28</b>	<b>29,056</b>	<b>416</b>	<b>743</b>	<b>30,243</b>
At 31 December 2012	32	31,288	915	9,665	41,900

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2013****12. TANGIBLE ASSETS**

	<b>Assets under construction</b>	<b>Land and Buildings</b>	<b>Motor Vehicles, Plant and Machinery</b>	<b>Fixtures, Fittings and Office Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>THE GROUP</b>					
Cost/valuation:					
At 1 January 2013	500	118,993	149,270	61,724	330,487
Additions	801	462	3,272	2,793	7,328
Disposals	-	(2,900)	(53,999)	(5,953)	(62,852)
<b>At 31 December 2013</b>	<b>1,301</b>	<b>116,555</b>	<b>98,543</b>	<b>58,564</b>	<b>274,963</b>
Depreciation:					
At 1 January 2013	-	42,034	109,360	47,189	198,583
Charge for the year	-	3,415	2,591	4,952	10,958
Disposals	-	-	(53,999)	(5,781)	(59,780)
<b>At 31 December 2013</b>	<b>-</b>	<b>45,449</b>	<b>57,952</b>	<b>46,360</b>	<b>149,761</b>
Net book amounts:					
<b>At 31 December 2013</b>	<b>1,301</b>	<b>71,106</b>	<b>40,591</b>	<b>12,204</b>	<b>125,202</b>
At 31 December 2012	500	76,959	39,910	14,535	131,904

Included within land and buildings is an investment property from which the Group derives rental income, which was previously recorded at an open market valuation of £6.3 million. During the year, the property was sold by the Company for £2.9 million. Accordingly, the property was valued at £2.9 million as at 31 December 2012 on the basis of open market value. In accordance with SSAP 19, the revaluation amount of £3.4 million was charged to the profit and loss account in 2012, together with the deficit on revaluation of property of £3.4 million (note 25) which was transferred from the revaluation reserve to the profit and loss account on the basis that the deficit was expected to be permanent. During the year, a total charge of £nil (2012: £6.8 million) was recognised in the profit and loss account. The historical cost of the investment property was £10.5 million.

Land and buildings includes the following assets at net book value as at 31 December 2013:

- freehold land and buildings and long leasehold land £33.6 million (2012: £36.7 million).
- short leasehold buildings £37.5 million (2012: £40.2 million).

Motor vehicles, plant and machinery, fixtures, fittings and office equipment include assets acquired under finance leases in respect of which, as at 31 December 2013, the net book value was £nil (2012: £nil) after charging £nil (2012: £100,000) depreciation for the year.

Capitalised interest included in the net book value of fixed assets amounted to £nil (2012: £nil).

During the year, land and buildings with a net book value of £nil (2012: £4.1 million) and plant, machinery and motor vehicles with a net book value of £nil (2012: £30,000) were impaired in full, with a charge of £nil (2012: £4.1 million) taken to the profit and loss account. The impairments are included in the depreciation charge for 2012.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**12. TANGIBLE ASSETS (Continued)**

**THE COMPANY**

The tangible fixed assets of the Company at 31 December 2013 amount to £nil (2012: £2.9 million) and consist entirely of the investment property referred to above.

**13. FIXED ASSET INVESTMENTS**

**THE GROUP**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Interest in Joint Ventures</b>		
At 1 January - net liabilities	<b>(909)</b>	<b>(394)</b>
- goodwill (gross)	<b>9,856</b>	<b>9,856</b>
	<b>8,947</b>	<b>9,462</b>
Share of profit	<b>611</b>	<b>60</b>
Movement in profit and loss reserves	<b>(1,148)</b>	<b>(646)</b>
Capital contributions	<b>-</b>	<b>252</b>
Disposal of net liabilities/(assets)	<b>1,531</b>	<b>(181)</b>
	<b>994</b>	<b>(515)</b>
At 31 December - net assets/(liabilities)	<b>85</b>	<b>(909)</b>
- goodwill (gross)	<b>9,856</b>	<b>9,856</b>
	<b>9,941</b>	<b>8,947</b>
<b>Aggregate amortisation of goodwill</b>		
At 1 January	<b>(9,856)</b>	<b>(9,856)</b>
Charge for the year	<b>-</b>	<b>-</b>
At 31 December	<b>(9,856)</b>	<b>(9,856)</b>
<b>Net book amount at 31 December</b>		
Net assets/(liabilities)	<b>85</b>	<b>(909)</b>
Goodwill	<b>-</b>	<b>-</b>
	<b>85</b>	<b>(909)</b>
<b>Other fixed asset investment</b>	<b>107</b>	<b>107</b>
<b>Total fixed asset investments</b>	<b>192</b>	<b>(802)</b>

Interests in joint ventures principally comprise:

- 50% of the equity share capital of Independent Star Limited, a newspaper publisher registered in the Republic of Ireland, the principal activity of which is the publishing of the 'Irish Daily Star' newspaper in that country.
- 50% of the equity share capital of Northern & Shell Pacific Limited, a magazine publisher registered in the United Kingdom, the principal activity of which is the publishing of OK! Magazine in Australia and New Zealand. On 21 June 2013, the Group disposed of its entire holding of equity share capital in the company (note 23).

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**13. FIXED ASSET INVESTMENTS (Continued)**

**Details of investments in Joint Venture Companies**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Summary of Joint Venture net assets</b>		
Share of fixed assets	476	532
Share of current assets	<u>1,533</u>	<u>2,083</u>
<b>Share of gross assets</b>	<u>2,009</u>	<u>2,615</u>
Share of liabilities		
Due within one year	(1,617)	(3,171)
Due after one year	<u>(307)</u>	<u>(353)</u>
<b>Share of gross liabilities</b>	<u>(1,924)</u>	<u>(3,524)</u>
<b>Net assets/(liabilities)</b>	<u>85</u>	<u>(909)</u>

For the year ended 31 December 2013, 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 per FRS 9. Therefore the Group's share of its principal joint venture has not been disclosed.

**THE COMPANY**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Shares in group undertakings</b>		
At 1 January	35,110	110
Additions	159,156	35,000
Transfer of preference shares	<u>(24,599)</u>	<u>-</u>
<b>At 31 December</b>	<u>169,667</u>	<u>35,110</u>

The immediate subsidiary undertakings and their percentage holdings are:

	<b>Principal activity</b>	<b>Ordinary shares</b>
Northern & Shell Network Limited	Publishing, printing, broadcasting and lottery management	100%
Northern & Shell Broadcasting Limited	Television broadcasting	100%
West Ferry Leasing Limited	Leasing assets	100%
Northern & Shell Investments No.2 Limited	Property Investment	100%
Northern & Shell Ventures Limited	Media asset exploitation	100%

During the year, the Company acquired 24,429,615 irredeemable A preference shares of £0.01 each in the capital of Express Newspapers from Broughton Printers Limited, a subsidiary undertaking, for a fair market value of £24.6 million in consideration of amounts owed by group undertakings. Subsequently, the 24,429,615 irredeemable A preference shares of £0.01 each in the capital of Express Newspapers were transferred to Northern & Shell Network Limited, a subsidiary undertaking, for a fair market value of £24.6 million in consideration for the allotment and issue of 2 ordinary shares of £1.00 each at a premium in the capital of Northern & Shell Network Limited, a total consideration of £24.6 million.

During the year, the Company subscribed for 109,957,581 ordinary shares of £1.00 each in the capital of Northern & Shell Broadcasting Limited, a subsidiary undertaking, at par value for a total consideration of £110.0 million. The Company also subscribed for 100 ordinary shares of £1.00 each in the capital of Northern & Shell Ventures Limited, a subsidiary undertaking, for a total consideration of £100.

Investments in group undertakings are stated at cost less any provision for permanent diminution in value. A list of the principal subsidiaries and joint ventures is given in note 32.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**14. STOCKS**

	<b>2013 £000</b>	<b>2012 £000</b>
Raw materials and consumables	<u>5,355</u>	<u>3,675</u>

**15. PROGRAMME INVENTORY**

	<b>2013 £000</b>	<b>2012 £000</b>
Commissioned programmes	<b>14,067</b>	15,540
Acquired programmes	<u>93,035</u>	<u>96,937</u>
	<u><b>107,102</b></u>	<u>112,477</u>

**16. DEBTORS**

	<b>The Group</b>	
	<b>2013 £000</b>	<b>2012 £000</b>
Trade debtors	<b>55,141</b>	48,384
Other debtors	<b>11,671</b>	12,964
Amounts owed by related party	-	442
Prepayments and accrued income	<b>21,478</b>	26,638
Deferred tax asset (note 17)	<u>41,414</u>	<u>45,776</u>
	<u><b>129,704</b></u>	<u>134,204</u>

	<b>The Company</b>	
	<b>2013 £000</b>	<b>2012 £000</b>
Amounts owed by group undertakings	<b>21,020</b>	161,355
Amounts owed by group undertakings with respect to group relief	<b>1,918</b>	818
Prepayments and accrued income	<b>84</b>	-
Other debtors	<u>-</u>	<u>11</u>
	<u><b>23,022</b></u>	<u>162,184</u>

Amounts owed by group undertakings carry interest between 2.0% and 2.5% above base rate or LIBOR, 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.



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**17. DEFERRED TAX ASSET**

	<b>£000</b>
At 1 January 2013	<b>45,776</b>
Charged to the profit and loss account (note 9)	<b>(4,362)</b>
	<hr/>
At 31 December 2013	<b>41,414</b>
	<hr/>

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

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Deferred tax recognised including deferred tax on pension liability</b>		
Accelerated capital allowances	<b>7,029</b>	8,404
Other timing differences	<b>817</b>	803
Losses	<b>33,568</b>	36,569
	<hr/>	<hr/>
Deferred tax excluding that relating to pension liability	<b>41,414</b>	45,776
Deferred tax on pension liability (note 29)	<b>16,989</b>	17,702
	<hr/>	<hr/>
<b>Total deferred tax asset recognised</b>	<b>58,403</b>	63,478
	<hr/>	<hr/>
1 January 2013	<b>63,478</b>	62,656
Deferred tax charge in profit and loss account (note 9)	<b>(8,971)</b>	(5,155)
Deferred tax on the actuarial loss on the pension scheme charged to the statement of total recognised gains and losses	<b>3,896</b>	5,977
	<hr/>	<hr/>
<b>At 31 December 2013</b>	<b>58,403</b>	63,478
	<hr/>	<hr/>

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**18. CREDITORS: amounts falling due within one year**

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts (notes 21 and 28)	-	640
Other loans	<b>12,498</b>	12,060
Trade creditors	<b>78,824</b>	86,709
Other creditors	<b>25,396</b>	31,867
Taxation and social security	<b>19,060</b>	11,350
Corporation tax	<b>5,321</b>	5,364
Redeemable ordinary 'B' shares	<b>900</b>	900
Accruals and deferred income	<b>62,809</b>	69,174
	<b>204,808</b>	218,064

	<b>The Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Bank loans (note 21)	-	640
Other loans	<b>12,498</b>	12,060
Amounts owed to group undertakings	<b>147,895</b>	138,706
Accruals and deferred income	<b>89</b>	250
	<b>160,482</b>	151,656

Amounts owed to group undertakings carry interest at 2.0% above base rate, are unsecured and repayable on demand. Amounts owed to group undertakings with respect to group relief are non-interest bearing.

Included in other loans is an amount of £6.7 million, which is secured and carries interest at 7.0%, and an amount of £5.8 million which is unsecured and carries interest at 9.0% (notes 30 and 31).

**19. CREDITORS: amounts falling due after more than one year**

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Other loans	<b>40,442</b>	52,940
Other creditors	<b>13,352</b>	30,028
Trade creditors	<b>39,182</b>	35,339
	<b>92,976</b>	118,307

	<b>The Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Other loans	<b>40,442</b>	52,940

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**19. CREDITORS: amounts falling due after more than one year (Continued)**

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

	<b>Other loans</b>		<b>The Group Other creditors</b>		<b>Trade creditors</b>	
	<b>2013 £000</b>	<b>2012 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>
In more than one year but not more than two years	<b>12,967</b>	12,498	<b>13,352</b>	16,676	<b>10,588</b>	21,660
In more than two years but not more than five years	<b>27,475</b>	40,442	-	13,352	<b>28,594</b>	13,679
	<b>40,442</b>	52,940	<b>13,352</b>	30,028	<b>39,182</b>	35,339

	<b>The Company Other loans</b>	
	<b>2013 £000</b>	<b>2012 £000</b>
In more than one year but not more than two years	<b>12,967</b>	12,498
In more than two years but not more than five years	<b>27,475</b>	40,442
	<b>40,442</b>	52,940

Included in other loans is an amount of £23.0 million (2012: £29.7 million), which is secured and carries interest at 7.0%, and an amount of £17.4 million (2012: £23.2 million) which is unsecured and carries interest at 9.0% (notes 30 and 31).

Other creditors include the Top Up TV 1 Limited acquisition loan of £nil (2012: £0.9 million), which carries an interest rate of 6.82% and was repaid in January 2014, and an amount of £13.4 million (2012: £29.1 million) owing to Mr. R.C. Desmond in relation to an insurance claim in 2011.

Programme creditors, included in trade creditors, are non-interest bearing and repayment terms are as per the contract for each individual programme acquisition or commission.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**20. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>£000</b>
<b>The Group</b>	
At 1 January 2013	5,218
Credited to the profit and loss account	<u>(2,950)</u>
<b>At 31 December 2013</b>	<b><u>2,268</u></b>

Provisions of £2.3 million relate to the provision for onerous rental commitments of £0.7 million (2012: £3.4 million) at the main business premises, Number 10 Lower Thames Street, and other provisions of £42,000 (2012: £nil) and £1.5 million (2012: £1.8 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 2018.

**21. BANK LOAN OBLIGATIONS**

	<b>The Group &amp; Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
The Group's bank loan obligations are due:		
Within one year	<u>-</u>	<u>640</u>
	<u>-</u>	<u>640</u>

During the year, the Group repaid in full its £0.6 million (as at 31 December 2012) bank loan facility which carried interest at the Natwest bank base rate plus 1.0% and was secured on the investment property held by the Group.

In 2012, the Group repaid in full its £52.5 million and £15.0 million (as at 31 December 2011) bank loan facilities. The Group also settled interest rate swap arrangements amounting to £2.1 million.

**THE COMPANY**

The Company's bank loan obligations of £nil (2012: £0.6 million), of which £nil (2012: £0.6 million) is due within one year, are subject to the terms and conditions set out in respect of the £0.6 million Group bank loan above and were repaid in full during the year.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**22. OPERATING LEASE COMMITMENTS**

At 31 December 2013, the Group was committed to making the following annual payments in respect of operating leases which expire:

	<b>Land and Buildings</b>		<b>Transmission and Distribution</b>		<b>Other</b>	
	<b>2013 £000</b>	<b>2012 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>
Within one year	-	-	7,023	7,217	1,157	3,344
Two to five years	1,570	1,794	33,489	32,635	4,405	2,236
After five years	9,071	11,365	5,248	4,124	267	-
	<b>10,641</b>	<b>13,159</b>	<b>45,760</b>	<b>43,976</b>	<b>5,829</b>	<b>5,580</b>

**23. DISPOSALS**

On 21 June 2013, the Group sold its 50% shareholding in Northern & Shell Pacific Limited, a joint venture undertaking, to Bauer Media Australia LP for a total consideration of AUD \$1. The Group also transferred the intellectual property for OK! Australia and New Zealand to Northern & Shell Pacific Limited, for a total consideration of AUD \$7 million (sterling equivalent £4.2 million). The total profit recognised in the consolidated profit and loss account in respect of the sale of the joint venture operation during the year was £5.3 million. An operating loss of £153,000 (2012: £357,000) is attributable to this operation and the directors do not consider it necessary to separately disclose as a discontinued operation.

On 28 August 2012, the 50% share and partnership holdings in OK! Verlag Verwaltungsgesellschaft mbH i.Gr. and OK! Verlag GmbH & Co.KG were sold to Klambt-Verlag GmbH & Cie for a total consideration of €500,000 (sterling equivalent of £403,000), a profit on disposal of £221,000. In the comparative period, this amount is included in administrative expenses.

**NORTHERN & SHELL MEDIA GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**24. SHARE CAPITAL**

<b>The Group &amp; Company</b>			
<b>Authorised</b>		<b>Allotted and Fully Paid</b>	
<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>110</b>	<b>110</b>	<b>110</b>	<b>110</b>

110,000 Ordinary shares of £1 each

**25. RESERVES AND SHAREHOLDERS' FUNDS/(DEFICIT)**

<b>a) Reserves</b>	<b>The Group</b>	
	<b>Other reserves £000</b>	<b>Profit &amp; loss £000</b>
At 1 January 2013	3,860	52,984
Profit for the year	-	25,740
Actuarial loss on pension scheme (note 29)	-	(19,476)
Movement on deferred tax relating to pension scheme	-	3,896
<b>At 31 December 2013</b>	<b>3,860</b>	<b>63,144</b>

	<b>The Company Profit &amp; loss £000</b>
At 1 January 2013	(4,512)
Loss for the year	(3,833)
<b>At 31 December 2013</b>	<b>(8,345)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**25. RESERVES AND SHAREHOLDERS' FUNDS/(DEFICIT) (Continued)**

**The Group**

**b) Reconciliation of movements in shareholders' funds/(deficit)**

	<b>2013 £000</b>	<b>2012 £000</b>
Profit/(loss) for the year	25,740	(26,695)
Deficit on revaluation of property - release to profit & loss	-	3,424
Actuarial loss on pension scheme (note 29)	(19,476)	(25,988)
Movement on deferred tax relating to pension scheme	3,896	5,977
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	10,160	(43,282)
Opening shareholders' funds	56,954	100,236
	<hr/>	<hr/>
Closing shareholders' funds	67,114	56,954

**The Company**

	<b>2013 £000</b>	<b>2012 £000</b>
Loss for the year	(3,833)	(9,665)
Release to profit & loss	-	3,424
Net decrease in shareholders' funds	(3,833)	(6,241)
	<hr/>	<hr/>
Opening shareholders' (deficit)/funds	(4,402)	1,839
	<hr/>	<hr/>
Closing shareholders' deficit	(8,235)	(4,402)

In 2012, in accordance with SSAP 19, the deficit on the revaluation reserve of £3.4 million was transferred to the profit and loss account, on the basis that the deficit was expected to be permanent (note 12).

**26. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW)**

	<b>2013 £000</b>	<b>2012 £000</b>
Operating profit/(loss)	36,317	(5,835)
Depreciation charge	10,958	16,355
Amortisation of intangible assets	11,664	12,533
Profit on sale of tangible assets	(27)	(387)
(Increase)/decrease in stocks	(1,680)	2,134
Decrease in debtors	5,513	36,131
Decrease in creditors	(24,385)	(47,761)
Difference between pension costs and cash contributions	(13,426)	(13,382)
Decrease in provisions	(2,950)	(2,627)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	21,984	(2,839)

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**27. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEFICIT**

	<b>2013 £000</b>	<b>2012 £000</b>
Net deficit at 1 January	<b>(31,191)</b>	(7,652)
Increase/(decrease) in cash in the year	<b>2,876</b>	(26,848)
Loan finance received	-	(75,000)
Loan finance repaid	<b>12,700</b>	78,309
	<hr/>	<hr/>
Net deficit at 31 December	<b>(15,615)</b>	(31,191)

**28. ANALYSIS OF CHANGES IN NET DEFICIT**

	<b>1 January £000</b>	<b>Cash flow £000</b>	<b>Other non cash £000</b>	<b>31 December £000</b>
Cash in hand and at bank	34,449	2,876	-	<b>37,325</b>
Loan finance due within one year	(12,700)	12,700	(12,498)	<b>(12,498)</b>
Loan finance due after one year	(52,940)	-	12,498	<b>(40,442)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
	(65,640)	12,700	-	<b>(52,940)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Net deficit	<b>(31,191)</b>	15,576	-	<b>(15,615)</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**29. PENSION SCHEMES**

**FRS17 Disclosure**

The latest full actuarial valuations of the Express Newspapers 1988 Pension Fund and the Express Newspapers Senior Management Pension Fund were carried out as at 5 April 2012. The latest full actuarial valuation of the West Ferry Printers Pension Fund was carried out as at 31 December 2011. 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 £9.5 million (2012: £9.2 million) into the 1988 Pension Fund, £511,000 (2012: £500,000) into the Senior Management Pension Fund and £2.8 million (2012: £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 £13.0 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 £2.4 million (2012: £2.6 million). At 31 December 2013, contributions of £205,000 were outstanding (2012: £194,000). These have been paid in full after the year end.

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Discount rate	4.50%	4.50%	4.80%
Rate of increase in salaries	N/A	N/A	N/A
Rate of LPI increase in pensions in payment	3.30%-3.40%	2.95%-3.30%	2.80%-3.10%
Inflation assumption	2.40%	2.30%	2.0%

The mortality assumptions used in the calculation at 31 December 2013 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**29. PENSION SCHEMES (Continued)**

**FRS17 Disclosure (continued)**

The fair value 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:

	<b>Long-term rate of return expected at 2013*</b>	<b>Fair value at 2013 £000</b>	<b>Long-term rate of return expected at 2012</b>	<b>Fair value at 2012 £000</b>	<b>Long-term rate of return expected at 2011</b>	<b>Fair value at 2011 £000</b>
Equities	5.70%	144,777	4.88%	101,541	5.24%	75,182
Gilts	5.70%	37,896	4.88%	65,335	5.24%	118,680
Corporate bonds	5.70%	77,572	4.88%	96,881	5.24%	65,724
Other	5.70%	336,261	4.88%	327,809	5.24%	308,058
Total market value of assets		596,506		591,566		567,644
Present value of scheme liabilities		(669,663)		(658,123)		(618,291)
Deficit in the schemes		(73,157)		(66,557)		(50,647)
Irrecoverable surplus		(11,789)		(10,409)		(12,874)
Deficit in the schemes after irrecoverable surplus		(84,946)		(76,966)		(63,521)
Related deferred tax asset		16,989		17,702		15,880
Net pension liability under FRS17		(67,957)		(59,264)		(47,641)

\* The overall long term expected rate of return on the Scheme's assets at 31 December 2013 was 5.70%.

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

	<b>2013 £000</b>	<b>2012 £000</b>
The actual return on assets over the period was:		
Return on assets	<u>30,418</u>	<u>49,149</u>

Where investments are held in gilts, bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equities, which is based more on realistic future expectations than on the returns that have been available historically. Annuity policies have been treated as a matching asset and liability and as such the long term rate of return is taken to be the discount rate. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension schemes.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**29. PENSION SCHEMES (Continued)**

**FRS17 Disclosure (continued)**

Details of history scheme assets, obligations and experience adjustments:

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance Sheet</b>					
Present value of scheme liabilities	(669,663)	(658,123)	(618,291)	(585,477)	(564,500)
Fair value of scheme assets	596,506	591,566	567,644	514,250	475,700
Deficit in the schemes	<u>(73,157)</u>	<u>(66,557)</u>	<u>(50,647)</u>	<u>(71,227)</u>	<u>(88,800)</u>
<b>Experience adjustments</b>					
Experience adjustments arising on scheme liabilities	(22,032)	(49,677)	(40,076)	(42,083)	(85,536)
Experience item as percentage of scheme liabilities	(3.3)%	(7.6)%	(6.5)%	(7.2)%	(15.2)%
Experience adjustments arising on scheme assets	2,499	20,047	48,096	37,438	31,578
Experience item as percentage of scheme assets	0.4%	3.4%	8.5%	7.3%	6.6%
Cumulative actuarial loss shown in the STRGL	<u>(114,834)</u>	<u>(95,358)</u>	<u>(69,370)</u>	<u>(65,503)</u>	<u>(60,858)</u>

The total amount recognised in the statement of total recognised gains and losses of £19.5 million (2012: £26.0 million), relates to an actuarial loss of £19.5 million, an actuarial gain of £1.4 million in respect of the unrecognised profit and loss credit above interest cost and service, less £1.4 million for the change in irrecoverable surplus.

The following amounts have been recorded in the consolidated profit and loss account for the schemes as at 31 December 2013:

<b>Operating profit</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Current service cost	1,331	1,156
Settlements	<u>11</u>	<u>-</u>
Total operating charge	<u>1,342</u>	<u>1,156</u>

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Administrative expenses	<u>1,342</u>	<u>1,156</u>
<b>Other finance income/(expenses)</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Expected return on assets	28,251	29,102
Effect of asset limit from paragraph 67(c)	(1,437)	(1,177)
Interest cost	<u>(28,744)</u>	<u>(28,764)</u>
Total net return	<u>(1,930)</u>	<u>(839)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**29. PENSION SCHEMES (Continued)**

**FRS17 Disclosure (continued)**

<b>Movement in deficit during the year</b>	<b>2013 £000</b>	<b>2012 £000</b>
Deficit at start of year	(76,966)	(63,521)
Current service cost	(1,331)	(1,156)
Employer contributions	14,021	13,652
Miscellaneous contributions	747	886
Settlements	(11)	-
Other financing expenses	(1,930)	(839)
Actuarial loss	(19,476)	(25,988)
Deficit at end of the year	<u>(84,946)</u>	<u>(76,966)</u>

Reconciliation of opening and closing balances of the present value of the scheme liabilities:

	<b>2013 £000</b>	<b>2012 £000</b>
Liabilities at 1 January	658,123	618,291
Current service cost	1,331	1,156
Settlements	11	-
Interest cost	28,744	28,764
Actuarial loss	22,032	49,677
Benefits paid	(40,578)	(39,765)
Liabilities at 31 December	<u>669,663</u>	<u>658,123</u>

Reconciliation of opening and closing balances of the fair value of the scheme assets:

	<b>2013 £000</b>	<b>2012 £000</b>
Fair value of scheme assets at 1 January	591,566	567,644
Expected return on scheme assets	28,251	29,102
Actuarial gain	2,499	20,047
Contributions by employers	14,021	13,652
Miscellaneous contributions	747	886
Benefits paid	(40,578)	(39,765)
Fair value of scheme assets at 31 December	<u>596,506</u>	<u>591,566</u>

The deficit at the end of the year of £84.9 million (2012: £77.0 million) is after an irrecoverable surplus of £11.8 million (2012: £10.4 million). The deficit includes an actuarial loss of £19.5 million (2012: £26.0 million) and is after recognising actuarial gains from the impact of paragraph 67 (c) FRS 17 of £1.4 million (2012: £1.2 million) and allowance for the effect of limit in paragraph 41 FRS 17 (change in irrecoverable surplus) of £1.4 million loss (2012: gain of £2.5 million). The reconciliations of opening and closing balances of the present value of the scheme liabilities and the fair value of the scheme assets are before the irrecoverable surplus.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**30. GUARANTEES AND CONTINGENT LIABILITIES**

As at 31 December 2013, the £29.7 million (2012: 36.0 million) other loans (notes 18 and 19) were jointly and severally guaranteed by the Company and certain subsidiary companies. The shares and certain assets of the Company and a subsidiary company are also pledged as security for these loans. The investment property of the Company (note 12) was pledged as security for the £0.6 million Natwest bank loan which was repaid in full during the year (note 21). At 31 December 2013, the maximum liabilities that could arise under these credit arrangements was £29.7 million (2012: £36.6 million) (note 21).

During the year, the Company entered into a new overdraft facility with Barclays Bank Plc for a facility amount of up to £20.0 million. The facility is jointly and severally guaranteed by the Company and certain subsidiary companies. The shares and certain assets of the Company and a subsidiary company are also pledged as security for the facility. As at 31 December 2013, the amount of facility utilised was £nil (2012: £nil).

At 31 December 2013, a group company, 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 business premises on demand any sum or sums to an amount not exceeding USD \$3.7 million (sterling equivalent at 31 December 2013: £2.2 million) (2012: \$4.6 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.

The Group, through its subsidiary company Northern & Shell Insurance Limited, provides against any potential insurance claims. During the year, £nil claims (2012: £nil) were made against the company.

At 31 December 2013, 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**31. RELATED PARTY TRANSACTIONS**

During the year the Group, through its subsidiary company Northern & Shell Worldwide Limited, charged certain joint venture companies for license fees. An amount of £0.5 million (2012: £1.1 million) was charged to Northern & Shell Pacific Limited, up until its date of disposal on 21 June 2013 (note 23), and £nil (2012: £253,000) was charged to OK! Verlag GmbH & Co.KG, up until its disposal on 28 August 2012 (note 23). The Group also provided funding to support the ongoing operations of these companies. At 31 December 2013, Northern & Shell Pacific Limited owed the Group £nil (2012: £442,000) and OK! Verlag GmbH & Co.KG owed the Group £nil (2012: £nil).

In 2011, the trade and certain assets of Northern & Shell North America Limited were sold and accordingly the Group ceased to charge royalties or management fees for central overhead recharges. At 31 December 2013, Northern & Shell North America Limited owed group undertakings £130.7 million (2012: £134.5 million) and amounts owed by group undertakings were £6.2 million (2012: £10.0 million).

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 let to Express Newspapers. During the year, the company entered into a new lease with Badger Property Partners LLP for a period of 20 years from 10 October 2013, for an annual rental of £6.9 million (2012: £8.2 million) and with a rent review every 5 years. The charge for the year was £7.8 million (2012: £8.2 million). No amounts were due to Badger Property Partners LLP as at 31 December 2013 (2012: £nil).

During the year, Mr. R.C. Desmond paid insurance premiums of £nil (2012: £nil) to a subsidiary company, 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. An amount of £29.1 million was outstanding at 31 December 2013 (2012: £44.8 million) and is included in other creditors falling due within one year of £15.7 million (2012: £15.7 million) and other creditors falling due after one year of £13.4 million (2012: £29.1 million) (notes 18 and 19).

During 2012, the Company received loans totaling £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. The loans are included in other loans falling due within one year of £12.5 million (2012: £12.1 million) and other loans falling due after more than one year of £40.4 million (2012: £52.9 million). The terms of the loans are set out in notes 18, 19 and 30 respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

**32. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES**

Principal subsidiaries and percentage holding:

<b>Company Name</b>	<b>Principal Activity</b>	<b>Ordinary shares</b>
Northern & Shell Network Limited	Holding company	100%
Northern & Shell Group Limited	Holding company	100%
Northern & Shell Broadcasting Limited	Holding company	100%
Northern & Shell Television Group Limited	Television broadcasting	100%
Channel 5 Broadcasting Limited	Television broadcasting	100%
Northern & Shell Broadcasting (CI) Limited	Holding company	100%
West Ferry Leasing Limited	Leasing assets	100%
Portland Media Group Limited	Holding company	100%
Northern and Shell Finance Limited	Treasury	100%
Northern & Shell Media Limited	Holding company	100%
Express Newspapers	Publishing	100%
Broughton Printers Limited	Printing	100%
Northern & Shell Distribution Limited	Magazine distributor	100%
Northern & Shell Plc	Publishing	100%
Portland Enterprises Limited	Television production	100%
Portland Broadcasting Limited	Television broadcasting	100%
RHF Productions Limited	Television broadcasting	100%
Northern & Shell Magazines Limited	Publishing	100%
Northern & Shell North America Limited*	Publishing	100%
Northern & Shell Insurance Limited	Insurance	100%
Northern & Shell Worldwide Limited**	Intellectual property exploitation	100%
West Ferry Printers Limited	Printing	100%
Northern & Shell Leasing Limited	Leasing assets	100%
Northern & Shell Health Limited	Holding company	100%
The Health Lottery Limited	Lottery management services	100%
Health Lottery Financial Limited	Money handling and money transfer services	100%
Health Lottery ELM Limited	Lottery management services	100%
Northern & Shell Investments No. 2 Limited	Property investment	100%
Northern & Shell Ventures Limited	Media asset exploitation	100%
Sorse Distribution Limited	Online distribution	100%

All of the above companies are registered in England, except for Portland Broadcasting Limited, RHF Productions Limited and Northern & Shell Broadcasting (CI) Limited which are registered in Jersey and Northern & Shell Insurance Limited which is registered in Guernsey.

\* Denotes operates a branch in the United States of America, of which the principal trade and assets were disposed during 2011.

\*\* Denotes operates a branch in Luxembourg.

All of the above companies are consolidated within the Group accounts.

<b>Joint Ventures</b>	<b>Incorporated in</b>	<b>Principal activity</b>	<b>Stake</b>	<b>Nominal value of allotted share</b>
Independent Star Limited	Republic of Ireland	Publishing	50%	€635 'E' ordinary shares
Iberian Ediciones Limited***	United Kingdom	Publishing	50%	£500 ordinary shares

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

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2013****33. COMMITMENTS**

Capital and expenditure commitments at the end of the financial year for which no provision has been made, are as follows:

	<b>2013 £000</b>	<b>Restated 2012 £000</b>
Programme inventory	<u><b>287,416</b></u>	<u><b>369,945</b></u>

The estimated commitment periods of programme inventory were reviewed in the year. Accordingly, the comparative figures were restated to be on a consistent basis.

**34. POST BALANCE SHEET EVENT**

After the year end, the Group sold its entire shareholding in Channel 5 Broadcasting Limited to a subsidiary of Viacom Inc., for a total consideration of £463.3 million.

**35. ULTIMATE CONTROLLING PARTY**

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