4086466

# RCD1 LIMITED

## GROUP REPORT & FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2000

RCD1 LIMITED

GROUP REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

# RCD1 LIMITED

## OFFICERS AND PROFESSIONAL ADVISERS

### Directors

| | |
|---|---|
| Mr. R.C. Desmond | appointed 4 October 2000 |
| Mr. R. Sanderson | appointed 4 October 2000 |
| Mr. S. Myerson | appointed 13 June 2001 |
| Mr. M.S. Ellice | appointed 13 June 2001 |
| Mr. P. Ashford | appointed 13 June 2001 |

### Secretary

| | | |
|---|---|---|
| Mr. R. Sanderson | appointed 4 October 2000 | resigned 23 November 2000 |
| Mr. M. S. Gill | appointed 23 November 2000 | |

### Company Number

4086466 ( England )

### Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

### Bankers

National Westminster Bank Plc
19 Shaftesbury Avenue
London W1A 4QQ

### Registered Office

Ludgate House
245 Blackfriars Road
London SE1 9UX

RCD1 LIMITED

DIRECTOR'S REPORT

The directors submit their report and financial statements for the year ended 31 December 2000.

## Incorporation

RCD1 Limited was incorporated on the 4th October 2000. On the 30th October 2000, the company acquired 100% of the issued share capital of Northern & Shell Network Limited. On the same date, Northern & Shell Network Limited acquired 100% of the issued share capital of Northern & Shell Group Limited and Portland Investments Limited through the issue of equity shares.

The transaction has been treated as a group reconstruction and accordingly merger accounting principles have been applied as allowed by the Companies Act 1985 and Financial Reporting Standard 6. Accordingly, group accounts for the year ended 31 December 2000 have been presented as if the company had owned Northern & Shell Group Limited and Portland Investments Limited throughout the current and comparative year.

## Principal Activities

RCD1 is the holding company of Northern & Shell Network Limited, which is the holding company of Northern & Shell Group and Portland Investments Limited. The group of companies are engaged in newspaper and magazine publishing, television broadcasting and property rental. During the period the company acquired the entire share capital of the Express Newspapers Group and Broughton Printers Limited (The Express Group). The businesses have been successfully integrated into the the enlarged group.

It is the intention of the group to continue trading in these areas for the foreseeable future.

## Results and Dividends

The group has achieved significant growth during the year with turnover from continuing operations increasing by 26% from £52.0 million to £65.5 million. In addition, the Express Group has contributed £31.1 million of turnover since its acquisition on 22 November 2000. Group operating profit has similarly shown significant growth of £4.5 million of which £0.7 million (before reorganisation costs of £2.3 million) was contributed by the acquisition of the Express Group.

Publishing activities have shown increased sales volume and benefited from a stabilisation in paper prices. Magazine revenue has improved from substantially increased sales volume.
Property and investment interests have continued to show steady and reliable income.
With the continued development of digital satellite, cable and terrestrial broadcasting, the group's television activities continue to expand.

The group recorded profits after taxation of £4.9 million (1999 : £3.5 million).
The directors do not recommend the payment of a dividend on the £1 ordinary share capital (1999 - £nil).

The Group is well placed to further improve its results and take advantage of new opportunities as they arise.

## Directors

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

At the beginning and end of the period Mr. R.C.Desmond was beneficially interested in the whole of the issued share capital of the company. None of the other directors had an interest in the share capital of the company at the beginning or end of the year.

## Euro

The company derives most of its business from within the UK, therefore there will be limited exposure to transactions carried out in Euros.

## Fixed Assets

Movements in fixed assets during the period are shown in notes 11, 12 and 13 to the accounts.

## Policy on Payment of Creditors

The Group and its subsidaries agree terms and conditions for their business transactions with their suppliers. Payment is made on these terms, subject to these terms and conditions being met by the supplier.
The Group has approximately 66 days' purchases outstanding at 31 December 2000 based on the average daily amount invoiced by suppliers during the year (1999: 54 days).

## Employee Involvement

During the year the company maintained its practice of keeping employees informed about current activities and progress in various methods including briefings and the distribution to employees of in-house publications. This practice is reviewed regularly.

## Charitable Donations

No political contributions were made during the year (1999 - £Nil).
Charitable contributions amounting to £118,955 (1999 - £209,547) were made during the year.

## Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently ;

- make judgements and estimates that are reasonable and prudent ;

- state whether applicable 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 company will continue in business ;

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

## Subsequent Events

On the 8th of February 2001 Express Newspapers Financial Services Limited (a 100% owned subsidiary of Express Newspapers) was sold. Prior to the sale a separate agreement was entered into between Express Newspapers and Express Newspapers Financial Services Limited whereby Express Newspapers agreed to insure Express Newspapers Financial Services Limited in respect of certain potential and existing liabilities of that company.

Express Truckstop Limted has been sold since the year end.

On 2 January 2001 Express Newspapers received notice from the Telegraph Group Limited (in accordance with the joint venture

agreement) of its intention to compulsorily acquire Express Newspapers 50% share in West Ferry Printers Limited. The amount at which Express Newspapers' interest in the assets of West Ferry Printers will be purchased is likely to be subject to arbitration.

At the year end Express Newspapers continued to hold 50% of the shares of Newsprint Management and Supply Services Limited (NMSS). In accordance with terms of the Joint Venture agreement between the Telegraph Group Limited, Express Newspapers and NMSS, the Telegraph Group Limited has given 12 months notice to Express Newspapers to terminate the agreement. The notice was served on 21 March 2001.

Property owned by Northern & Shell plc and comprising industrial units in Highbridge, Somerset was sold subsequent to the year end for £350,000.

## Auditors

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors were appointed as auditors of the company upon incorporation. PricewaterhouseCoopers have expressed their willingness to continue in office and offer themselves for re-election in accordance with Section 385 of the Companies Act 1985.

Approved by the Board
and signed on behalf of the Board

Mr. M. S. Gill
Secretary
Dated : 29 JUNE 2001

## REPORT OF THE AUDITORS

## TO THE MEMBERS OF

## RCD1 LIMITED

We have audited the financial statements on pages 6 to 27

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilites, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London

Dated : 29 June 2001

## RCD1 LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### Year ended 31 December 2000

| | Note | 2000<br>£ | 1999<br>£ |
|---|---|---|---|
| TURNOVER | 2 | | |
| Continuing operations | | 65,457,187 | 51,959,267 |
| Acquisitions | | 31,053,789 | - |
| | | 96,510,976 | 51,959,267 |
| less : share of acquired joint venture turnover | | (5,207,590) | - |
| | | 91,303,386 | 51,959,267 |
| Cost of sales | | ( 53,384,329) | ( 29,674,907) |
| GROSS PROFIT | | 37,919,057 | 22,284,360 |
| Distribution costs | | ( 6,274,252) | ( 3,408,337) |
| Administrative expenses - other | | ( 22,839,169) | ( 16,625,167) |
| Administrative expenses- restructuring costs | 3 | ( 2,250,247) | - |
| | | ( 25,089,416) | ( 16,625,167) |
| Other operating income | | 1,143,144 | 902,193 |
| GROUP OPERATING PROFIT / (LOSS) | 4 | | |
| Continuing operations | | 9,295,639 | 3,153,049 |
| Acquisitions | | ( 1,597,106) | - |
| | | 7,698,533 | 3,153,049 |
| Share of operating profit in acquired joint ventures | | 65,813 | - |
| TOTAL OPERATING PROFIT | | 7,764,346 | 3,153,049 |
| Interest receivable and similar income | 6 | 194,082 | 815,433 |
| Interest payable and similar charges | 7 | ( 2,730,262) | ( 393,315) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 5,228,166 | 3,575,167 |
| Tax on profit on ordinary activities | 8 | ( 337,264) | ( 75,542) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 4,890,902 | 3,499,625 |
| Dividends - non equity | 9 | ( 40,000) | ( 40,000) |
| PROFIT FOR THE FINANCIAL YEAR | 25 | 4,850,902 | 3,459,625 |

| NOTE OF HISTORICAL COST PROFIT AND LOSSES | 2000<br>£ | 1999<br>£ |
|---|---|---|
| Profit on ordinary activities before taxation | 5,228,166 | 3,575,167 |
| Profit on current asset investments stated at market value | - | ( 672,088) |
| Historical cost profit on ordinary activities before taxation | 5,228,166 | 2,903,079 |

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

Turnover and operating profit is wholly attributable to continuing operations.

The notes on pages 10 to 27 form part of these accounts.

RCD1 LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2000

| | Note | 2000 £ | 1999 £ |
|---|---|---|---|
| FIXED ASSETS | | | |
| Intangible assets | 11 | 8,242,058 | 97,756 |
| Tangible assets | 12 | 55,470,917 | 11,788,391 |
| Investments | 13 | 85,001 | - |
| Interests in Joint Ventures | | | |
| Share of gross assets | 13 | 12,017,808 | - |
| Share of gross liabilities | | (11,296,462) | - |
| Intangible assets arising on acquisition | | 9,752,862 | - |
| | | 10,474,208 | - |
| | | 74,272,184 | 11,886,147 |
| CURRENT ASSETS | | | |
| Stocks | 14 | 1,915,545 | 1,808,013 |
| Current asset investments | 15 | 67,264,164 | 2,088,694 |
| Debtors | 16 | 51,071,675 | 7,219,283 |
| Cash at bank and in hand | | 25,524,410 | 2,261,016 |
| | | 145,775,794 | 13,377,006 |
| CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR | 17 | (161,652,608) | (15,752,084) |
| NET CURRENT LIABILITIES | | (15,876,814) | (2,375,078) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 58,395,370 | 9,511,069 |
| CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 18 | (26,437,265) | (268,178) |
| PROVISIONS FOR LIABILTIES AND CHARGES | 19 | (17,864,312) | - |
| NET ASSETS | | 14,093,793 | 9,242,891 |
| EQUITY CAPITAL AND RESERVES | | | |
| Called up share capital | 23 | 110,000 | 110,000 |
| Profit and loss account | 25 | 9,623,470 | 4,772,568 |
| Other reserves | 25 | 3,860,323 | 3,860,323 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 25 | 13,593,793 | 8,742,891 |
| Minority interest - Non equity | 24 | 500,000 | 500,000 |
| | | 14,093,793 | 9,242,891 |

Approved by the Board of Directors :

Mr. R.C. Desmond

29 JUNE 2001

Dated

The notes on pages 10 to 27 form part of these accounts.

# RCD1 LIMITED

## COMPANY BALANCE SHEET

### As at 31 December 2000

| | Note | 2000 £ | 1999 £ |
|---|---|---|---|
| FIXED ASSETS | | | |
| Investments | 13 | 110,002 | - |
| Tangible fixed assets | 12 | 10,500,000 | - |
| | | 10,610,002 | - |
| CURRENT ASSETS | | | |
| Debtors | 16 | 25,917,671 | - |
| CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR | 17 | (415,742) | - |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 36,111,931 | - |
| CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 18 | (25,465,867) | - |
| NET ASSETS | | 10,646,064 | - |
| EQUITY CAPITAL AND RESERVES | | | |
| Called up share capital | 23 | 110,000 | - |
| Profit and loss account | 10 | 10,536,064 | - |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | 10,646,064 | - |

Approved by the Board of Directors :

Mr. R.C. Desmond

29 JUNE 2001

Dated

The notes on pages 10 to 27 form part of these accounts.

# RCD1 LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

### Year ended 31 December 2000

| | Note | 2000 £ | 1999 £ |
|---|---|---|---|
| NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES | 26 | 27,593,549 | 11,106,987 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 194,082 | 115,012 |
| Interest paid | | (1,101,868) | (311,080) |
| Interest element of finance lease rentals | | (64,818) | (73,735) |
| Dividends paid to minority interests | | (40,000) | (40,000) |
| | | (1,012,604) | (309,803) |
| TAXATION | | | |
| Corporation tax | | - | (286) |
| | | - | (286) |
| CAPITAL EXPENDITURE | | | |
| Payments to acquire intangible fixed assets | | (40,814) | (9,350) |
| Payments to acquire tangible fixed assets | | (2,292,604) | (179,624) |
| Receipts from disposal of tangible assets | | 1,142,604 | 141,043 |
| | | (1,190,814) | (47,931) |
| ACQUISITIONS | | | |
| Purchase of subsidiary undertakings | | (125,000,000) | - |
| Acquisition expenses | | (825,000) | - |
| Net cash acquired with purchase | | 366,000 | - |
| | 30 | (125,459,000) | - |
| NET CASH (OUTFLOW) / INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | | (100,068,869) | 10,748,967 |
| MANAGEMENT OF LIQUID RESOURCES | | | |
| Payments to acquire short term investments | | (1,706,664) | (1,651,337) |
| Receipts arising from sale of marketable securities | | 3,025,204 | 314,394 |
| | | 1,318,540 | (1,336,943) |
| FINANCING | | | |
| Borrowings undertaken | 27 | 120,534,028 | - |
| Loan repayments | | - | (6,700,000) |
| Capital repayments on finance lease | | (447,084) | (409,739) |
| | | 120,086,944 | (7,109,739) |
| INCREASE IN CASH EQUIVALENTS | 27 | 21,336,615 | 2,302,285 |

The notes on pages 10 to 27 form part of these accounts.

RCD1 LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies are set out below.

( a ) Basis of accounting

On 22 November 2000, subsidiary undertakings of RCD1 Limited, acquired the Express Newspaper Group from United News & Media plc for £125 million, exclusive of acquisition costs. The acquisition was financed substantially by a bank loan which was secured by a charge over the assets of RCD1 Limited and its subsidiary undertakings, including the company. Since the year end £17.5 million of this facility has been repaid and £30 million has been refinanced by a secured long term loan (refer note 20).

Having regard to the financial position and prospects of RCD1 Limited and the group, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain current asset investments, and in accordance with applicable Accounting Standards in the United Kingdom. The true and fair over-ride provisions of the Companies Act 1985 have been invoked, see 'tangible fixed assets' in note 1(e) and 'current asset investments' in note 1(k).

Compliance with SSAP 19 'Accounting for Investment Properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of the departure is given in note (e) below.

( b ) Basis of consolidation

The consolidated profit and loss account, balance sheet and cash flow statement includes the results and cash flows and financial position of the Company and its subsidiary undertakings made up to 31 December 2000. Intra-group sales, profits and balances are eliminated fully on consolidation.

RCD1 Limited was incorporated on 4th October 2000. On 30th October 2000 the company acquired 100% of the issued share capital of Northern & Shell Network Limited. On the same date, Northern & Shell Network Limited acquired 100% of the issued share capital of Northern & Shell Group Limited and Portland Investments Limited through the issue of equity shares.

The transaction has been treated as a Group reconstruction and accordingly merger accounting principles have been applied as allowed by the Companies Act 1985 and Financial Reporting Standard 6. The financial information for the current and the prior periods have been presented as if Northern & Shell Group Limited and Portland Investments Limited have been owned by Northern & Shell Network Limited throughout the current and the comparative accounting periods. No adjustments are required to align the accounting policies of the new Group following the merger.

The acquisition of Express Newspapers and Broughton Printers Limited and their subsidiaries (Express Newspapers Group) on 22 November 2000 has been accounted for using acquisition accounting and as such their results and cash flows are included in the consolidation from that date.

( c ) Turnover

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

( d ) Foreign currencies

Transactions in foreign currencies are recorded at the 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.

1. ACCOUNTING POLICIES (continued)

( e ) Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase costs together with any incidental costs of acquisition.
Depreciation is provided on all tangible fixed assets to write off the cost of each asset, less any estimated residual value, evenly over their expected useful lives, as follows : -

| | |
|---|---|
| Freehold Land & Builidings | 50 years or estimated useful life |
| Plant & machinery | 3 to 20 years |
| Fixtures and fittings & office equipment | 2 to 5 years or period of the lease |
| Motor vehicles | 2 to 5 years |

Freehold investment properties are stated at either professional or directors' valuation (open market value).

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No provision is made for the depreciation of freehold properties or for amortisation of leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The depreciation or amortisation (which would, had the provisions of the Act been followed, have reduced profit for the year) is only one of the factors reflected in the annual valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

( f ) Intangible fixed assets

Trademarks

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

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair value of the net assets acquired. Goodwill is amortised on a straight line basis as follows:

The goodwill arising on the acquisition of the Express Newspapers Group has been capitalised and is being amortised over an estimated economic life of 20 years, the minimum period over which the directors believe that the newspaper titles will continue to contribute to the value of the business.
The goodwill arising on the joint venture acquisitions is being amortised on a straight line basis over 10 years, which the directors estimate to be its useful economic life.

( g ) Stocks

Stocks 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. Included within stocks are contributors and printing costs relating to magazines which will be published in the following year. These amounts will be expensed upon publication.
Programme and film stocks are valued at lower of cost and net realisable value after making due allowance for obsolete and slow moving items. It is the policy of the group to write-off the whole cost of a film in the month of its first transmission.

1. ACCOUNTING POLICIES (continued)

( h ) Leases

Assets obtained under finance leases are capitalised and depreciated over the lesser of the period of the lease or the estimated useful life of the asset. 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 in equal annual amounts over the period of the lease.

( i ) Fixed asset investments

Fixed asset investments are recorded at cost, adjusted for any impairment in value.

( j ) Interests in joint ventures

Where the Group has an interest held on a long term basis and which, as a result of a contractual arrangement, is jointly controlled by its Group and other parties, the investment is treated as a joint venture, in accordance with FRS 9 using the 'gross equity method'. and included in fixed asset investments.

( k ) Current asset investments

Where joint ventures and subsidiaries acquired have been or are expected to be sold within 12 months of the date of the acquisition, they are disclosed as current asset investments at the value expected to be recouped from the sale, or recorded as a provision for liabilities, where liabilities incurred or taken on exceed the proceeds from the sale.

Marketable securities, unit trusts and investment trusts are stated at market value and profits or losses arising from the valuation are taken to the profit and loss account. This is a departure from the provisions of schedule 4 of the Companies Act 1985, which require that such assets be stated at the lower of cost and net realisable value or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the group's result for the year as it would not include a proper measure of the group's performance in the year by reference to the market value of securities for which their is a liquid and active market. The effect of the departure on the accounts is to increase profits before taxation and the value of current asset investments by £nil (1999 : £672,088). Land and buildings held as current asset investments and other current asset investments are stated in the balance sheet sheet at cost less any provision made for permanent diminution in value.

( l ) Deferred taxation

Deferred tax is provided where in the opinion of the directors it is probable that an asset or liability will crystallise in the forseeable future.

( m ) Pension costs

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period which the company benefits from the employees' services. The effects of variation from regular cost are spread over the expected average remaining service lives of members of the schemes.

( n ) Finance Charges

Costs in relation to obtaining finance are deferred and amortised over the the term of the related financing.

## 2. TURNOVER

The group's turnover and profit before taxation arises solely from its publishing, broadcasting and investment activities and relates to continuing operations.
Geographical analysis is based on the country in which the order is received. It would not be materially different if based on the country in which the customer is located.

| | 2000 £ | 1999 £ |
|---|---|---|
| Geographical Analysis of Turnover : | | |
| United Kingdom | 93,265,091 | 48,749,832 |
| Other Countries | 3,245,885 | 3,209,435 |
| | 96,510,976 | 51,959,267 |
| Product Analysis of Turnover : | | |
| Publishing and distribution | 77,510,320 | 39,441,353 |
| Broadcasting | 19,000,656 | 12,517,914 |
| | 96,510,976 | 51,959,267 |

Turnover in respect of joint venture entities arises wholly in the United Kingdom and the Republic of Ireland from publishing and distribution activities.

| | 2000 £ | 1999 £ |
|---|---|---|
| Product Analysis of operating profit : | | |
| Publishing and distribution | 3,367,390 | ( 70,898) |
| Broadcasting | 3,755,927 | 2,574,833 |
| Property and investments | 641,029 | 649,114 |
| | 7,764,346 | 3,153,049 |
| Product Analysis of profit before taxation : | | |
| Publishing and distribution | 904,985 | 412,822 |
| Broadcasting | 3,755,927 | 2,613,462 |
| Property and investments | 567,254 | 548,883 |
| | 5,228,166 | 3,575,167 |
| Product Analysis of Net operating assets / (liabilities) : | | |
| Publishing and distribution | 52,157,488 | ( 4,601,562) |
| Broadcasting | 2,535,159 | ( 1,284,526) |
| Property and investments | 10,792,403 | 10,784,269 |
| | 65,485,050 | 4,898,181 |
| Reconciliation of net operating assets to net assets | | |
| Net operating assets | 65,485,050 | 4,898,181 |
| Current asset investments | 67,264,164 | 2,088,694 |
| Corporation tax | ( 8,453,738) | ( 5,000) |
| Deferred tax | ( 15,192,065) | - |
| Net borrowings /funds | ( 95,009,618) | 2,261,016 |
| | 14,093,793 | 9,242,891 |

In publishing and distribution the above segmental analysis includes turnover, operating profit, loss before tax and net operating assets of £31.1 million, £0.7 million, £1.6 million and £39.1 million respectively in relation to the acquisition of Express Newspapers Group.

## 3. ADMINISTRATIVE EXPENSES - REORGANISATION COSTS

The £2.3 million exceptional charge arose in repect of a reorganisation commenced by the company on acquisition of the Express Newspapers Group. The restructuring involves staff redundancies.

## 4. OPERATING PROFIT / (LOSS)

| Operating profit / (loss) is stated after charging / (crediting) : | 2000<br>£ | 1999<br>£ |
|---|---|---|
| Auditors' remuneration - audit fees - group | 233,120 | 56,750 |
| Auditors' remuneration - non audit - group | 707,857 | 120,121 |
| Depreciation -owned assets | 601,496 | 119,640 |
| Depreciation -leased assets | 581,674 | 540,098 |
| Amortisation of trademarks | 8,067 | 7,624 |
| Amortisation of goodwill - subsidiaries | 42,445 | - |
| Amortisation of goodwill - joint ventures | 102,605 | - |
| Profit on disposal of fixed assets | (21,069) | ( 7,426) |
| Operating lease rentals - plant & machinery | 1,065,378 | 648,086 |
| Operating lease rentals - other | 185,959 | - |
| Exchange loss | (4,714) | 25,288 |
| Net rental income | (916,648) | ( 902,193) |

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

### ( a ) DIRECTORS

| | 2000<br>£ | 1999<br>£ |
|---|---|---|
| Emoluments | 4,639,636 | 6,679,300 |
| Company contributions to money purchase pension scheme | 22,223 | 23,803 |
| | 4,661,859 | 6,703,103 |

Pension benefits are accruing for five directors under the money purchase scheme. (1999 : six directors)

| The above details include the following amounts in respect of the highest paid director | 2000<br>£ | 1999<br>£ |
|---|---|---|
| Emoluments | 3,432,900 | 5,875,311 |
| Company contributions to money purchase pension scheme | 1,000 | 2,000 |
| | 3,433,900 | 5,877,311 |

### ( b ) STAFF COSTS (including directors)

| | 2000<br>£ | 1999<br>£ |
|---|---|---|
| Wages and salaries | 13,960,144 | 10,213,064 |
| Social security costs | 2,609,396 | 1,306,129 |
| Pension (credits)/ costs | (80,079) | 56,348 |
| | 16,489,461 | 11,575,541 |

| Average number of people employed by activity : | 2000<br>No. | 1999<br>No. |
|---|---|---|
| Production | 158 | 67 |
| Selling & Distribution | 58 | 35 |
| Administration | 55 | 38 |
| | 271 | 140 |

Average number of people employed in 2000 includes a proportion of the employees of the Express Newspapers Group for a six week period from the date of acquisition to the year end.

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Bank deposit | 194,082 | 115,012 |
| Gain on sale and revaluation of marketable securities | - | 700,421 |
| | 194,082 | 815,433 |

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | 1,101,868 | 319,580 |
| Finance leases | 64,818 | 73,735 |
| Amortisation of financing charges | 497,092 | - |
| Loss on sale of marketable securities | 1,066,484 | - |
| | 2,730,262 | 393,315 |

## 8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| UK Corporation tax at 30% ( 1999: 30.25%) | 324,834 | - |
| Overseas tax | 27,365 | - |
| Irrecoverable ACT written off | - | 75,256 |
| Adjustment in respect to prior years - deferred taxation | (14,935) | 286 |
| | 337,264 | 75,542 |

During the year the group benefitted from losses brought forward from previous periods for which no deferred tax asset had previously been recognised.

## 9. DIVIDENDS

| | | 2000 | 1999 |
|---|---|---|---|
| | | £ | £ |
| Non-equity - Preference | Paid: 9.1p (1998: 9.1p) per £1 share | 40,000 | 40,000 |

The non-equity preference dividend was paid by Northern & Shell plc (note 24).

## 10. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the period amounted to £10,536,064 (1999 - £nil).

## 11. INTANGIBLE FIXED ASSETS

| | Trademarks £ | Goodwill £ | Total £ |
|---|---|---|---|
| *THE GROUP* | | | |
| COST | | | |
| At 1 January 2000 | 194,047 | - | 194,047 |
| Additions | 40,814 | - | 40,814 |
| Acquisitions (note 30) | - | 8,154,000 | 8,154,000 |
| At 31 December 2000 | 234,861 | 8,154,000 | 8,388,861 |
| AMORTISATION | | | |
| At 1 January 2000 | 96,291 | - | 96,291 |
| Charge for the year | 8,067 | 42,445 | 50,512 |
| At 31 December 2000 | 104,358 | 42,445 | 146,803 |
| NET BOOK VALUE | | | |
| At 31 December 2000 | 130,503 | 8,111,555 | 8,242,058 |
| At 31 December 1999 | 97,756 | - | 97,756 |

*THE COMPANY*
The company has no intangible fixed assets.

## 12. TANGIBLE FIXED ASSETS

| | Freehold Land & Buildings £ | Motor Vehicles Plant & Machinery £ | Fixtures, Fittings, & Office Equipment £ | Total £ |
|---|---|---|---|---|
| *THE GROUP* | | | | |
| COST OR VALUATION | | | | |
| At 1 January 2000 | 10,792,043 | 433,369 | 5,633,012 | 16,858,424 |
| Additions | 16,000 | 1,006,239 | 2,075,991 | 3,098,230 |
| Acquisitions (note 30) | 11,493,000 | 28,804,000 | 2,592,000 | 42,889,000 |
| Disposals | - | (589,792) | (3,148,967) | (3,738,759) |
| At 31 December 2000 | 22,301,043 | 29,653,816 | 7,152,036 | 59,106,895 |
| DEPRECIATION | | | | |
| At 1 January 2000 | - | 164,732 | 4,905,301 | 5,070,033 |
| Charge for the year | 216,000 | 329,780 | 637,390 | 1,183,170 |
| Disposals | - | (164,444) | (2,452,781) | (2,617,225) |
| At 31 December 2000 | 216,000 | 330,068 | 3,089,910 | 3,635,978 |
| NET BOOK VALUE | | | | |
| At 31 December 2000 | 22,085,043 | 29,323,748 | 4,062,126 | 55,470,917 |
| At 31 December 1999 | 10,792,043 | 268,637 | 727,711 | 11,788,391 |

Fixtures, Fittings, Plant & Machinery and Motor Vehicles includes assets acquired under finance leases in respect of which, as at 31 December 2000 the net book value was £1,536,643 (1999 - £713,957) after charging £581,674 (1999 - £540,098) depreciation for the year.

Included within Freehold land and buildings is an investment property (from which the group derives rental income) at a valuation of £10.5 million which represents historical cost. The directors value the property on an open market existing use basis following advice from external valuers.

Property owned by Northern & Shell plc and comprising industrial units in Highbridge, Somerset was sold subsequent to the year end for £350,000.

*THE COMPANY*
The tangible fixed assets of the company at 31 December 2000 amount to £10.5 million (1999 - £nil) and consist entirely of the investment property referred to above.

## 13. FIXED ASSET INVESTMENTS

*THE GROUP*

| | | £ |
|---|---|---|
| INTERESTS IN JOINT VENTURES | | |
| Cost at 1 January 2000 | | - |
| Acquisitions | Net assets | 655,533 |
| | Goodwill | 9,855,467 |
| | | 10,511,000 |
| Share of profits | | 65,813 |
| Cost at 31 December 2000 | | |
| | Net assets | 721,346 |
| | Goodwill | 9,855,467 |
| | | 10,576,813 |
| Amortisation of goodwill | | |
| At 1 January 2000 | | - |
| Charge for the period | | (102,605) |
| At 31 December 2000 | | (102,605) |
| Net book value at 31 December 2000 | | |
| | Net assets | 721,346 |
| | Goodwill | 9,752,862 |
| At 31 December 2000 | | 10,474,208 |

| OTHER INVESTMENTS - UNQUOTED | 2000 £ | 1999 £ |
|---|---|---|
| At 1 January | - | - |
| Acquisitions | 85,001 | - |
| At 31 December | 85,001 | - |

Interests in joint ventures principally comprise 50% of the equity shares of Independent Star Limited a newspaper publisher registered in the Republic of Ireland, the principal activity of which is the publishing of 'The Star' newspaper in that country. Interests in joint ventures also comprise a 50% equity share in Newsprint Management & Supply Services Limited a company that purchases newsprint and magazine paper on behalf of its joint shareholders.

| *THE COMPANY* | 2000 £ | 1999 £ |
|---|---|---|
| Shares in group undertakings | 110,002 | - |

The immediate subsidiary, which is 100% owned, is Northern & Shell Network Limited, the principal activity of which is that of a holding company.

Investments in group undertakings in the balance sheet are stated at cost less any provision made for permanent diminution in value. A full list of the principal subsidiaries and joint ventures is given in note 35.

## 14. STOCKS

| | The Group | |
|---|---|---|
| | 2000 £ | 1999 £ |
| Raw materials and consumables | 1,487,428 | 1,424,665 |
| Finished goods and goods for resale | 428,117 | 383,348 |
| | 1,915,545 | 1,808,013 |

*THE COMPANY*
The company has no stocks.

15. CURRENT ASSET INVESTMENTS

| | The Group | |
|---|---|---|
| | 2000 | 1999 |
| | £ | £ |
| Assets acquired, held for resale (note 30 ( c ) ) | 67,180,000 | - |
| Land & buildings | - | 110,000 |
| Marketable securities - listed | - | 1,978,694 |
| Other current asset investments | 84,164 | - |
| | 67,264,164 | 2,088,694 |

Other current asset investments principally comprise unlisted securities.

*THE COMPANY*

The company has no current asset investments.

16. DEBTORS

| | The Group | |
|---|---|---|
| | 2000 | 1999 |
| | £ | £ |
| Trade debtors | 29,963,751 | 4,392,092 |
| Other debtors | 14,227,321 | 354,969 |
| Prepayments and accrued income | 6,880,603 | 2,472,222 |
| | 51,071,675 | 7,219,283 |

Included in other debtors is a pension debtor of £11 million (1999 : nil ) representing the fair value of the pension prepayment acquired. Substantially all of this asset is expected to be realised after more than one year.

| *THE COMPANY* | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Amounts owed by group undertakings | 25,917,671 | - |
| | 25,917,671 | - |

17. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

| | The Group | |
|---|---|---|
| | 2000 | 1999 |
| | £ | £ |
| Bank loans and overdrafts (note 20) | 99,345,766 | 762 |
| Less deferred finance charges | (4,277,605) | - |
| Trade creditors | 12,957,773 | 3,341,344 |
| Other creditors | 3,576,666 | 3,325,219 |
| Taxation and social security | 1,710,810 | 152,302 |
| Obligations under finance leases | 574,554 | 311,430 |
| Corporation tax | 8,453,738 | 5,000 |
| Accruals and deferred income | 39,310,906 | 8,616,027 |
| | 161,652,608 | 15,752,084 |

*THE COMPANY*

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Interest payable and other amounts owed to group undertakings | 131,609 | - |
| Bank loan | 284,133 | - |
| | 415,742 | - |

18. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| The Group | 2000 £ | 1999 £ |
|---|---|---|
| Subordinated loan (note 20) | 18,000,000 | - |
| Bank loan (note 20) | 7,465,867 | - |
| Obligations under finance leases | 971,398 | 268,178 |
| | 26,437,265 | 268,178 |

*THE COMPANY*

| | 2000 £ | 1999 £ |
|---|---|---|
| Subordinated loan | 18,000,000 | - |
| Bank loan | 7,465,867 | - |
| | 25,465,867 | - |

19. PROVISION FOR LIABILTIES AND CHARGES

| *THE GROUP* | Restructuring | Subsidiary held for resale | Deferred Tax | Total |
|---|---|---|---|---|
| At 1 January 2000 | - | - | - | - |
| On acquisition (note 30) | - | 422,000 | 15,207,000 | 15,629,000 |
| Charged (credited) to profit & loss account | 2,250,247 | - | (14,935) | 2,235,312 |
| Utilisation of provision | - | - | - | - |
| At 31 December 2000 | 2,250,247 | 422,000 | 15,192,065 | 17,864,312 |

The £2.3 million restructuring provision arises in respect of a reorganisation commenced by the company on acquisition of the Express Newspapers Group. The restructuring involves staff redundancies. The provision is expected to be fully utilised during 2001.

| The amounts of provided and potential deferred taxation are as follows (The Group) | 2000 £ Potential & provided | 1999 £ Provided |
|---|---|---|
| Accelerated capital allowances | 9,619,207 | - |
| Other timing differences | 6,782,024 | - |
| Tax losses | (1,209,166) | - |
| | 15,192,065 | - |

A potential deferred taxation liability of £57,589 was not provided in 1999, due to the availability of tax losses.

*THE COMPANY*
The company has no provisions for liabilities and charges.

20. LOAN OBLIGATIONS

| | | The Group | |
|---|---|---|---|
| | | 2000 | 1999 |
| Due within : | | £ | £ |
| 1 year | Bank loans and overdrafts | 95,068,161 | - |
| More than one year | Bank loans | 7,465,867 | |
| | Subordinated loan | 18,000,000 | - |
| | | 120,534,028 | - |

Included in the bank loans due within one year is an amount of £97.5 million which carries interest at LIBOR plus 2.5% and is repayable 22 November 2001,and £4.28 million of financing costs deferred and amortised over the term of the loan. The loan is secured on the assets of the group. Since the year end £17.5 million of the facility has been repaid and £30 million of the facility has been refinanced by a secured term loan. The term loan is repayable over 15 years and carries interest at LIBOR plus 1.5%.
The long term bank loan is secured on the investment property held by the group which carries interest at LIBOR plus 1.5%.
The subordinated loan from Mr. R.C.Desmond is unsecured and carries an interest rate of LIBOR plus 2.5%.

*THE COMPANY*

| | | 2000 | 1999 |
|---|---|---|---|
| Due within : | | £ | £ |
| More than one year | Bank loans | 7,465,867 | |
| | Subordinated loan | 18,000,000 | - |
| | | 25,465,867 | - |

21. OBLIGATIONS UNDER FINANCE LEASES

| | The Group | |
|---|---|---|
| | 2000 | 1999 |
| Due: | £ | £ |
| Within one year | 574,554 | 311,430 |
| In more than one year but less than five years | 971,398 | 268,178 |
| | 1,545,952 | 579,608 |

22. OPERATING LEASE COMMITMENTS

At 31 December 2000 the group was committed to making the following payments during the next year in respect of operating leases which expire within :

| | The Group | |
|---|---|---|
| | 2000 Land & buildings £ | 1999 Land & buildings £ |
| 1 year | 222,040 | - |
| 2 - 5 years | 419,857 | - |
| After 5 years | 646,000 | 646,000 |
| | 1,287,897 | 646,000 |

*THE COMPANY*
The company has no operating lease commitments.

## 23. SHARE CAPITAL

| | The Group and the Company 2000 | The Group 1999 |
|---|---|---|
| Ordinary shares of £1 each : | £ | £ |
| Authorised | 110,000 | 110,000 |
| Allotted, called up and fully paid | 110,000 | 110,000 |

As part of the reorganisation on the 30th October 2000 the company issued 110,000 ordinary shares of £1 each.

## 24. MINORITY INTEREST

The equity minority interest relates to 40,000 of the 400,000 £1 Ordinary Shares held in Chic Magazine Limited a dormant company, which has a deficiency of assets and hence no minority interest deficit is shown in the balance sheet.

The non equity minority interest relates to 500,000 £1 Preferred Ordinary Shares held in Northern & Shell plc.

The Preferred Ordinary shares pay a fixed cumulative preferential dividend at the rate of 8% per annum (net of advance corporation tax paid by Northern & Shell plc).

The Preferred Ordinary shares will be redeemed at the option of Northern & Shell plc on 31 December 2001, the redemption value being the nominal value of the share together with a sum equal to any dividend arrears. A new share certificate will be issued for those shares not redeemed.

With regard to return of assets on liquidation, reduction of capital or otherwise, the holders of preferred ordinary shares shall be entitled, in priority to all other shareholders, to be paid out of the surplus assets of Northern & Shell plc an amount equal to the nominal value of the shares and an amount equal to arrears of dividends. Holders of preferred ordinary shares shall have one vote for every twenty shares held.

## 25. RESTATED OPENING SHAREHOLDERS' FUNDS

| | Share Capital £ | Share Premium A/C £ | Other Reserve £ | Profit and loss account £ | Total £ |
|---|---|---|---|---|---|
| Shareholders funds at 1st January as previously reported | | | | | |
| Northern & Shell Group Limited | 1,000 | 99,000 | 3,646,279 | 7,854,342 | 11,600,621 |
| Portland Investments Limited | 224,044 | - | - | (3,081,774) | (2,857,730) |
| Merger reserve adjustment | (115,044) | (99,000) | 214,044 | - | - |
| Merged shareholders funds at 1st January 2000 | 110,000 | - | 3,860,323 | 4,772,568 | 8,742,891 |
| Profit for the year | - | - | - | 4,890,902 | 4,890,902 |
| Dividends | - | - | - | (40,000) | (40,000) |
| At 31 December 2000 | 110,000 | - | 3,860,323 | 9,623,470 | 13,593,793 |

Other reserves represents a Merger Reserve arising from the reorganisation of the Northern & Shell Group Limited and Portland Investments Limited on 30 October 2000.

## 26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW

| | 2000 £ | 1999 £ |
|---|---|---|
| Operating profit | 7,764,346 | 3,153,049 |
| Depreciation charges | 1,183,170 | 659,738 |
| Amortisation of intangible assets | 153,117 | 7,624 |
| Profit on sale of tangible fixed assets | ( 21,069) | ( 7,426) |
| Decrease / (increase) in stocks | 117,468 | ( 6,810,678) |
| Decrease in debtors | 10,684,608 | 7,120,865 |
| Increase in creditors excluding bank loans and overdrafts | 7,711,909 | 6,983,815 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 27,593,549 | 11,106,987 |

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

| | 2000 | 1999 |
|---|---|---|
| | £ | £ |
| Net funds / (debt) at 1 January | 1,680,644 | (8,208,305) |
| Increase in cash in the period | 21,336,615 | 2,302,285 |
| Cash (inflow) / outflow from (increase) / decrease in finance leasing | (447,084) | 409,739 |
| Loan finance | (118,972,485) | 6,700,000 |
| Finance leases acquired with acquisition | (519,260) | - |
| Cash acquired from acquisitions | 366,000 | - |
| Other non cash changes | - | 476,925 |
| Net (debt) / funds at 31 December | (96,555,570) | 1,680,644 |

28. ANALYSIS OF CHANGES IN NET DEBT

| | 01-Jan-00 | Cash flow | Acquisitions | 31-Dec-00 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash in hand & at bank | 2,261,016 | 22,897,394 | 366,000 | 25,524,410 |
| Overdrafts excluding short term loan | ( 764) | ( 1,560,779) | - | ( 1,561,543) |
| | 2,260,252 | 21,336,615 | 366,000 | 23,962,867 |
| Finance leases | ( 579,608) | ( 447,084) | ( 519,260) | ( 1,545,952) |
| Loan finance due within 1 year | - | ( 93,506,618) | | ( 93,506,618) |
| Loan finance due after 1 year | - | ( 25,465,867) | | ( 25,465,867) |
| | 1,680,644 | ( 98,082,954) | ( 153,260) | ( 96,555,570) |

29. PENSION SCHEMES

Certain companies within the group have a money purchase pension scheme for the directors and its employees.

The Express Newspapers Group participates in a number of pension schemes some of which at present are operated by United Business Media plc (United). Eligible employees who joined the group after October 1996 participate in United Business Media plc money purchase schemes but those who joined before October 1996 participate in schemes providing benefits based on final pensionable salary, where assets are held by the trustees separately from the assets of the group.

The main defined benefit scheme is Express Newspapers 1988 pension fund. The cost of the scheme has been assessed by a qualified independent actuary using the attained age method as at 6 April 1998. The principal assumptions adopted for accounting were investment return of 6%, salary growth of of 4.75% and pensions earned after 5 April 1997 will increase 2.75%.

The market value of the scheme's assets at 6 April 1998 was £348 million. The funding level of the scheme was 112%. The surplus is being spread over a shorter period for funding than for accounting.

In the forthcoming year the employees who are in the money purchase scheme will be transferred to a new pension arrangement under Northern & Shell Media Holdings Limited if they elect to do so.

As a result of the acquisition of the Express Group, a prepayment of £11 million has been included in the balance sheet as part of the fair value exercise.

The cash contributions to the pension schemes for the year amounted to £0.3m.

30. ACQUISITIONS

On the 22 November 2000 the group acquired the entire share capital of The Express Newspaper Group and its subsidiaries, and Broughton Printers and its subsidiaries (Express Group) for a consideration, including expenses, of £125.8 million. The acquisition has been accounted for using the acquisition method.

The total adjustments required to the book values of the assets and liablities acquired in order to present the net assets of the companies acquired at fair values in accordance with group accounting principles were £2.5 million, details of which are set out below, together with resultant goodwill arising.

From the date of acquisition to 31 December 2000 the acquisitions contributed £31.1 million to turnover and £1.6 million operating loss (including £2.3 million restructuring costs - note 3)

| | Book Value | Revaluations | Other | Fair Value to the Group |
|---|---|---|---|---|
| Tangible Fixed Assets | 80,676,000 | (c) | (37,787,000) | 42,889,000 |
| Intangible Fixed Assets | 16,981,000 | (16,981,000) (a) | | - |
| Investments | 26,597,000 | (c) | (16,000,000) | 10,597,000 |
| Stocks | 225,000 | | | 225,000 |
| Debtors | 53,007,000 | 1,530,000 (d) | | 54,537,000 |
| Assets held for disposal | - | 13,393,000 (c) | 53,787,000 | 67,180,000 |
| Cash at bank | 366,000 | | | 366,000 |
| Creditors due within a year | (42,494,000) | | | (42,494,000) |
| Provisions | (15,207,000) | (b) | (422,000) | (15,629,000) |
| Net assets acquired | 120,151,000 | (2,058,000) | (422,000) | 117,671,000 |
| Cash consideration | | | | 125,000,000 |
| Acquisition expenses | | | | 825,000 |
| Fair value of consideration | | | | 125,825,000 |
| Goodwill | | | | 8,154,000 |

The acquisition of Express Newspapers Group occurred on 22 November 2000, and as such the fair values ascribed are provisional and will be finalised in the year ended 31 December 2001. These comprise :

( a ) Impairment of intangible assets (goodwill).

( b ) Provision for losses in respect of Express Newspapers Financial Services Limited held for disposal.

( c ) Reclassification and revaluation of joint venture investments in West Ferry Printers Limited and Express Truckstop Limited as current asset investments held for disposal.

( d) Restatement of pension fund prepayment at fair value.

The Express Newspapers Group recorded a profit after tax of £10.9 million in the year to 31 December 1999.
For the 46 week period prior to the date of acquisition The Express Newspapers Group recorded the following :

| | £'000 |
|---|---|
| Turnover | 25,846 |
| Operating loss | (1,597) |
| Loss before tax | (1,566) |
| Tax | (103) |
| Net loss | (1,669) |

## 31. ESTABLISHMENT OF THE GROUP

As explained in note 1(b) the reorganisation on 30 October 2000 has been accounted for using merger accounting principles set out in Financial Reporting Standard 6. Accordingly the group financial information has been presented as if RCD1 Limited had owned Northern & Shell Group Limited and Portland Investments Limited throughout the current and and prior accounting periods.

The book value of the net assets at the time of the reorganisation were;

| | |
|---|---|
| Northern & Shell Group Limited | 14,545,113 |
| Portland Investments Limited | 3,800,457 |
| | 18,345,570 |

The principal components of the profit and loss account for the period prior to the merger on 30 October 2000 are as follows:

| | Pre-reorganisation | | Post - | |
|---|---|---|---|---|
| | Northern & Shell Group Limited | Portland Investments Limited | reorganisation Combined | Total |
| Profit and loss account | | | | |
| Turnover | | | | |
| Continuing operations | 32,646,426 | 20,816,974 | 11,993,787 | 65,457,187 |
| Acquisitions | - | - | 31,053,789 | 31,053,789 |
| | 32,646,426 | 20,816,974 | 43,047,576 | 96,510,976 |
| Other operating income | 992,567 | - | 150,577 | 1,143,144 |
| Operating profit | | | | |
| Continuing operations | 163,941 | 4,132,321 | 4,999,377 | 9,295,639 |
| Acquisitions | - | - | (1,531,293) | (1,531,293) |
| | 163,941 | 4,132,321 | 3,468,084 | 7,764,346 |
| Net interest costs | 104,000 | (14,329) | (2,625,851) | (2,536,180) |
| Profit / (loss) before taxation | 267,941 | 4,117,992 | 842,233 | 5,228,166 |
| Taxation | - | - | (337,264) | (337,264) |
| Profit / (loss) after tax | 267,941 | 4,117,992 | 504,969 | 4,890,902 |

31. ESTABLISHMENT OF THE GROUP (continued)

The equivalent analysis for the year ended 31 December 1999 is as follows:

| Profit and loss account | Northern & Shell Group Limited | Portland Investments Limited | Adjustments | Total |
|---|---|---|---|---|
| Turnover | | | | |
| Continuing operations | 39,263,689 | 21,739,578 | (9,044,000) | 51,959,267 |
| Acquisitions | - | - | - | - |
| | 39,263,689 | 21,739,578 | (9,044,000) | 51,959,267 |
| Other operating income | 902,193 | - | - | 902,193 |
| Operating profit | | | | |
| Continuing operations | 1,447,849 | 1,705,200 | - | 3,153,049 |
| Acquisitions | - | - | - | - |
| Net interest charges | 349,343 | 72,775 | - | 422,118 |
| Profit before taxation | 1,797,192 | 1,777,975 | - | 3,575,167 |
| Taxation | (75,256) | (286) | - | (75,542) |
| Profit after tax | 1,721,936 | 1,777,689 | | 3,499,625 |

The adjustments comprise the elimination of intercompany transactions

32. CONTINGENT LIABILITIES

As part of the agreement for the disposal of a subsidiary in March 1993, Northern & Shell plc, a group company, indemnified the purchaser and the subsidiary company in respect of any tax liability arising in the subsidiary on or before the date of sale. The maximum potential tax and interest liability which could arise as a result of this tax indemnity is estimated to be approximately £8.15 million (1999 : £7.66 million as at 31 December 2000). No provision has been made for any tax liability with regard to this matter as in the opinion of the directors, based on professional advice, no liability is expected to crystalise.

In addition, tax arising, if any, on the disposal of a subsidiary in 1989 is still under negotiation with the Inland Revenue. The maximum potential tax and interest liability is estimated at £0.22 million (1999 : £0.4 million). No provision has been made for any tax liability with regard to these matters as in the opinion of the directors, no liability is expected to crystalise.

During the 1994/95 income tax year certain directors emoluments were provided by way of benefits in kind. The company has taken the position that no liability to employers national insurance arose in relation to the provision of the benefits in kind. The issue is currently the subject of correspondence with the Inland Revenue. If the Inland Revenue successfully pursue their arguments a liabilty of up to £0.14 million (including interest) could arise.

## 33. RELATED PARTY TRANSACTIONS

During the period the group had newspapers printed by a joint venture, held as an asset for resale (West Ferry Printers Limited) to the value of £2.1 million ( 1999 : nil ). At 31 December 2000 £1.8 million (1999: nil) was payable in respect of the printing. The group also purchased £8.3 million newsprint from from Newsprint Management & Supply Services Limited, a joint venture company that purchases newsprint on behalf of the Express Group. The balance outstanding at 31 December 2000 was £10.9 million.

During the year the group made contributions of £118,955 (1999 - £209,547) to a charitable trust, of which both R C Desmond and J Desmond are trustees. At the year end there were no balances due to or from the charitable trust.

At the beginning and end of the period Mr. R.C.Desmond was beneficially interested in the whole of the issued share capital of the company. None of the other directors had an interest in the share capital of the company at the beginning or end of the year.

The group received a subordinated loan of £18 million from Mr R C Desmond. Loan interest of £131,607 was charged to the group during the period. The loan balance outstanding at 31 December 2000 was £18 million.

## 34. SUBSEQUENT EVENTS

On the 8th of February 2001 Express Newspapers Financial Services Limited (a 100% owned subsidiary of Express Newspapers) was sold. Prior to the sale a separate agreement was entered into between Express Newspapers and Express Newspapers Financial Services Limited whereby Express Newspapers agreed to insure Express Newspapers Financial Services Limited in respect of certain potential and existing liabilities of that company.

Express Truckstop Limted has been sold since the year end.

On 2 January 2001 Express Newspapers received notice from the Telegraph Group Limited (in accordance with the joint venture agreement) of its intention to compulsory acquire Express Newspapers 50% share in West Ferry Printers Limited. The amount at which Express Newspapers' interest in the assets of West Ferry Printers will be purchased is likely to be the subject of arbitration.

At the year end Express Newspapers continued to hold 50% of the shares of Newsprint Management and Supply Services Limited (NMSS). In accordance with terms of the Joint Venture agreement between the Telegraph Group Limited, Express Newspapers and NMSS, the Telegraph Group Limited has given 12 months notice to Express Newspapers to terminate the agreement. The notice was served on 21 March 2001.

Property owned by Northern & Shell plc and comprising industrial units in Highbridge, Somerset was sold subsequent to the year end for £350,000.

## 35. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Subsidiaries and percentage holding :

| Company name | Principal activity | £1 ordinary |
|---|---|---|
| Northern & Shell Group Limited | Holding company | 100% |
| Portland Investments Limited | Holding company | 100% |
| Northern & Shell Media Limited | Investment | 100% |
| Northern & Shell Media Holdings Limited | Investment | 100% |
| Express Newspapers | Publishing | 100% |
| Broughton Printers Limited | Printing | 100% |
| Express Newspapers Financial Services Limited | Financial services | 100% |
| Northern & Shell Investments Limited | Investment | 100% |
| Northern & Shell Distribution Limited | Magazine distributor | 100% |
| Best Football Magazines Limited | Publishing | 100% |
| Northern & Shell plc | Publishing | 100% |
| Northern & Shell Properties Limited | Property investment | 100% |
| Northern & Shell Services Limited | Group service company | 100% |
| Northern & Shell Titles Limited | Ownership of titles | 100% |
| Portland Enterprises Limited | Television production | 100% |
| Fantasy Publications Limited | Publishing | 100% |
| Portland Titles Limited | Title holder | 100% |
| Portland Enterprises (CI) Limited | Television broadcasting | 100% |
| RHF Productions Limited | Television broadcasting | 100% |
| Nasnet Online Limited | Website provider | 100% |

All the above companies are registered in England, except for Northern & Shell Investments Limited which is registered in the Isle of Man and in England, and Portland Enterprises (CI) Limited, RHF Productions Limited and Nasnet Online Limited which are registered in Jersey. All of the above companies are consolidated within the group accounts.

Northern & Shell plc and Chic Magazines Limited have minority shareholders stakes comprising £500,000 of the issued £1,100,000 preferred ordinary shares and £40,000 of the £400,000 ordinary shares respectively.

| Joint Ventures | Principal activity | Stake |
|---|---|---|
| Newsprint Management & Supply Services Limited | Newsprint purchasing | 50% |
| Independent Star Limited | Publishing | 50% |
| Express Truckstop Limited * + | Publishing | 50% |
| West Ferry Printers Limited * | Printing | 50% |

* held as current asset investments
+ sold subsequent to the year end