

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

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NORTHERN & SHELL NETWORK LIMITED

ANNUAL REPORT

31 December 2015

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NORTHERN & SHELL NETWORK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. R.C. Desmond
Mr. R. Sanderson
Mr. S. Myerson
Mr. M.S. Ellice
Dr. P. Ashford

SECRETARY

Mr. R. Sanderson

COMPANY NUMBER

4086475 (England)

AUDITOR

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

BANKERS

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

REGISTERED OFFICE

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

NORTHERN & SHELL NETWORK LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

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

In preparing this financial report, the directors have taken advantage of the small companies exemption provided by section 414B of the Companies Act 2006 Regulations 2013, SI 2013 No.1970.

PRINCIPAL ACTIVITIES

The principal activity of the Company is unchanged from last year, and that is of a holding company for a group of companies engaged in newspaper publishing and printing, magazine publishing and the exploitation and further development of intellectual property and media assets.

RESULTS AND DIVIDENDS

The Company recorded a loss before taxation of £8.1 million (2014: £9.6 million), after receiving dividends of £6.7 million from group undertakings (2014: £nil) (note 3), a foreign exchange gain of £6.7 million (2014: £8.3 million) on retranslation of amounts owed by group undertakings, a charge of £9.7 million in respect of provisions against intercompany debt (2014: £11.2 million) and a charge of £5.0 million for investment impairment losses (2014: £nil) (note 2).

During the year, the Company paid interim dividends of £80.1 million (2014: £nil). The directors do not recommend the payment of a final dividend (2014: £nil).

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The profit and loss account is set out on page 8. During the year, the Company issued 2 ordinary shares of £1 each in the capital of the company to Northern & Shell Media Group Limited, its immediate parent undertaking, for an aggregate subscription price of £1.6 million. In 2014, the Company issued 2 ordinary shares of £1 each in the capital of the Company to Northern & Shell Media Group Limited, its immediate parent undertaking, for an aggregate subscription price of £16.6 million (note 12).

The risks, uncertainties and key performance indicators pertaining to the Company are consistent with those experienced by the Company's fellow subsidiaries. They are discussed in the "Review of the year and future prospects" section in the Directors' Report of Northern & Shell Media Group Limited, the ultimate parent of the Company.

The Company's net assets were £448.5 million as at 31 December 2015 (2014: £535.1 million).

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.

POLITICAL AND CHARITABLE DONATIONS

There were no charitable donations made during the year (2014: £nil).

The company made no political donations or incurred any political expenditure during the year (2014: £nil).

FINANCIAL RISK MANAGEMENT

The Company has not implemented specific measures to mitigate financial risks because the directors believe that the nature of the Company's operations are such that it is not exposed to financial risks that might impact adversely on the financial performance of the Company. The directors keep this position under constant review.

NORTHERN & SHELL NETWORK LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

GOING CONCERN

The Company has net current liabilities. A letter of support has been received from the ultimate parent Company, Northern & Shell Media Group Limited, stating that this company will provide financial support as necessary to enable the Company to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

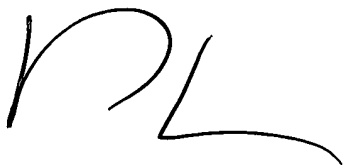
DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

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

By order of the Board:



Mr. R. Sanderson
Secretary
Date: 21 April 2016

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

NORTHERN & SHELL NETWORK LIMITED

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

For the year ended 31 December 2015

The directors are responsible for preparing 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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these 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; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL NETWORK LIMITED

For the year ended 31 December 2015

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL NETWORK LIMITED

For the year ended 31 December 2015

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

Date: 22 April 2016

NORTHERN & SHELL NETWORK LIMITED
PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015 £000	2014 £000
	Notes		
Administrative expenses		<u>(7,968)</u>	<u>(2,879)</u>
OPERATING LOSS	2	(7,968)	(2,879)
Income from shares in group undertakings	3	<u>6,711</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(1,257)	(2,879)
Interest receivable and similar income	5	4,684	4,439
Interest payable and similar charges	6	<u>(11,514)</u>	<u>(11,121)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,087)	(9,561)
Tax on loss on ordinary activities	7	<u>2</u>	<u>3,903</u>
LOSS FOR THE YEAR		<u><u>(8,085)</u></u>	<u><u>(5,658)</u></u>

There are no recognised gains and losses other than those stated above and therefore no separate statement of other comprehensive income has been prepared.

Turnover and operating losses are wholly attributable to continuing operations.

The notes on pages 11 to 20 form an integral part of these financial statements.

NORTHERN & SHELL NETWORK LIMITED

BALANCE SHEET as at 31 December 2015

	Notes	2015 £000	2014 £000
FIXED ASSETS			
Investments	8	<u>872,400</u>	<u>890,023</u>
CURRENT ASSETS			
Debtors	9	55,720	114,159
CREDITORS: amounts falling due within one year	11	<u>(479,599)</u>	<u>(469,122)</u>
NET CURRENT LIABILITIES		<u>(423,879)</u>	<u>(354,963)</u>
NET ASSETS		<u>448,521</u>	<u>535,060</u>
CAPITAL AND RESERVES			
Called up share capital	12	110	110
Share premium account		42,884	41,243
Capital redemption reserve		100	100
Profit and loss account		<u>405,427</u>	<u>493,607</u>
TOTAL SHAREHOLDERS' FUNDS		<u>448,521</u>	<u>535,060</u>

The notes on pages 11 to 20 form an integral part of these financial statements.

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



Mr. R. Sanderson
Director

Date: 21 April 2016

Company registered number: 4086475

NORTHERN & SHELL NETWORK LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Called up Share capital	Share Premium account	Capital Redemption Reserve	Profit and loss account	Total Equity
		£000	£000	£000	£000	£000
Balance at 1 January 2014		110	24,599	100	499,265	524,074
Effect of change in accounting policy		-	-	-	-	-
Balance at 1 January 2014		110	24,599	100	499,265	524,074
Total comprehensive income for the year:						
Loss for the year		-	-	-	(5,658)	(5,658)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(5,658)	(5,658)
Share issue	12	-	16,644	-	-	16,644
Total transactions recognised directly in equity		-	16,644	-	-	16,644
Balance at 31 December 2014		110	41,243	100	493,607	535,060

		Called up Share Capital	Share Premium account	Capital Redemption Reserve	Profit and loss account	Total Equity
		£000	£000	£000	£000	£000
Balance at 1 January 2015		110	41,243	100	493,607	535,060
Total comprehensive income for the year:						
Loss for the year		-	-	-	(8,085)	(8,085)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(8,085)	(8,085)
Dividend payable	13	-	-	-	(80,095)	(80,095)
Share issue	12	-	1,641	-	-	1,641
Total transactions recognised directly in equity		-	1,641	-	(80,095)	(78,454)
Balance at 31 December 2015		110	42,884	100	405,427	448,521

The notes on pages 11 to 20 form an integral part of these financial statements.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES

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

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

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

(a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention 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 has net current liabilities. A letter of support has been received from the ultimate parent Company, Northern & Shell Media Group Limited, stating that this Company will provide financial support as necessary to enable the Company to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

(c) Consolidated financial statements and cash flow statement

The Company is a wholly owned subsidiary of Northern & Shell Media Group Limited and is included in the consolidated financial statements of Northern & Shell Media Group Limited, and is therefore exempt from the obligation to prepare and deliver group accounts in accordance with Section 400 of the Companies Act 2006.

Northern & Shell Media Group Limited prepares and files consolidated financial statements which include the cash flows of the Company. The Company has therefore relied on the exemption available under FRS 102 from preparing its own cash flow statement.

(d) Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with any differences being taken to the profit and loss account.

(e) Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provision for permanent diminution in value. Any diminution in value is reflected in the profit and loss account when the diminution is identified.

(f) 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.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) 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.

(h) Taxation

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

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

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

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

The deferred tax assets and liabilities are not discounted and are calculated at the standard enacted rate of corporation tax in the UK of 18% (2014: 20%).

2. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2015	2014
	£000	£000
Loss on ordinary activities before tax is stated after charging/(crediting):		
Impairment of fixed asset investments (note 8)	5,000	-
Increase in provision against intercompany debt	9,682	11,215
Foreign exchange gain	(6,723)	(8,343)

Audit Services

Fees paid to the Company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the Company are not disclosed in Northern & Shell Network Limited's accounts since the consolidated accounts of Northern & Shell Network Limited's ultimate parent undertaking, Northern & Shell Media Group Limited, are required to disclose other services on a consolidated basis.

Auditor's remuneration of £4,000 in respect of the audit of these financial statements for the year ended 31 December 2015 (2014: £4,000) is borne by Northern & Shell Plc, a subsidiary undertaking.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2015	2014
	£000	£000
Dividend income	6,711	-

During the year, the Company received dividends of £686,000 (2014: £nil) from Northern & Shell Group Limited, £5.4 million (2014: £nil) from Northern & Shell Plc and £252,000 from Northern and Shell Finance Limited (2014: £nil), each subsidiary undertakings and comprising amounts owed by group undertakings. The Company also received dividends of £400,000 from Northern & Shell Plc (2014: £nil), comprising the entire issued share capital of Northern & Shell Services Limited and Sorse Distribution Limited, each fellow subsidiary undertakings (note 8).

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments are borne by Northern & Shell Plc, a subsidiary undertaking.

The directors do not receive any fees or emoluments from the Company as their duties are incidental to their main duties to other group undertakings of Northern & Shell Media Group Limited.

There are no other employee costs.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£000	£000
Group interest receivable	4,684	4,439

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£000	£000
Group interest payable	11,514	11,121

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2015 £000	2014 £000
Current tax:		
UK corporation tax receivable from group companies in respect of group relief at 20.25% (2014: 21.5%)	(24)	(1)
Adjustments in respect of previous periods	1	(3,902)
Total current tax income	(23)	(3,903)
Deferred tax:		
Origination and reversal of timing differences	21	-
Total deferred tax expense (note 10)	21	-
Total tax income on loss on ordinary activities	(2)	(3,903)

Analysis of total tax:

	Current Tax £000	2015 Deferred Tax £000	Total Tax £000	Current Tax £000	2014 Deferred Tax £000	Total Tax £000
Recognised in profit and loss account	(23)	21	(2)	(3,903)	-	(3,903)
Total tax (income)/expense	(23)	21	(2)	(3,903)	-	(3,903)

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

	2015 £000	2014 £000
Loss on ordinary activities before tax	(8,087)	(9,561)
Loss on ordinary activities multiplied by the rate of 20.25% (2014: 21.5%)	(1,638)	(2,056)
Effects of:		
Adjustments in respect of previous periods	1	(3,902)
Utilisation of losses	-	(356)
Impact of change in tax rates	20	-
Dividends not subject to tax	(1,359)	-
Expenses not deductible for tax purposes	2,974	2,411
Total tax income for the year	(2)	(3,903)

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TAXATION ON LOSS ON ORDINARY ACTIVITIES (continued)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly. The deferred tax balance at 31 December 2015 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2015 by £10,000.

The Company has tax losses of £28.6 million (2014: £12.3 million) available to carry forward against future profits. Whilst the Company expects to be able to benefit from tax losses carried forward, no deferred tax asset has been recognised as future benefit is not certain and losses may be surrendered to other group companies.

8. FIXED ASSETS INVESTMENTS

	Shares in group undertakings £000
Cost:	
At 1 January 2015	1,575,812
Additions	56,465
Disposals	<u>(170,129)</u>
At 31 December 2015	<u>1,462,148</u>
Provision for impairment:	
At 1 January 2015	685,789
Impairment losses (note 2)	5,000
Disposals	<u>(101,041)</u>
At 1 January and 31 December 2015	<u>589,748</u>
Net book amounts:	
At 31 December 2015	<u>872,400</u>
At 31 December 2014	<u>890,023</u>

During the year, as part of a group reorganisation the Company subscribed for 2 ordinary shares of £1 each in the capital of Northern & Shell Health Limited, a subsidiary undertaking, for a total consideration of £53.8 million, subscribed for 2 ordinary shares of £1 each in the capital of Northern & Shell Investments Limited, a subsidiary undertaking, for a total consideration of £1.8 million and subscribed for 2 ordinary shares of £1 each in the capital of Northern & Shell Plc, a subsidiary undertaking, for a total consideration of £400,000. The Company also received dividends in the amount of £400,000 from Northern & Shell Plc, comprising the entire issued share capital of Northern & Shell Services Limited, Portland Media Group Limited, Northern & Shell (Jersey) Limited and Sorse Distribution Limited, each fellow subsidiary undertakings (note 3).

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****8. FIXED ASSETS INVESTMENTS (Continued)**

Subsequently, the Company paid dividends in the amount of £69.1 million to Northern & Shell Media Group Limited, its immediate parent undertaking, comprising the entire issued share capital of Northern & Shell Investments Limited, Northern & Shell Group Limited, Northern & Shell Luxembourg Sarl, Northern & Shell Health Limited, Northern & Shell Services Limited, Portland Media Group Limited, Northern & Shell (Jersey) Limited and Sorse Distribution Limited, each subsidiary undertakings (note 13).

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

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

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****8. FIXED ASSETS INVESTMENTS (Continued)**

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Northern & Shell Magazines Limited	Ordinary	100	United Kingdom	Publishing
The Green Magazine Company Limited	Ordinary	100	United Kingdom	Dormant
Sightline Publications Limited	Ordinary	100	United Kingdom	Dormant
The Northern & Shell Tower Management Services Limited	Ordinary	100	United Kingdom	Dormant
Burginhall 677 Limited	Ordinary	100	United Kingdom	Dormant
Export Magazine Distributors Limited	Ordinary	100	United Kingdom	Dormant
Tower Magazines Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Videos Limited	Ordinary	100	United Kingdom	Dormant
OK Magazines Limited	Ordinary	100	United Kingdom	Dormant
OK Magazines Trading Co Limited	Ordinary	100	United Kingdom	Dormant

* Denotes the company was entered in to voluntary liquidation on 23/02/2016.

** Denotes during the year the company ceased its principal activity.

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

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

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

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

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

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

Impairment testing:

The Company's policy is to carry out annual impairment reviews of investments. Based on operating results, future forecasts and the recoverable net assets of the Company's subsidiary undertakings, as at 31 December 2015, the carrying amount of investments exceeded the recoverable amount by £5.0 million and consequently has been written down by this amount. The impairment loss has been recognised within administrative expenses in the profit and loss account (note 2).

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015****8. FIXED ASSETS INVESTMENTS (Continued)**

The recoverable amount of investments has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2015		2014
Period over which management has projected cash flows	15 years		15 years
Growth rate used to extrapolate cash flows	0 - 3% *		0 - 3% *
Discount rate	3.51% **		3.35% **

* Growth of principal cash flows are expected to be in the region of nil% to 3%, but other cash flows may include growth outside of this range.

** Discount rates are derived from swap rates as at 31 December for a comparative period over which management has projected cashflows, plus a margin of 1.5%.

9. DEBTORS

	2015 £000	2014 £000
Amounts owed by group undertakings	38,711	94,181
Amounts owed by group undertakings with respect to group relief	16,826	19,774
Deferred tax asset (note 10)	183	204
	<u>55,720</u>	<u>114,159</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.

10. DEFERRED TAX ASSET

	£000	
At 1 January 2015	204	
Charged to the profit and loss account (note 7)	(21)	
	<u>183</u>	
At 31 December 2015		
Analysed as:		
	2015 £000	2014 £000
Accelerated capital allowances	<u>183</u>	<u>204</u>

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. CREDITORS: amounts falling due within one year

	2015	2014
	£000	£000
Amounts owed to group undertakings	479,599	469,122

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

12. SHARE CAPITAL

	2015	2014
	£000	£000
Allotted and fully paid: 110,006 (2014: 110,004) Ordinary shares of £1 each	110	110

During the year, as part of a group reorganisation, the Company issued 2 ordinary shares of £1 each in the capital of the Company to Northern & Shell Media Group Limited, its immediate parent undertaking, for an aggregate subscription price of £1.6 million. In 2014, the Company issued 2 ordinary shares of £1 each in the capital of the Company to Northern & Shell Media Group Limited, its immediate parent undertaking, for an aggregate subscription price of £16.6 million.

13. DIVIDENDS PAID

	2015	2014
	£000	£000
Dividends paid	80,095	-

During the year, as part of a group reorganisation the Company paid dividends of £80.1 million (2014: £nil) to Northern & Shell Media Group Limited, its immediate parent undertaking, comprising amounts owed by group undertakings in the sum of £7.1 million, a cash dividend of £3.9 million, the entire issued share capital of Northern & Shell Investments Limited, Northern & Shell Group Limited, Northern & Shell Luxembourg Sarl, Northern & Shell Health Limited, Northern & Shell Services Limited, Portland Media Group Limited, Sorse Distribution Limited, and 25 ordinary shares of £1 each in the capital of Northern & Shell Jersey Limited, each subsidiary undertakings, for a total sum of £69.1 million (note 8).

14. GUARANTEES AND CONTINGENT LIABILITIES

The Company is part of the Northern & Shell Media Group Limited group. At 31 December 2015, certain claims in the normal course of business were pending against the Group and certain tax computations were still subject to agreement with the relevant taxation authorities. Although there is uncertainty regarding the final outcome of these matters, the directors believe, based on professional advice received, that adequate provision has been made in the financial statements for anticipated liabilities and the probable ultimate resolution of such matters will not have a material effect on the financial statements of the Company.

15. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with entities that are part of the Northern & Shell Media Group Limited group.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking is Northern & Shell Media Group Limited. The ultimate controlling party is Richard Desmond, the Chairman of Northern & Shell Media Group Limited.

The largest and smallest groups into which these accounts are consolidated is Northern & Shell Media Group Limited. Northern & Shell Media Group Limited is registered in England. Copies of the financial statements of Northern & Shell Media Group Limited can be obtained from: The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN, United Kingdom.