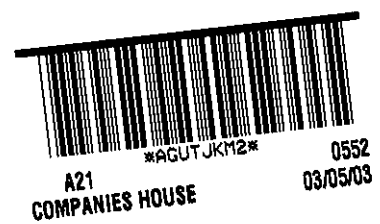


NORTHERN & SHELL NETWORK LIMITED

GROUP REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002



NORTHERN & SHELL NETWORK LIMITED

ANNUAL REPORT

31 December 2002

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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. M. S. Gill

COMPANY NUMBER

4086475 (England)

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

BANKERS

Bank of Scotland
155 Bishopsgate
London EC2M 3YB

REGISTERED OFFICE

Ludgate House
245 Blackfriars Road
London SE1 9UX

NORTHERN & SHELL NETWORK LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

Northern & Shell Network Limited is the principal holding company in the Northern & Shell group of companies. Through its subsidiaries, Northern & Shell Group Limited and Portland Television Limited, it owns a group of companies principally engaged in newspaper publishing and printing, magazine publishing and television broadcasting.

It is the intention of the Company and the Group to continue trading in these areas for the foreseeable future.

REVIEW OF THE PERIOD AND FUTURE PROSPECTS

Following the restructuring of the Group in the previous year, the directors consider the results for the period to be highly satisfactory. The newspaper division has benefited from improved circulations which provided the confidence to launch the first national newspaper title for 12 years, the Daily Star Sunday, thereby filling a gap in its portfolio. This launch exceeded expectations.

The Group also views its magazines publishing division with confidence and subsequent to the period end has launched a new celebrity title, which has quickly achieved its anticipated critical mass. During the period the Group's broadcasting activities continued to grow and, with the support of other areas within the Group, the division is actively looking at further expansion.

West Ferry Printers Limited, one of the Group's 50% joint ventures, was gross equity accounted with effect from 1 April 2002, the date at which the Group was able to exert significant influence over the operating and financial policies of the company. Previously this joint venture had been treated as a fixed asset investment, with dividends received prior to 1 April 2002 being disclosed in income from fixed asset investments.

RESULTS AND DIVIDENDS

The Group recorded profits after taxation of £18.6 million (2001: £16.2 million), which has resulted in an increase in net assets from £21.0 million to £39.5 million.

Cash flow generated during the period has been used to reduce net debt from £76.8 million to £32.4 million. The £44.4 million reduction in net debt represents principally £10 million of external debt, £17 million of inter company debt and £8.7 million forgiveness of parent company debt. The directors do not recommend the payment of a dividend on the £1 ordinary share capital (2001: £ nil). The Group is well placed to further improve its results and take advantage of new opportunities as they arise.

During the year the parent company RCD1 Limited elected to forgive the £8.7 million of the capital outstanding on a loan made to a member of the Group. This had the impact of increasing profit before tax and net assets by £8.7 million for the period.

DIRECTORS AND THEIR INTERESTS

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

At the beginning and end of the year Mr. R.C. Desmond was beneficially interested in the whole of the issued share capital of the company. The interests of Mr. R.C. Desmond, who is also a director of the ultimate parent company RCD1 Limited, are shown in the financial statements of that company.

None of the other directors had an interest in the share capital of the Company, or any other company within the RCD1 Limited group, at the beginning or end of the year.

NORTHERN & SHELL NETWORK LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2002

POLICY ON PAYMENT OF CREDITORS

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

The Group has approximately 68 days purchases outstanding at 31 December 2002 based on the average daily amount invoiced by suppliers during the year (2001: 67 days).

EMPLOYEE INVOLVEMENT

During the year the Company and Group maintained their practice of keeping employees informed about current activities and progress using various methods including formal briefings and distribution of corporate literature. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account where decisions are likely to affect their interests. This practice is reviewed regularly.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company and Group continues and the appropriate training is arranged. It is the policy of the Company and Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

POLITICAL AND CHARITABLE DONATIONS

Charitable contributions were made during the year amounting to £208,683 (2001 - £122,465).

There were no political contributions made during the year (2001 - £100,000).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 11 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They 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.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 10 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next annual general meeting.

Approved by the Board and signed on behalf of the Board:

Mr. M.S. Gill
Secretary



Dated:

24/4/03

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTHERN & SHELL NETWORK LIMITED

For the year ended 31 December 2002

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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. The other information comprises only a list of the officers and professional advisers and the directors' report.

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 2002, and the profit and cashflows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Dated: 24 April 2003

NORTHERN & SHELL NETWORK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Notes	2002 £000	As restated 2001 £000
Turnover (including share of joint ventures)	2		
Continuing		387,442	333,321
Discontinued		-	39,956
		<u>387,442</u>	<u>373,277</u>
Less: share of joint venture turnover			
Continuing		(39,850)	(8,098)
Discontinued		-	(39,956)
Turnover		<u>347,592</u>	<u>325,223</u>
Cost of sales		<u>(199,578)</u>	<u>(182,761)</u>
Gross profit		148,014	142,462
Distribution costs		(22,689)	(19,431)
Administrative expenses – other		(120,305)	(92,595)
Administrative expenses – exceptional items	3	(934)	(7,134)
		<u>(121,239)</u>	<u>(99,729)</u>
Other operating income		<u>3,119</u>	<u>727</u>
Group operating profit	4	7,205	24,029
Share of operating profit/(loss) of joint ventures (after £2.8m (2001: £1.0m) goodwill amortisation)		<u>1,589</u>	<u>(328)</u>
Total operating profit		8,794	23,701
Income from fixed asset investments		<u>3,164</u>	<u>8,186</u>
Profit on ordinary activities before interest and taxation		11,958	31,887
Forgiveness of debt by parent company		8,721	-
Interest receivable and similar income	6	1,684	563
Interest payable and similar charges	7	(5,682)	(12,535)
Profit on ordinary activities before taxation		16,681	19,915
Tax on profit on ordinary activities	8	<u>1,873</u>	<u>(3,722)</u>
Profit on ordinary activities after taxation	24	18,554	16,193
Dividends – non equity	9	<u>(5)</u>	<u>(43)</u>
Retained profit for the financial year		<u>18,549</u>	<u>16,150</u>

The notes on pages 11 to 31 form part of these accounts.

NORTHERN & SHELL NETWORK LIMITED

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2002

	Note	2002 £000	As restated 2001 £000
Profit for the financial year and total recognised gains for the year		18,554	17,870
Prior year adjustment	24	760	-
Total gains recognised since last annual report		19,314	17,870

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

NORTHERN & SHELL NETWORK LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2002

	Notes	2002 £000	As restated 2001 £000
FIXED ASSETS			
Intangible assets	11	8,930	9,424
Tangible assets	12	67,086	74,611
Investments	13		
Interests in joint ventures			
Share of gross assets		37,263	2,118
Share of gross liabilities		(30,938)	(1,628)
Goodwill arising on acquisition		29,830	8,768
		36,155	9,258
Other		85	29,815
		36,240	39,073
		112,256	123,108
CURRENT ASSETS			
Stocks	14	3,493	3,346
Debtors	16	43,110	46,294
Current asset investments	15	8	14
Cash at bank and in hand		30,261	18,678
		76,872	68,332
CREDITORS: amounts falling due within one year	17	(84,513)	(93,366)
NET CURRENT LIABILITIES		(7,641)	(25,034)
TOTAL ASSETS LESS CURRENT LIABILITIES		104,615	98,074
CREDITORS: amounts falling due after more than one year	18	(49,246)	(59,679)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(15,836)	(17,411)
NET ASSETS		39,533	20,984
CAPITAL AND RESERVES			
Called up share capital	23	210	210
Profit and loss account	24	35,463	16,914
Other reserves	24	3,860	3,860
TOTAL SHAREHOLDERS' FUNDS	24	39,533	20,984
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity		39,433	20,884
Non-equity		100	100
		39,533	20,984

Approved by the Board of Directors:

Mr. R.C. Desmond
Director

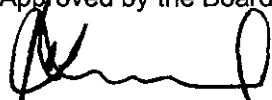
Dated: 24-4-03

NORTHERN & SHELL NETWORK LIMITED

COMPANY BALANCE SHEET as at 31 December 2002

	Notes	2002 £000	As restated 2001 £000
FIXED ASSETS			
Investments	13	111	110
CURRENT ASSETS			
Debtors	16	42,590	40,033
CREDITORS: amounts falling due within one year	17	<u>(17,875)</u>	<u>(7,889)</u>
NET CURRENT ASSETS		<u>24,715</u>	<u>32,144</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,826	32,254
CREDITORS: amounts falling due after more than one year	18	<u>(24,000)</u>	<u>(32,000)</u>
NET ASSETS		<u>826</u>	<u>254</u>
CAPITAL AND RESERVES			
Called up share capital	23	210	210
Profit and loss account	10	<u>616</u>	<u>44</u>
TOTAL SHAREHOLDERS' FUNDS		<u>826</u>	<u>254</u>
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity		726	154
Non-equity		<u>100</u>	<u>100</u>
		<u>826</u>	<u>254</u>

Approved by the Board of Directors:



Mr. R.C. Desmond

Dated: 24-4-03

NORTHERN & SHELL NETWORK LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	Notes	2002 £000	2001 £000
Net cash inflow from continuing operating activities	25	37,612	24,166
Dividends received from joint ventures		3,009	826
Returns on investments and servicing of finance			
Interest received		954	563
Interest paid		(5,472)	(6,577)
Issue costs of new bank loans		-	(864)
Dividends received from fixed asset investments		3,164	8,186
Interest element of finance lease rentals		(89)	(151)
Dividends paid to minority interests		-	(43)
		(1,443)	1,114
Taxation		(735)	(41)
Capital expenditure			
Payments to acquire intangible fixed assets		(5)	-
Payments to acquire tangible fixed assets		(2,762)	(2,534)
Receipts from disposal of tangible fixed assets		155	509
		(2,612)	(2,025)
Acquisitions and disposals			
Acquisition of minority interest in subsidiary undertaking		-	(500)
Recapitalisation of subsidiary undertaking prior to disposal		-	(1,094)
Receipts from disposal of subsidiary undertakings		-	580
Receipts from disposal of joint ventures		-	25
		-	(989)
Net cash inflow before financing		35,831	23,051
Financing			
Loan from joint venture		3,800	-
Joint venture loan repaid		(300)	-
Loan from third parties		-	70,000
External loan repayments		(10,000)	(98,500)
Repayment of parent company loan		(17,029)	-
Issue of preferred ordinary shares		-	100
Capital element of finance lease rentals		(545)	(200)
		(24,074)	(28,600)
Increase/(decrease) in net cash	27	11,757	(5,549)

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards and the accounting policies set out below. Comparative balances have been restated as set out below to conform with the current year presentation.

Changes in accounting policies

In November and December 2000, the Accounting Standards Board issued FRS17, 'Retirement benefits', and FRS 19, 'Deferred tax'.

The Company has adopted FRS 19, 'Deferred tax', in the financial statements. The adoption of this new standard represents a change in accounting policy and the comparative deferred tax figures have been restated accordingly. The impact on the prior year results was to increase retained profit by £0.92 million, while increasing the current year retained profit by £0.38 million.

The Company has chosen not to adopt FRS17 early but has complied with the transitional disclosures required by this standard.

Deferred finance charges, previously shown within 'prepayments and accrued income' have been included within creditors in the current year to match against the loan to which they relate. The prior year comparatives have been restated accordingly.

(b) Basis of consolidation

The Company carries its investment in subsidiary undertakings at cost, less any provision for impairment.

The consolidated profit and loss account, balance sheet and cash flow statement includes the results, financial position and cash flows of the Company and its subsidiary undertakings from the date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

(c) Turnover

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

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

(d) Foreign currencies

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

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is purchase cost 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 expected useful life, as follows: -

Leasehold land & buildings	50 years or estimated useful life
Plant & machinery	3 to 24 years
Fixtures and fittings & office equipment	2 to 5 years or period of the lease
Motor vehicles	2 to 5 years

The Group reviews its depreciation rates regularly to take account of technological changes, intensity of use over the life of the assets and market requirements.

(f) Intangible fixed assets

Trademarks

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

Goodwill

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

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

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

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

(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. Also 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 the 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.

(h) Leases

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

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 as incurred.

Assets leased to third parties under operating leases are capitalised and depreciated over the estimated useful life of the asset. Operating lease rental is recorded as revenue 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 holds a 50% interest in an entity on a long term basis and this interest is jointly controlled by the Group and other parties, the investment is treated as a joint venture. The Group's share of the profits and losses of the joint venture are disclosed separately in the group's profit and loss account. Joint ventures are disclosed using the gross equity method under which the share of gross assets and liabilities are disclosed in the balance sheet.

(k) Deferred taxation

The Company has adopted FRS 19 "Deferred Taxation" in these financial statements, details of which are set out in 1(a) above.

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.

(l) Pension costs

The pension costs relating to defined benefit schemes 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.

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

(m) Finance charges

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

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

2.SEGMENTAL ANALYSIS

The Group's turnover and profit before taxation arises solely from its publishing, broadcasting and printing activities.

There is no significant turnover, profit before taxation and net assets in geographical locations other than the United Kingdom.

Turnover in respect of continuing Joint Venture entities arises from publishing activities in the Republic of Ireland and from printing activities in the United Kingdom.

	2002	2001
	£000	£000
Business analysis of turnover continuing		
Publishing and printing	313,768	287,971
Publishing and printing – joint ventures	39,850	8,098
Broadcasting	33,824	37,252
	<u>387,442</u>	<u>333,321</u>
Business analysis of turnover discontinuing		
Publishing and printing	-	39,953
Broadcasting	-	3
	<u>-</u>	<u>39,956</u>
Total turnover	<u>387,442</u>	<u>373,277</u>
Business analysis of profit/(loss) before taxation:		
Publishing and printing (refer (a) below)	6,307	4,451
Publishing and printing – joint ventures	1,479	(302)
Broadcasting	8,895	15,766
	<u>16,681</u>	<u>19,915</u>
		As restated
Business analysis of net operating assets:		
Publishing and printing	23,031	60,655
Publishing and printing – joint ventures (after goodwill amortisation)	6,325	490
Broadcasting	25,161	19,676
	<u>54,517</u>	<u>80,821</u>
Reconciliation of net operating assets to net assets		
Net operating assets	54,517	80,821
Goodwill	29,830	8,768
Investments	93	29,829
Corporation tax	(359)	(4,509)
Deferred tax	(15,636)	(17,082)
Net borrowings/funds	<u>(28,912)</u>	<u>(76,843)</u>
	<u>39,533</u>	<u>20,984</u>

(a) Includes interest payable on loans and amortisation of financing charges.

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****3. ADMINISTRATIVE EXPENSES - EXCEPTIONAL ITEMS**

The £0.9 million (2001: £7.1 million) includes write down of £0.7 million web site assets (2001:nil) and £0.2 million redundancy costs (2001: £7.1 million). The tax effect of the restructuring costs was £0.3 million (2001: £2.1 million) and resulted in a cash outflow of £0.2 million (2001 £7.1 million) during the year.

	2002 £000	2001 £000
4. GROUP OPERATING PROFIT		
Operating profit is stated after charging/(crediting):		
Auditors' remuneration – audit fees – group	256	250
Auditors' remuneration – non audit fees – group	366	656
Depreciation – owned assets	6,238	5,710
Depreciation – leased assets	2,974	4,131
Amortisation of trademarks	8	9
Amortisation of goodwill – acquisitions	491	472
Amortisation of goodwill – joint ventures	2,765	985
Write-off of intangible fixed assets	-	(6)
Loss /(profit) on disposal of fixed assets	206	(86)
Operating lease rentals – plant and machinery	1,443	507
Operating lease rentals – other	1,662	2,588
Other operating income:		
Net rental income	(942)	(727)
Reimbursement of prior period costs	(2,177)	-

Audit fees for the Company are borne by a subsidiary undertaking.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors	2002 £000	2001 £000
Emoluments	1,778	6,358
Company contributions to money purchase pension schemes	20,448	3,138
	<u>22,226</u>	<u>9,496</u>

Pension benefits are accruing for five directors under money purchase schemes (2000: five directors). The above emoluments include the following amounts in respect of the highest paid director.

Highest paid director :	2002 £000	2001 £000
Emoluments	629	5,744
Company contributions to money purchase pension schemes	20,354	3,104
	<u>20,983</u>	<u>8,848</u>

(b) Staff Costs (Including Directors)	2002 £000	2001 £000
Wages and salaries	46,387	46,816
Social security costs	4,658	4,576
Pension costs	21,482	2,790
	<u>72,527</u>	<u>54,182</u>

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)**

Average number of people employed by activity:	2002 Number	2001 Number
Production	678	729
Selling and distribution	145	159
Administration	227	209
	<u>1,050</u>	<u>1,097</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £000	2001 £000
Bank deposit	746	537
Interest receivable from parent company	920	-
Joint venture interest receivable	-	26
Other interest receivable	18	-
	<u>1,684</u>	<u>563</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Bank loans and overdrafts	3,457	6,085
Finance leases	89	151
Amortisation of financing charges	120	4,303
Other interest payable	132	-
Interest payable to parent company	1,774	1,995
Joint venture interest payable	110	1
	<u>5,682</u>	<u>12,535</u>

On the 31 December 2002, the parent company RCD1 Limited elected to forgive £8.7million of the capital outstanding on a loan to a member of the Group. This had the impact of increasing profit before tax and net assets by £8.7million for the period.

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2002 £000	As restated 2001 £000
Current tax:		
UK corporation tax on profits of the period at 30% (2001: 30%)	406	296
Adjustment in respect of previous periods	(2,125)	(308)
Foreign taxes suffered	335	340
Double taxation relief	(346)	(258)
Share of joint venture taxation	1,303	85
	<hr/>	<hr/>
Total current tax	(427)	155
Deferred tax:		
Origination and reversal of timing differences (ACA and other)	(428)	2,253
Adjustment in respect of previous period	(1,018)	1,314
	<hr/>	<hr/>
Total deferred tax	(1,446)	3,567
	<hr/>	<hr/>
Tax on profit on ordinary activities	(1,873)	3,722

The tax assessed for the period differs from the standard rate of corporation tax in the UK 30% (2001: 30%).
The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	16,681	19,915
Profit on ordinary activities multiplied by standard rate in the UK 30% (30%)	5,004	5,974
Effects of:		
Expenses not deductible for tax purposes	567	495
Excess of depreciation over capital allowances and other timing differences	1,326	(703)
Adjustments to tax charge in respect of previous period	(2,125)	(308)
Utilisation of prior year tax losses	(912)	(1,545)
UK dividend income not subject to tax	(949)	(2,480)
UK tax on gross up of overseas dividends	42	28
Underlying tax on overseas income to be offset against UK corporation tax	(138)	(147)
Profits subject to lower level of overseas tax	(2,067)	(1,414)
Non tax deductible goodwill amortisation and other permanent differences	1,111	126
Adjustment to tax in relation to joint ventures	330	129
Debt forgiveness not subject to tax	(2,616)	-
	<hr/>	<hr/>
Current tax charge for the period	(427)	155
	<hr/>	<hr/>
Factors that may effect future tax charges:		

Based on current capital investment plans, the Group expects depreciation to continue to exceed capital allowances in future years. The Group does not expect to benefit from significant brought forward tax losses in future years. The Group expects certain profits to be subject to lower levels of overseas taxation in future years.

Deferred tax liabilities have not been discounted.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9. DIVIDENDS

	2002 £000	2001 £000
Non-equity		
Northern & Shell plc 8% £1 preferred ordinary shares (4p per share)	-	40
Northern & Shell Network Limited 5.5% preferred ordinary shares (5.5p per share)	<u>5</u>	<u>3</u>
	<u>5</u>	<u>43</u>

10. PROFIT OF COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these accounts. The Company's profit for the period amounted to £576,555 (2001: £47,410) before dividends of £5,500 (2001: £3,208).

11. INTANGIBLE ASSETS

	Trademarks £000	Goodwill £000	Total £000
THE GROUP			
Cost:			
At 1 January 2002	233	9,817	10,050
Additions	<u>5</u>	<u>-</u>	<u>5</u>
At 31 December 2002	<u>238</u>	<u>9,817</u>	<u>10,055</u>
Amortisation:			
At 1 January 2002	112	514	626
Charge for the year	<u>8</u>	<u>491</u>	<u>499</u>
At 31 December 2002	<u>120</u>	<u>1,005</u>	<u>1,125</u>
Net book amounts:			
At 31 December 2002	<u>118</u>	<u>8,812</u>	<u>8,930</u>
At 31 December 2001	<u>121</u>	<u>9,303</u>	<u>9,424</u>

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****12. TANGIBLE ASSETS**

	Short leasehold land & buildings £000	Motor vehicles, plant & machinery £000	Fixtures, fittings & office equipment £000	Total £000
THE GROUP				
Cost				
At 1 January 2002	35,144	121,756	19,217	176,117
Additions	-	2,277	485	2,762
Disposals	(343)	(1,473)	(2,432)	(4,248)
At 31 December 2002	34,801	122,560	17,270	174,631
Depreciation:				
At 1 January 2002	9,318	77,116	15,072	101,506
Charge for the year	1,592	6,919	701	9,212
Disposals	(90)	(1,371)	(1,712)	(3,173)
At 31 December 2002	10,820	82,664	14,061	107,545
Net book amounts:				
At 31 December 2002	23,981	39,896	3,209	67,086
At 31 December 2001	25,826	44,640	4,145	74,611

Fixtures, fittings, motor vehicles, office equipment and plant & machinery includes assets acquired under finance leases in respect of which, as at 31 December 2002 the net book value was £17.4 million (2001 - £19.3million) after charging £3.0 million (2001 - £3.7 million) depreciation for the year.

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

- Land and buildings - gross asset cost of £19.0 million (2001 - £19.3 million) and accumulated depreciation of £5.8 million (2001 - £4.7 million). Motor vehicles, plant and machinery - gross cost of £57.8 million (2001 - £57.8 million) and accumulated depreciation of £41.2 million (2001 - £38.6 million).

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

- Land and buildings - £1.1 million (2001: £1.2 million)
- Motor vehicles, plant and machinery - £0.9 million (2001: £1.1 million).

During the year a review of asset lives has been undertaken for short leasehold property and this has resulted in the reduction of certain asset lives which will be accounted for prospectively. The reduction in asset lives has led to an increase in the current year depreciation charge of £0.8 million.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

13. FIXED ASSET INVESTMENTS

THE GROUP

	2002 £000	2001 £000
Interest in joint ventures		
At 1 January - net assets	490	721
- goodwill	9,855	9,855
	10,345	10,576
Transfers - net assets	5,894	-
- goodwill	23,836	-
Share of (losses) / profit retained	(59)	(231)
At 31 December - net assets	6,325	490
- goodwill	33,691	9,855
	40,016	10,345
Aggregate amortisation of goodwill		
At 1 January	(1,087)	(102)
Charge for the period	(2,774)	(985)
At 31 December	(3,861)	(1,087)
Net book amount at 31 December		
Net assets	6,325	490
Goodwill	29,830	8,768
	36,155	9,258
Other fixed asset investments		
Opening	29,815	85
Transfer (see below)	(29,730)	29,730
Total other fixed asset investment	85	29,815
Total fixed asset investments	36,240	39,073

Interests in joint ventures principally comprise :

- 50% of the equity share capital of West Ferry Printers Limited, a newspaper printing company. West Ferry Printers Limited was previously recorded as a fixed asset investment until it became a joint venture on 1 April 2002 when the directors of Express Newspapers (a group company) were appointed to the board and were in a position to exert significant influence over the operating and financial policies of the company.

Prior to 1 April 2002 West Ferry Printers Limited was treated as an other fixed asset investment, then due to circumstances outlined above was transferred from "Other fixed asset investments" to "Interests in joint ventures".

- 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.

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****13. FIXED ASSET INVESTMENTS (Continued)****Details of significant investments in Joint Venture Companies**

	2002 £000	2001 £000
Summary of Joint Venture net assets		
Share of fixed assets	23,633	394
Share of current assets	13,630	1,724
Share of gross assets	37,263	2,118
Share of liabilities		
Due within one year	(4,188)	(1,384)
Due after one year	(26,750)	(244)
Share of gross liabilities	(30,938)	(1,628)
Net assets	6,325	490

The Group's share of the results of its principal joint venture company is disclosed below for the nine months to 31 December 2002:

	2002 £000
West Ferry Printers Limited	
Turnover	30,504
Profit before tax	3,188
Taxation	(1,176)
Profit after tax	2,012
Fixed assets	23,199
Current assets	11,765
Liabilities due within one year	(2,567)
Liabilities due after more than one year	(26,494)
Net assets	5,903

THE COMPANY

	2002 £000	2001 £000
Shares in group undertakings	111	110

The immediate subsidiary undertakings and their percentage holdings are:

	Principal activity	£1 ordinary shares
Northern & Shell Group Limited	Publishing & printing	100%
Portland Television Limited	Publishing & broadcasting	100%
Northern & Shell Finance Limited	Group treasury	100%

Investments in group undertakings 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 31.

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****14. STOCKS**

	The Group	
	2002	2001
	£000	£000
Raw materials and consumables	3,037	2,798
Finished goods and goods for resale	456	548
	<u>3,493</u>	<u>3,346</u>

15. CURRENT ASSET INVESTMENTS

	The Group
	£000
Opening balance at 1 January 2002	14
Disposals	<u>(6)</u>
Closing balance at 31 December 2002	<u>8</u>

16. DEBTORS

	The Group	
	2002	2001
	£000	£000
Trade debtors	25,832	26,777
Other debtors	13,148	14,324
Prepayments and accrued income	4,127	5,193
	<u>43,110</u>	<u>46,294</u>

Included in other debtors is a pension prepayment of £11.4 million (2001: £12.8 million) which is expected to be realised after more than one year.

	The Company	
	2002	2001
	£000	£000
Amounts falling due within one year:		
Amounts owed by group undertakings	2,590	33
Loan to fellow group undertakings	<u>40,000</u>	<u>40,000</u>
	<u>42,590</u>	<u>40,033</u>

Loans to fellow group undertakings carry interest of 2.5% above LIBOR, are unsecured and repayable on demand.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

17. CREDITORS: amounts falling due within one year

	The Group	
	2002	2001
	£000	£000
Bank loans and overdrafts (note 20)	10,090	10,264
Less: deferred finance charges	(718)	(838)
Loans from joint venture	3,500	-
Loans from parent undertaking	-	25,750
Other amounts owed to parent undertaking	-	1,380
Other amounts owed to joint ventures	1,812	1,725
Trade creditors	18,223	10,152
Other creditors	27,514	6,360
Taxation and social security	1,243	1,303
Obligations under finance leases (note 21)	555	667
Corporation tax	359	4,509
Dividends	5	-
Accruals and deferred income	21,930	32,094
	84,513	93,366

Loans from parent undertakings and joint ventures carry interest of LIBOR plus a margin of 2.5%, are unsecured and repayable on demand. Included in other creditors is £17.25 million (2001: nil) relating to contributions payable to a director's money purchase pension scheme for 2002.

	The Company	
	2002	2001
	£000	£000
Bank loans (note 20)	8,000	8,000
Amounts owed to other group undertakings	9,359	251
Less: deferred finance charges	(369)	(463)
Preference dividend payable	5	3
Amounts owed to group companies with respect to group relief	276	20
Accruals and deferred income	604	78
	17,875	7,889

Deferred finance charges were reclassified from prepayments and accrued income in the prior period.

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

	The Group	
	2002	2001
	£000	£000
Bank loan (note 20)	49,000	59,000
Obligations under finance leases (note 21)	246	679
	49,246	59,679

	The Company	
	2002	2001
	£000	£000
Bank loan (note 20)	24,000	32,000

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

19. PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax £000	Other provisions £000	Total £000
The Group			
At 1 January 2002	17,842	329	18,171
Prior year adjustment – FRS 19 note 1(a)	(760)	-	(760)
	<u>17,082</u>	<u>329</u>	<u>17,411</u>
Credited to profit & loss account	(1,446)	-	(1,446)
Utilisation of provision	-	(129)	(129)
	<u>15,636</u>	<u>200</u>	<u>15,836</u>
At 31 December 2002			

The remaining amount provided in respect of other provisions is expected to be utilised within one year.
The amounts of provided and potential deferred taxation are as follows:

	The Group	
	2002 £000	2001 £000
Accelerated capital allowances	8,109	9,970
Other timing differences	7,527	7,667
Tax losses	-	(555)
	<u>15,636</u>	<u>17,082</u>

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

20. BANK LOAN OBLIGATIONS

	The Group	
	2002 £000	2001 £000
The group's bank loan obligations are due :		
Within 1 year	10,000	10,000
In more than 1 year but not more than 2 years	10,000	10,000
In more than 2 years but not more than 5 years	22,000	30,000
In more than 5 years	<u>17,000</u>	<u>19,000</u>
	59,000	69,000
Less: deferred finance charges	<u>(718)</u>	<u>(838)</u>
	<u>58,282</u>	<u>68,162</u>

Bank loans are secured over the assets of the Group. Included in the bank loans is an amount of £32 million, which is payable in six monthly instalments over four years and carries a maximum interest rate of LIBOR plus 1.25%. Also included in bank loans is a loan of £27 million which carries interest at LIBOR plus 1.5% and is repayable in quarterly instalments over 14 years.

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****THE COMPANY**

The Company's bank loan obligations of £32 million (£8 million due within one year and £24 million due after more than one year) are subject to the terms and conditions set out in respect of the £32 million group bank loan above.

21. OBLIGATIONS UNDER FINANCE LEASES

The Group is subject to finance lease obligations which are due:

	2002 £000	2001 £000
Within one year	604	756
Within two to five years	272	754
	876	1,510
Future finance charges	(75)	(164)
	801	1,346

22. OPERATING LEASE COMMITMENTS

At 31 December 2002 the Group was committed to making the following annual payments in respect of operating leases which expire :

	2002 £000	2001 £000
Within one year	10	24
Two to five years	2,166	573
After five years	929	2,232
	3,105	2,829

23. SHARE CAPITAL

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2002 £000	2001 £000	2002 £000	2001 £000
Ordinary shares of £1 each	110	110	110	110
Preferred ordinary shares of £1 each	100	100	100	100
	210	210	210	210

The preferred ordinary shares were issued in 2001, pay a fixed cumulative preferential dividend at the rate of 5.5% per annum (net of advance corporation tax paid by the Company) and are redeemable at par on 31 December 2003. In the event of a winding up of the Company, preference shareholders are paid in priority to ordinary shareholders their nominal amount together with all arrears and accruals of dividends. At general meetings of the Company, preference shareholders have one vote for every 20 shares held.

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****24. SHAREHOLDERS' FUNDS**

Reserves	Other reserve £000	Profit & loss £000
At 1 January 2002 as previously reported	3,860	17,831
Prior year adjustment – FRS19 (note 1(a))	-	(917)
At 1 January 2002 as restated	3,860	16,914
Retained profit for the year	-	18,549
At 31 December 2002	3,860	35,463

Reconciliation of movements in shareholders' funds	2002 £000	As restated 2001 £000
Profit for the year	18,554	16,193
Dividends	(5)	(43)
	18,549	16,150
Issue of preference shares	-	100
Net addition to shareholders funds	18,549	16,250
Opening shareholders' funds as previously reported	21,901	3,057
Prior year adjustment – FRS19 (note 1(a))	(917)	1,677
Opening shareholders' funds as restated	20,984	4,734
Closing shareholders' funds	39,533	20,984

25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW

	2002 £000	2001 £000
Operating profit	7,205	24,029
Depreciation charges	9,212	9,841
Amortisation of intangible assets	499	481
Loss / (profit) on sale of tangible assets	921	(86)
Loss on disposal current asset investments	6	46
Increase in stocks	(147)	(1,431)
Decrease in debtors	3,184	4,338
Increase/ (decrease) in creditors	16,861	(11,131)
(Decrease) in provisions	(129)	(1,921)
Net cash inflow from operating activities	37,612	24,166

NORTHERN & SHELL NETWORK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2002****26. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT**

	2002 £000	2001 £000
Net debt at 1 January	(76,843)	(96,555)
Increase / (decrease) in cash in the period	11,757	(5,549)
Cash outflow from decrease in finance leasing	545	200
Loan finance repaid	27,329	25,061
Loan drawn down from joint venture	(3,800)	-
Forgiveness of parent company debt	8,721	-
Other non cash changes	(121)	-
Net debt at 31 December	(32,412)	(76,843)

27. ANALYSIS OF CHANGES IN NET DEBT

	1 January £000	Cash flow £000	Non cash £000	31 December £000
Cash in hand & at bank	18,678	11,583	-	30,261
Overdrafts excluding short term loan	(264)	174	-	(90)
	18,414	11,757	-	30,171
Finance leases	(1,346)	545	-	(801)
Loan finance due within 1 year	(27,880)	23,529	(8,431)	(12,782)
Loan finance due after 1 year	(66,031)	-	17,031	(49,000)
Net debt	(76,843)	35,831	8,600	(32,412)

28. PENSION SCHEMES**a) SSAP 24 Disclosure**

The Group participates in a number of pension schemes. Eligible employees who joined the Group before October 1996 participate in schemes providing benefits based on final pensionable salary, where the trustees hold assets separately from the assets of the Group. Employees who joined the Group after October 1996 are eligible to participate in a money purchase scheme.

The Group contributes to money purchase pension schemes for the chairman Mr R.C. Desmond and a defined contribution scheme for its employees. Contributions are charged to the profit and loss account to reflect amounts paid/payable under the schemes. These are £19.3 million (2001: £3.3 million).

The main defined benefit scheme is Express Newspapers 1988 Pension Fund (1988 Fund) which is operated by Mercer H.R. Consulting. The cost of the 1988 Fund has been assessed by a qualified independent actuary using the attained age method as at 31 December 2002. The principal assumptions adopted for accounting were investment returns of 5.75% per annum, salary growth of 4.6% per annum and that pensions earned after 5 April 1997 will increase in payment by 2.6% per annum.

The market value of the 1988 Fund's assets at 31 December 2002 was £321.2 million (2001: £355.7 million).

The latest triennial valuation for funding purposes was as at 6 April 2001 and the Group's contribution rate has been agreed at 6%. The funding assumptions are more conservative than the accounting assumptions and may recognise any surplus or deficit over a period shorter than members' expected future working lifetime.

The total pension charge in respect of the defined benefit schemes is £2.3 million (2001: Credit £0.5 million). The cash contributions paid by the Group for the year amounted to £0.9 million (2001: £1.2 million). At 31 December 2002, there was a prepayment of £11.4 million (2001: £12.8 million) resulting from the accumulated difference between the pension costs charged and the contributions paid. The charge is significantly higher than the previous period due to the reduction in the pension asset (resulting in a charge) for the period.

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

28. PENSION SCHEMES (Continued)

b) FRS17 Disclosure

The Group has not yet adopted FRS17, however it has complied with the disclosure requirements of the transitional provisions of the standard.

The latest full actuarial valuations of the Express Newspapers 1988 Pension Fund and the Express Newspapers Senior Management Pension Fund were carried out as at 6 April 2001 and 5 April 2000 respectively. The results below have been updated by a qualified independent actuary using the projected unit valuation method. The Group makes contributions at 6% of the Contribution Earnings.

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

Following the April 2000 actuarial valuation of the Express Newspapers Senior Management Pension Fund, the Group introduced a contribution holiday with effect from December 2000.

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

	2002	2001
Discount rate	5.5%	5.75%
Rate of increase in salaries	3.75%	4.60%
Rate of LPI increase in pensions in payment	2.25%	2.60%
Inflation assumption	2.25%	2.60%

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

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

	Long-term rate of return expected at 2002	Fair value at 2002 £000	Long-term rate of return expected at 2001	Fair value at 2001 £000
Equities	7.75%	122,100	7.75%	160,400
Bonds	4.83%	193,300	5.14%	194,900
Other	4.0%	5,800	4.5%	400
Total market value of assets		321,200		355,700
Present value of scheme liabilities		(343,800)		(345,600)
(Deficit)/Surplus in the schemes		(22,600)		10,100
Surplus not recoverable		100		(3,200)
Recoverable (deficit)/ surplus		(22,500)		6,900
Related deferred tax asset / (liability)		6,780		(2,070)
Net pension (liability)/asset under FRS 17		(15,720)		4,830

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

28. PENSION SCHEMES (Continued)

Details of experience gains and losses for the year ended 31 December 2002:

History of experience gains and losses

Difference between the expected and actual rate of return on assets	(£38.9m)
Percentage of scheme assets	(12.1)%
Experience loss on scheme liabilities	£6.1m
Percentage of the present value of scheme liabilities	1.8%
Total amount recognised in STRGL	(£33.1m)
Percentage of the present value of the scheme liabilities	(9.6)%

Had FRS17 been adopted in the current year, the following amount would have been recorded in the consolidated profit and loss account for both schemes as at 31 December 2002:

Operating profit

£000

Current service cost	2,600
Total operating charge	2,600

Other finance income

£000

Expected return on assets	21,600
Interest cost	(19,500)
Total net return	2,100

Movement in surplus/(deficit) during the year

£000

Surplus at start of year	10,100
Current service cost	(2,600)
Employer contributions	900
Other financing income	2,100
Actuarial loss	(33,100)
Deficit at end of the year	(22,600)

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

28. PENSION SCHEMES (Continued)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December would be as follows:

	2002 £000	2001 £000
Net assets excluding SSAP24 pension asset	31,553	12,024
Pension (liability)/asset under FRS17	(15,720)	4,830
Net assets including pension asset under FRS17	15,833	16,854
Profit and loss reserve excluding SSAP 24 pension asset	27,483	7,954
Pension (liability)/asset under FRS 17	(15,720)	4,830
Profit and loss reserve	11,763	12,784

29. 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 liability and interest which could arise as a result of this tax indemnity is estimated to be approximately £8.8m (2001 : £8.5m) as at 31 December 2002. 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 crystallise.

30. RELATED PARTY TRANSACTIONS

The Group, through the subsidiary company Express Newspapers, participates in a joint venture with Telegraph Group Limited under which it holds a 50% shareholding in the company West Ferry Printers Limited, where the remaining shares are owned by Telegraph Group Limited. The purpose of the joint venture is the provision of printing facilities to both Express Newspapers and Telegraph Group Limited. In the year ended 31 December 2002, West Ferry Printers provided Express Newspapers with printing at normal commercial rates, which were included in its turnover for the year ended 31 December 2002 at £21.9 million. At 31 December 2002 £1.8 million was payable in respect of that printing.

During the year, it was agreed by the shareholders of West Ferry Printers Limited that they could borrow equal amounts of the surplus cash of the company. Accordingly Express Newspapers borrowed £3.8m from West Ferry Printers Limited. The loan incurs interest of LIBOR plus 2.5% and there are no fixed repayment terms. As at 31 December 2002, £3.5 million of the balance remains payable by Express Newspapers to West Ferry Printers Limited.

The Group repaid an £18 million intercompany loan from the parent company during the period. Loan interest of £0.1 million (2001: £1.4 million) was charged to the Group during the period in respect of the loan. As at 31 December 2002 the Group owed Mr R.C. Desmond £17.25 million (2001: £nil) payable under money purchase pension schemes.

During the year the Group made contributions of £208,683 (2001 - £122,465) to a charitable trust, of which Mr R. C. Desmond is a trustee. At the year end there were no balances due to or from the charitable trust.

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

NORTHERN & SHELL NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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31. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Principal subsidiaries and percentage holding:

Company Name	Principal Activity	£1 Ordinary
Northern & Shell Group Limited	Holding company	100%
Portland Television Limited	Holding company	100%
Northern and Shell Finance Limited	Treasury	100%
Express Newspapers	Publishing	100%
Broughton Printers Limited	Printing	100%
Northern & Shell Distribution Limited	Magazine distributor	100%
Northern & Shell plc	Publishing	100%
Portland Enterprises Limited	Television production	100%
Fantasy Publications Limited	Publishing	100%
Portland Enterprises (CI) Limited	Television broadcasting	100%
RHF Productions Limited	Television broadcasting	100%

All the above companies are registered in England, except for Portland Enterprises (CI) Limited and RHF Productions Limited which are registered in Jersey. During the year the directors of RHF Productions Limited changed its accounting year end to 31 October for administrative reasons, however 12 months results are recorded in the consolidated group results.

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

Joint Ventures	Incorporated in	Principal activity	Stake	Nominal value of allotted share
Independent Star Limited	Republic of Ireland	Publishing	50%	IR£500 'E' ordinary shares
West Ferry Printers Limited	United Kingdom	Printing	50%	£50 ordinary shares

32. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking is RCD1 Limited. RCD1 Limited acts purely as a holding company and does not participate in operations. Accordingly, the company Northern & Shell Network Limited acts as the operational parent of the Group.

The smallest and largest group into which these accounts are consolidated is RCD1 Limited a company registered in England. Copies of its financial statements can be obtained from Ludgate House, 245 Blackfriars Road, London SE1 9UX.