

**NORTHERN & SHELL PACIFIC LIMITED**  
**REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**NORTHERN & SHELL PACIFIC LIMITED**

**ANNUAL REPORT**

**31 December 2007**

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**NORTHERN & SHELL PACIFIC LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr R C Desmond  
Mr R Sanderson (resigned 21 April 2008)  
Mr M S Ellice  
Dr P Ashford  
Mr S Myerson (resigned 21 April 2008)  
Mr I Law (appointed 15 November 2007)  
Mr S Lorson (appointed 15 November 2007)  
Ms P Ingram (appointed 15 November 2007)

**SECRETARY**

Mr M C Aitchison

**COMPANY NUMBER**

5054665 (England)

**AUDITORS**

KPMG  
20 Farringdon Street  
London, EC4A 4PP  
United Kingdom

**BANKERS**

Bank of Western Australia  
108 St Georges Terrace  
Perth WA 6000  
Australia

**REGISTERED OFFICE**

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

# **NORTHERN & SHELL PACIFIC LIMITED**

## **DIRECTORS' REPORT**

### **For the year ended 31 December 2007**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2007

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is unchanged from last year, and is magazine publishing throughout Australia and New Zealand. For the purposes of the Companies Act 1985 the directors consider this to constitute one class of business.

#### **RESULTS AND DIVIDENDS**

The Company recorded a loss before taxation of £5.1 million (2006: £3.2 million).

The directors do not recommend the payment of a dividend (2006: £nil).

#### **REVIEW OF THE YEAR AND FUTURE PROSPECTS**

The profit and loss account is set out on page 7.

On 15 November 2007, PBL Media Holdings Pty Limited acquired 50% of the share capital of the Company to form a joint venture with Northern & Shell Plc.

The directors consider the trading results to be satisfactory given the business is within a start-up phase of operations. The losses in the year were in line with the directors' expectations. The directors view the future with confidence.

The Company's net liabilities were £315,000 as at 31 December 2007 (2006: £3.7 million).

#### **POLICY ON PAYMENT OF CREDITORS**

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

The Company has approximately 72 days of purchases outstanding at 31 December 2007 based on the average daily amount invoiced by suppliers during the year (2006: 68 days).

#### **EMPLOYEE INVOLVEMENT**

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

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

# **NORTHERN & SHELL PACIFIC LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2007**

### **FINANCIAL RISK MANAGEMENT**

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

#### **Credit risk**

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

#### **Liquidity risk**

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

#### **Interest rate cash flow risk**

The Company has interest bearing assets. The interest bearing assets are cash balances subject to floating interest rates. The directors keep these measures under constant review.

#### **Foreign exchange risk**

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

### **POLITICAL AND CHARITABLE DONATIONS**

Charitable donations were made during the year amounting to £16,000 (2006 £18,000).

There were no political contributions made during the year (2006 £nil).

### **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 a 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. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2007 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.

### **DIRECTORS AND THEIR INTERESTS**

The membership of the board during the year is set out on page 2. Mr I Law, Mr S Lorson and Ms P, Ingram were all appointed as directors on 15 November 2007.

No other directors held office throughout the entire year.

## **NORTHERN & SHELL PACIFIC LIMITED**

### **DIRECTORS' REPORT**

**For the year ended 31 December 2007**

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

In accordance with Section 234ZA of the Companies Act, in the case of each of the persons who are directors at the time when this report is approved, the following applies

- so far as the director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

#### **GOING CONCERN**

The Company is trading at a loss and has net liabilities. A letter of support has been received from the two joint venture partners, Northern & Shell Network Limited, (Northern & Shell Plc's ultimate operational parent company) and PBL Media Holdings Pty Limited stating that these companies 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 accounts on a going concern basis.

#### **AUDITORS**

During the year, the Company reviewed the position of its auditors and decided to put its audit out to competitive tender. As a result of this review, PricewaterhouseCoopers LLP resigned as auditors of the Company and on 18 December 2007, KPMG LLP were appointed as auditors of the Company. KPMG LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next general meeting.

Approved by the ~~Board of Directors~~ and signed on its behalf by



Mr M S Ellice

Date 24 April 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **NORTHERN & SHELL PACIFIC LIMITED**

We have audited the financial statements of Northern & Shell Pacific Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page four.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

Date 28 April 2008

**NORTHERN & SHELL PACIFIC LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2007**

	Notes	2007 £000	2006 £000
Turnover	2	8,503	3,430
Cost of sales		<u>(4,723)</u>	<u>(1,796)</u>
Gross profit		3,780	1,634
Distribution costs		(1,571)	(453)
Administration expenses		<u>(6,853)</u>	<u>(4,235)</u>
Operating loss	3	(4,644)	(3,054)
Interest receivable and similar income	5	26	6
Interest payable and similar charges	6	<u>(434)</u>	<u>(182)</u>
Loss on ordinary activities before taxation		(5,052)	(3,230)
Tax on loss on ordinary activities	7	<u>(725)</u>	<u>1,205</u>
Loss for the financial year	17/18	<u>(5,777)</u>	<u>(2,025)</u>

There are no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

Turnover and operating losses are wholly attributable to continuing operations

The notes on pages 9 to 17 form part of these financial statements




**NORTHERN & SHELL PACIFIC LIMITED**

**BALANCE SHEET as at 31 December 2007**

	Notes	2007 £000	2006 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	<u>334</u>	<u>434</u>
<b>CURRENT ASSETS</b>			
Stocks	9	33	35
Debtors	10	2,216	2,254
Cash at bank and in hand		<u>392</u>	<u>195</u>
		2,641	2,484
<b>CREDITORS* amounts falling due within one year</b>	11	<u>(3,246)</u>	<u>(6,497)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(605)</u>	<u>(4,013)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(271)	(3,579)
<b>CREDITORS. amounts falling due after more than one year</b>	12	(26)	(77)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	<u>(18)</u>	<u>(8)</u>
<b>NET LIABILITIES</b>		<u>(315)</u>	<u>(3,664)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	-	-
Share premium account	17	9,126	-
Profit and loss account	17	<u>(9,441)</u>	<u>(3,664)</u>
<b>TOTAL EQUITY SHAREHOLDERS' DEFICIT</b>	18	<u>(315)</u>	<u>(3,664)</u>

Approved by the Board of Directors and signed on its behalf by



Mr R C Desmond

Date 24 April 2008

**NORTHERN & SHELL PACIFIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

**1. PRINCIPAL ACCOUNTING POLICIES**

**( 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 1985 and applicable accounting standards. The principal accounting policies are set out below.

**( b ) Going concern**

The Company is trading at a loss and has net liabilities. A letter of support has been received from the two joint venture partners, Northern & Shell Network Limited, (Northern & Shell Plc's ultimate operational parent company) and PBL Media Holdings Pty Limited stating that these companies 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 accounts on a going concern basis.

**( c ) Cash flow statement**

The Company is exempt from including a cash flow statement under FRS 1 (revised) as part of its financial statements on the basis that it is entitled to the exemptions available under section 246-249 of the Companies Act 1985 for small companies.

**( d ) Revenue recognition**

Turnover represents the invoiced amount of goods sold and services provided (stated net of Goods and Services Tax). Turnover is recognised on release of the magazine issue to which it relates.

**( e ) Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange 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.

**( f ) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets represents the purchase cost together with any incidental costs of acquisition.

Depreciation is provided on all tangible fixed assets to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life, as follows:

Plant and machinery	3 years
Fixtures, fittings and office equipment	3 years

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

**NORTHERN & SHELL PACIFIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

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

**( g ) Stocks**

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

**( h ) 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.

**( i ) Leases**

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

Finance costs are charged to the profit and loss account and allocated to accounting periods during the lease term so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**( j ) Deferred taxation**

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

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

Deferred tax assets and liabilities are not discounted and are calculated at the standard rate of corporation tax in the UK of 30% for those timing differences reversing before 1 April 2008 and 28% for those reversing after 1 April 2008.

**( k ) Pension costs**

The Company contributes to a defined contribution scheme for its employees. Contributions are charged to the profit and loss account to reflect amounts payable under the scheme.

**NORTHERN & SHELL PACIFIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

**2. SEGMENTAL ANALYSIS**

The Company's turnover and loss before taxation arise solely from its publishing activities within Australia and New Zealand and relate to continuing operations

**3. OPERATING LOSS**

	<b>2007 £000</b>	<b>2006 £000</b>
<b>Operating loss is stated after charging.</b>		
<b>Audit services</b>		
Fees payable to the Company's auditor for the audit of the Company	20	20
Depreciation - owned assets	122	91
Depreciation - leased assets	2	13
Operating lease rentals - plant and machinery	<u>148</u>	<u>92</u>

No further remuneration was payable to the current auditors in respect of fees for 2007

**4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**(a) Directors**

Directors' emoluments are borne by the parent company up until 15 November 2007, Northern & Shell Plc and £32,000 (2006 £32,000) was recharged to the Company as part of a management charge from that company

**(b) Staff costs**

	<b>2007 £000</b>	<b>2006 £000</b>
Wages and salaries	1,375	839
Social security costs	71	43
Pension costs	<u>109</u>	<u>69</u>
	<u>1,555</u>	<u>951</u>

	<b>2007 Number</b>	<b>2006 Number</b>
Average number of people employed by activity		
Production	29	17
Selling and Distribution	9	6
Administration	<u>10</u>	<u>9</u>
	<u>48</u>	<u>32</u>

**5 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2007 £000</b>	<b>2006 £000</b>
Bank deposit interest	<u>26</u>	<u>6</u>

**NORTHERN & SHELL PACIFIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2007 £000</b>	<b>2006 £000</b>
Finance leases	18	10
Group interest payable	416	172
	<hr/> 434	<hr/> 182

**7. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

	<b>2007 £000</b>	<b>2006 £000</b>
<b>Current tax:</b>		
UK corporation tax – receivable from group companies in respect of group relief	705	(963)
Adjustment in respect of previous periods	10	(252)
Total current tax charge /(credit)	<hr/> 715	<hr/> (1,215)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	10	9
Adjustment in respect of previous periods	-	1
Total deferred tax charge	<hr/> 10	<hr/> 10
Tax on loss on ordinary activities	<hr/> 725	<hr/> (1,205)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%)  
The differences are explained below

	<b>2007 £000</b>	<b>2006 £000</b>
Loss on ordinary activities before tax	<hr/> (5,052)	<hr/> (3,230)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	(1,515)	(969)
<b>Effects of</b>		
Expenses not deductible for tax purposes	5	15
Excess of depreciation over capital allowances and other timing differences	11	(9)
Adjustment to prior period group relief	733	-
Group relief surrendered not paid	1,405	-
Foreign exchange differences on translation	67	-
Adjustment in respect of previous periods	<hr/> 9	<hr/> (252)
Current tax charge /(credit) for the year	<hr/> 715	<hr/> (1,215)

In future periods the Company expects to be able to benefit from tax losses carried forward

**NORTHERN & SHELL PACIFIC LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****8. TANGIBLE ASSETS**

	<b>Plant and Machinery</b>	<b>Fixtures, Fittings and Office Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cost			
At 1 January 2007	365	207	572
Additions	30	6	36
	<hr/>	<hr/>	<hr/>
At 31 December 2007	395	213	608
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2007	109	29	138
Charge for the year	118	18	136
	<hr/>	<hr/>	<hr/>
At 31 December 2007	227	47	274
	<hr/>	<hr/>	<hr/>
Net book amounts			
At 31 December 2007	168	166	334
	<hr/>	<hr/>	<hr/>
At 31 December 2006	256	178	434
	<hr/>	<hr/>	<hr/>

Fixtures and fittings previously included assets acquired under finance leases, the finance lease was repaid during the period in respect of which, as at 31 December 2007, the net book value was £nil (2006 £45,000) after charging £2,000 (2006 £13,000) depreciation for the year

**9. STOCKS**

	<b>2007 £000</b>	<b>2006 £000</b>
Raw materials and consumables	<hr/> 33	<hr/> 35

**NORTHERN & SHELL PACIFIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

**10 DEBTORS**

	<b>2007 £000</b>	<b>2006 £000</b>
Trade debtors	2,057	879
Other debtors	34	130
Amounts owed by group undertakings with respect to group relief	86	1,216
Prepayments and accrued income	39	29
	<hr/>	<hr/>
	2,216	2,254
	<hr/>	<hr/>

Amounts owed by group undertakings with respect to group relief are non interest bearing

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

	<b>2007 £000</b>	<b>2006 £000</b>
Trade creditors	1,931	1,395
Amounts owed to group undertakings	734	4,745
Other creditors	92	54
Taxation and social security	62	100
Obligations under finance leases (note 14)	-	26
Accruals and deferred income	427	177
	<hr/>	<hr/>
	3,246	6,497
	<hr/>	<hr/>

Amounts owed to group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand

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

	<b>2007 £000</b>	<b>2006 £000</b>
Obligations under finance leases (note 14)	-	23
Other creditors	26	54
	<hr/>	<hr/>
	26	77
	<hr/>	<hr/>

**NORTHERN & SHELL PACIFIC LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**13 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred Tax £000</b>
At 1 January 2007	8
Charged to the profit and loss account	10
	<hr/>
At 31 December 2007	18
	<hr/>

	<b>2007 £000</b>	<b>2006 £000</b>
<b>Provision for deferred tax</b>		
Accelerated capital allowances	3	8
Losses	15	-
	<hr/>	<hr/>
Total provision for deferred tax	18	8
	<hr/>	<hr/>

**14. OBLIGATIONS UNDER FINANCE LEASES**

	<b>2007 £000</b>	<b>2006 £000</b>
The Company is subject to finance lease obligations which are due		
Within one year	-	26
Within two to five years	-	23
	<hr/>	<hr/>
	-	49
	<hr/>	<hr/>

The finance lease was repaid in full during the year

**15. OPERATING LEASE COMMITMENTS**

At 31 December the Company was committed to making the following annual payments during the year in respect of operating leases which expire

	<b>2007 £000</b>	<b>2006 £000</b>
Within one to two years	148	-
Within two to five years	-	157
	<hr/>	<hr/>
	148	157
	<hr/>	<hr/>



**NORTHERN & SHELL PACIFIC LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****16 CALLED UP SHARE CAPITAL**

	<b>2007 £000</b>	<b>2006 £000</b>
Authorised 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid 100 (2006 2) Ordinary shares of £1	<u>100</u>	<u>2</u>

During the year Northern & Shell Plc subscribed to 69 new Ordinary shares of £1 each in Northern & Shell Pacific Limited for a consideration of £69 PBL Media Holdings Pty Limited subscribed to 29 new Ordinary £1 shares in Northern & Shell Pacific Limited for a consideration of £9,126,177, this amount represented £29 for the nominal value of the shares and a premium of approximately £314,694 per share (note 17)

**17. RESERVES**

	<b>Share premium £000</b>	<b>Profit and loss £000</b>
At 1 January 2007	-	(3,664)
Premium on shares issued during the year	9,126	-
Retained loss for the year	<u>-</u>	<u>(5,777)</u>
At 31 December 2007	<u>9,126</u>	<u>(9,441)</u>

During the year a share premium of £9,126,148 was received from PBL Media Holdings Pty Limited on the issue of 29 new Ordinary Shares of £1 (note 16)

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT**

	<b>2007 £000</b>	<b>2006 £000</b>
Loss for the year	(5,777)	(2,025)
Issue of share capital	<u>9,126</u>	<u>-</u>
Net reduction in/(addition to) shareholders' deficit	3,349	(2,025)
Opening shareholders' deficit	<u>(3,664)</u>	<u>(1,639)</u>
Closing shareholders' deficit	<u>(315)</u>	<u>(3,664)</u>

**NORTHERN & SHELL PACIFIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

**19 GUARANTEES AND CONTINGENT LIABILITIES**

The Company has entered into certain bank guarantees. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay the landlord of the Company's business premises on demand any sum or sums to an amount not exceeding AUD \$188,000 (sterling equivalent at 31 December 2007 £75,200) (31 December 2006 £82,720). The bank's liabilities have also been jointly guaranteed by Northern & Shell Network Limited, the ultimate operational parent of Northern & Shell Plc (note 21). The bank's liabilities cease and are determined on 18 July 2016.

**20. RELATED PARTY TRANSACTIONS**

During the year ended 31 December 2007, the Northern & Shell Network Limited group charged management fees and interest of £1.5 million to Northern & Shell Pacific Limited. These charges consisted of overhead allocations, royalty payments and interest charges on balances owed to the group. At 31 December 2007, an amount of £359,000 was owed to the Northern & Shell Network Limited group and an amount of £375,000 was owed to PBL Media Holdings Pty Limited.

**21 ULTIMATE PARENT UNDERTAKING**

Until 15 November 2007, the immediate parent undertaking was Northern & Shell Plc and the ultimate parent undertaking was RCD1 Limited. RCD1 Limited acted purely as a holding company and did not participate in operations. Accordingly, Northern & Shell Network Limited acted as the ultimate operational parent of the group. The ultimate controlling party was Richard Desmond, the Chairman of Northern & Shell Network Limited.

On 15 November 2007, the Company became a joint venture between Northern & Shell plc and PBL Media Holdings Pty Limited, each of which holds 50% of the issued ordinary share capital, and as such has no parent undertaking. There is no controlling party.