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**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**REPORT & FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**ANNUAL REPORT**

**For the year ended 31 December 2011**

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**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**SECRETARY**

State Street (Jersey) Limited (formerly Maurant & Co Secretaries Limited)

**COMPANY NUMBER**

FC027840 (Jersey – Channel Islands)

**REGISTERED OFFICE**

22 Greenville Street  
St Helier  
Jersey, JE4 8PX  
Channel Islands

**AUDITORS**

KPMG LLP  
8 Salisbury Square  
London, EC4Y 8BB  
United Kingdom

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**DIRECTORS' REPORT**

**For the year ended 31 December 2011**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2011

**PRINCIPAL ACTIVITIES**

The Company's principle activity is a holding company

**RESULTS AND DIVIDENDS**

The Company recorded a profit before taxation of £nil (2010 £65.0 million)

The directors do not recommend the payment of a dividend (2010 £nil)

**REVIEW OF THE YEAR AND FUTURE PROSPECTS**

The profit and loss account is set out on page 8

The directors consider the result for the year to be satisfactory. It is the intention of the Company to continue in its principal activity for the foreseeable future.

The risks, uncertainties and key performance indicators pertaining to the Company are consistent with those experienced by the Company's fellow subsidiaries. These 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 £101.1 million as at 31 December 2011 (2010 £101.1 million)

**DIRECTORS**

The membership of the board during the year is set out on page 2

**FINANCIAL RISK MANAGEMENT**

The management of the business and the execution of the Company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the Company's subsidiaries are considered to relate to competition from other broadcasters and the performance of the advertising market

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**DIRECTORS' REPORT**

**For the year ended 31 December 2011**

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

**AUDITORS**

KPMG LLP, the auditors, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next annual general meeting

By order of the Board

A handwritten signature in black ink, appearing to be 'R. Sanderson', with a long horizontal stroke extending to the right.

Mr R Sanderson  
Secretary

Date 19 April 2012

22 Greenville Street  
St Helier  
Jersey, JE4 8PX  
Channel Islands

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

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

**For the year ended 31 December 2011**

The directors are responsible for preparing the financial statements in accordance with applicable law and UK Accounting Standards

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. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgments and estimates which are reasonable and prudent,
- state whether applicable 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 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 (Jersey) Law 1991. 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.



8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

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

### **NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**For the year ended 31 December 2011**

We have audited the financial statements of Northern & Shell Broadcasting (CI) Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of Directors' Responsibilities 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2011,
- have been properly prepared in accordance with UK Accounting Standards,
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

#### **OTHER MATTER - PRIOR PERIOD FINANCIAL STATEMENTS**

In forming our opinion on the financial statements, which is not qualified, we note that the prior period financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditors to state that the corresponding figures contained within these financial statements are unaudited.

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

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**For the year ended 31 December 2011**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit

Adrian John Wilcox  
for and on behalf of KPMG LLP  
Chartered Accountants  
8 Salisbury Square,  
London,  
EC4Y 8BB  
United Kingdom

Date 20 April 2012



**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2011**

	Notes	2011 £000	2010 £000
Impairment adjustment	3	-	64,954
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	64,954
Tax on profit on ordinary activities	4	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		-	64,954

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 profit or loss on ordinary activities before taxation and the profit or loss for the year stated above and their historical cost equivalents

The notes on pages 10 to 13 form part of these financial statements

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**BALANCE SHEET as at 31 December 2011**

	Notes	2011 £000	Restated 2010 £000
<b>FIXED ASSETS</b>			
Investment	5	<u>101,063</u>	<u>101,063</u>
<b>NET ASSETS</b>		<u>101,063</u>	<u>101,063</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	-	-
Share Premium	7	352,000	352,000
Profit and loss account	7	<u>(250,937)</u>	<u>(250,937)</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>101,063</u>	<u>101,063</u>

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



Mr R Sanderson

Date 19 April 2012

Company registered number FC027840

# **NORTHERN & SHELL BROADCASTING (CI) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

### **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 applicable accounting standards. The principal accounting policies are set out below.

The Statement of Channel Islands Accounting Practice allows exemptions granted by UK accounting standards to subsidiaries of companies incorporated in the European Union to be applied to countries outside the EU provided the same conditions are met.

The Balance Sheet has been restated for 2010.

#### **( b ) Going Concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **( 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 cashflows of the Company. The Company has therefore relied on the exemption provided by FRS1 from preparing its own cash flow statement.

#### **( d ) Fixed asset investments**

Investments are held at cost less provision for any permanent diminution in value. Their value is reviewed annually by the Directors, and provision is made, where appropriate for any permanent diminution of value.

### **2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

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

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

There are no other employee costs.

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

**3 NOTES TO THE PROFIT AND LOSS ACCOUNT**

**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 Broadcasting (CI) Limited's accounts since the consolidated accounts of Northern & Shell Broadcasting (CI) Limited's ultimate parent, Northern & Shell Media Group Limited, are required to disclose other services on a consolidated basis

Auditors' remuneration of £3,000 in respect of the audit of these financial statements for the year ended 31 December 2011 (2010 £2,000) is borne by Channel 5 Broadcasting Limited, a fellow subsidiary

	<b>2011 £000</b>	<b>2010 £000</b>
<b>Profit on ordinary activities before tax is stated after charging/(crediting)</b>		
Reversal of temporary impairment provision	-	(315,891)
Permanent impairment of fixed asset investment	-	250,937

**4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2011 £000</b>	<b>2010 £000</b>
<b>Current taxation</b>		
UK corporation tax on profit of the year at 26.5% (2010 28%)	-	-
Total current taxation charge	-	-

The tax assessed for the year differs from the rate of 26.5% (2010 28%) and the differences are explained below

	<b>2011 £000</b>	<b>2010 £000</b>
Profit on ordinary activities before tax	-	64,954
Profit on ordinary activities multiplied by the rate of 26.5% (2010 28%)	-	18,187
Effects of		
Net effect of expenses not deductible for tax and income not subject to tax	-	(18,187)
Current tax charge for the year	-	-

On 23 March 2011, the Chancellor announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. On 5 July 2011, a further reduction in the UK corporation tax rate from 26% to 25%, with effect from 1 April 2012, became substantively enacted.

The Company has no deferred tax assets, either recognised or unrecognised (2010 £nil)

**NORTHERN & SHELL BROADCASTING (CI) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

**5. FIXED ASSET INVESTMENT**

	<b>2011 £000</b>	<b>2010 £000</b>
Cost at 1 January	<b>352,000</b>	352,000
Temporary impairment provision		
At 1 January	-	(315,891)
Reversal of temporary impairment provision	-	315,891
	-	-
Permanent impairment write down		
At 1 January	(250,937)	-
Impairment charge	-	(250,937)
At 31 December	(250,937)	(250,937)
Net book value at 31 December	<b>101,063</b>	101,063

The fixed asset investment is stated at cost and represents the interest in Channel 5 Television Group Limited, whose principle activity is the holding of investments

Prior to the acquisition of the Company by Northern & Shell Broadcasting Limited on 23 July 2010, the Company tested its investments annually for impairment and booked movements through a temporary impairment provision. When testing for impairment, recoverable amounts were measured at their fair value in use by discounting the future expected cash flows from the investments.

Subsequent to the acquisition of the Group, the Company changed its accounting policy in line with the ultimate parent, to no longer temporarily impair investments.

The investment in Channel 5 Television Group Limited was then permanently impaired to the carrying value at the date of acquisition.

**6. SHARE CAPITAL**

	<b>2011 £</b>	<b>2010 £</b>
Authorised		
The Company is authorised to issue an unlimited number of ordinary shares of no par value	-	-
Allotted and fully paid		
3 ordinary shares of no par value	-	-

# **NORTHERN & SHELL BROADCASTING (CI) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

### **7. RESERVES AND SHAREHOLDERS' FUNDS**

	Share Capital £000	Share Premium £000	Profit and loss account £000	Total shareholder funds £000
At 1 January 2011 as restated	-	352,000	(250,937)	101,063
Profit for the year	-	-	-	-
As at 31 December 2011	-	352,000	(250,937)	101,063

### **8. GUARANTEES AND CONTINGENT LIABILITIES**

The Company is part of the Northern & Shell Media Group Limited group. At 31 December 2011, 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 an 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.

At 31 December 2011, the Company jointly guarantees bank loans entered into by the ultimate parent undertaking, Northern & Shell Media Group Limited. The loans outstanding at 31 December 2011 were £67.5 million (2010 £60.0 million).

### **9. RELATED PARTY TRANSACTIONS**

The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Northern & Shell Media Group Limited group.

### **10. ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Northern & Shell Broadcasting Limited and the 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 group into which these accounts are consolidated is Northern & Shell Media Group Limited respectively. Northern & Shell Media Group Limited is registered in England. The consolidated 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.