NORTHERN & SHELL MEDIA GROUP LIMITED

GROUP ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

NORTHERN & SHELL MEDIA GROUP LIMITED

ANNUAL REPORT

For the year ended 31 December 2016

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. R.C. Desmond (Chairman)	
Mr. R. Sanderson	
Mr. M.S. Ellice	
Dr. P. Ashford	
Mr. S. Myerson	(Resigned 8 July 2016)
Mr. R. Martin	(Appointed 8 July 2016)
Mr. D. Rancombe	(Appointed 8 July 2016)

SECRETARY

Mr. R. Sanderson

COMPANY NUMBER

4086466 (England)

AUDITOR

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

BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL ACTIVITIES

Northern & Shell Media Group Limited is the ultimate holding company of the Northern & Shell group of companies. It owns a group of companies principally engaged in newspaper publishing and printing, magazine publishing, lottery management services, television broadcasting, property related businesses and the exploitation and further development of intellectual property and media assets. During the year, the Group disposed of its remaining television broadcasting interests (note 22).

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The consolidated profit and loss account is set out on page 10.

Following the sale of Channel 5 in 2014, the Group has pursued its strategic aim to rationalise its operations down to its core activities of publishing and printing, lotteries and property. During 2016, the Group disposed of its legacy television broadcasting business, the Portland division, in a management buyout.

As in recent years, the trading environment for national newspapers remained challenging in 2016, with continued pressures on circulation volumes and print advertising revenues.

In response to these competitive challenges the Group is focused on continuing to ensure that its print brands meet the needs and requirements of our readers and advertisers. Assisted by the continuation of selective cover price reductions in certain of our titles throughout the year, we achieved our strategic aim of growing overall market share. This promotional activity, whilst having positive benefits for the future of the titles, with more customers sampling and continuing to purchase our products, was the principal cause of the decline in the financial performance of the newspapers division in the year.

In response to the rapidly changing market for print media, the Group is continuing with a significant programme of investment in its digital assets, with the strategic objective of growing digital revenues to offset declines in print advertising revenues. The investment in digital headcount, infrastructure and content is delivering ongoing improvements in the news sites usability and reach. Digital audiences grew with monthly average unique users up by 46%, monthly average page views up by 72% and digital video views up by 372%, resulting in a significant increase in digital revenues in 2016. Built on the solid foundations of the strength of the print brands, this investment in the digital portfolio is continuing to strongly grow digital audiences and revenues in 2017.

The directors continue to focus on and manage the risk areas inherent in the evolving newspaper sector, through targeted restructuring exercises and with various strategic investment initiatives. One of these initiatives has involved the establishment of a ventures arm, which has been challenged to identify and take minority equity stakes in growing ‘business to consumer’ companies under media for equity type deals. Under this model, the Group has to date provided media inventory to five businesses, most of which are now demonstrating significant growth and we are currently assessing a pipeline of other potential opportunities. Through clear focus on the core business and innovation around its inventory, the directors remain optimistic on the outlook for the Group’s newspaper business.

In the highly challenging magazine publishing business the Northern & Shell titles, OK!, new! and Star magazines, have maintained the Group’s market leading position in the UK celebrity weekly magazine market during the year, with our titles comprising 3 of the top 7 selling titles on the newsstand in this category. The strength of the Group’s titles is evidenced by both OK! and new! magazines being within the top 10 actively purchased magazines in the UK, as measured by annualised retail value. The OK! magazine website is also by far the most visited site in the celebrity magazine sector within the UK, with 5.7 million unique user visits in December 2016.

Internationally, the OK! Magazine brand is widely recognised. There are currently 16 international editions of OK! magazine, including 13 that the Group has under licence agreements with other publishers.

Despite reduced revenues in a difficult publishing market, strict management of costs enabled the Group’s magazines division to limit the impact on its underlying profitability in 2016.

In our lottery division, The Health Lottery has, after its fifth full year of operation, been successfully established in Great Britain as a highly visible lottery product with strong brand recognition.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)

The Health Lottery, through its brand, provides lottery management services for 51 Community Interest Companies (CIC's) covering each region of Great Britain who raise monies for health related causes with the specific brief of addressing health inequalities in their individual localities. In a little over 5 years, in excess of £92.0 million has been raised for good causes to date, with donations awarded and distributed through a separate Charity, The Peoples Health Trust (PHT).

To date, grants through the PHT have been made to more than 2,500 local health projects throughout England, Scotland and Wales which has directly aided around 432,000 people. Among Charities that have benefitted are national charities, such as Sustrans, The Conservation Volunteers and Youth Sport Trust, in addition to many local community projects such as Futures Community Voice in Luton, North Ayrshire Forum on Disability in Ayrshire and The Parent Network in Fochriw, Caerphilly. Organisations interested in, or enquiring about, funding should apply to The Peoples Health Trust, 356 Holloway Road, London, N7 6PA and application forms are available at www.peopleshealthtrust.org.uk/apply-for-funding.

The directors take great pride in the philanthropic work that has been enabled through the efforts and activities of The Health Lottery and the truly positive effects that it has already had on so many people's lives throughout Great Britain. However, this has been achieved at some considerable cost to the Group, which as at the end of 2016, has accumulated pre-tax losses of £133.1 million on a total investment of £159.3 million since acquiring the business. In order to secure a sustainable future for these charitable works it is vital that in the medium term the business is in a position to cease relying on support from the Northern & Shell Media group and starts to self-finance its operations.

To that end, steady progress was made in the year. Building on solid foundations of the lottery management infrastructure that underpins the business, the Group is actively pursuing projects to develop, manage and provide other services for further new lottery products for its customers. Accordingly, with these trends, the directors are encouraged by the potential of the lottery management business and view the future with confidence.

In relation to our property interests, we successfully secured a S106 planning consent for a residential led development in August 2016 on our 15.5 acre site in the London docklands. Drawing on the support of a strong balance sheet, the Group has now commenced this exciting and transformational development, with an estimated timeframe to completion of between five and seven years.

Given the resources of the Group, it's positioning in the various markets in which it operates and the clear strategic focus that underlies its corporate development, the directors are optimistic on the future prospects of the Group's businesses.

Under FRS 102, the Group's financial statements recognise a net pension liability of £19.1 million at 31 December 2016 (2015: £17.7 million), after a net remeasurement loss of £11.8 million (2015: £17.7 million gain). The directors continue to monitor the pension liability position and are committed to taking steps to reduce this deficit. The Group's net assets before a gross pension liability of £23.0 million (2015: £21.6 million) were £383.4 million at 31 December 2016 (2015: £417.5 million).

The directors feel that the Group is well placed to build on its established activities and broader media interests to take advantage of improved market conditions and new opportunities as they arise.

KEY PERFORMANCE INDICATORS

A range of key performance indicators (KPI's) are used to monitor the performance of the operating entities and the Group and their progress towards strategic objectives. The principal KPI's vary according to division and include: circulation volumes, advertising yields, cost per copies, net advertising revenues, share of viewing figures, subscriber and pay per night numbers, lottery draw ticket sales, contribution by title, profitability by business segment, year on year variance analysis and cash flows.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Interest rate cash flow risks
The Group has both interest bearing assets and liabilities. The interest bearing assets are cash balances and current asset investments subject to floating and fixed interest rates. Where appropriate, the Group utilises interest rate swaps with a fixed rate to manage its liabilities. The directors keep these measures under constant review.

Foreign exchange risk
The Group has foreign currency assets and liabilities. The Group 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.

Market risk
The Group actively looks to maintain and improve product quality and customer offerings, which together with established strong customer relationships combine to mitigate advertising market risk.

Geopolitical risk
The June 2016 referendum result for the UK to leave the European Union has raised some short-term economic uncertainties, although they have had apparently little demonstrable impact on the Group. In the medium and long term we believe that a free, independent United Kingdom will grow its economy at a faster rate than if the country remained shackled to a sclerotic European Union and that the benefit of this would flow down to the Group and its operations.

On behalf of the Board:

Mr. R. Sanderson
Director

Date: 11 September 2017

NORTHERN & SHELL MEDIA GROUP LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2016

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The Group recorded a loss before tax for the financial year of £22.7 million (2015: £24.8 million), with an operating loss of £20.8 million (2015: £26.3 million), after recording non-recurring overhead costs of £3.2 million (2015: £13.6 million).

The directors do not recommend the payment of a dividend (2015: £nil).

DIRECTORS

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

EMPLOYEE INVOLVEMENT

During the year, the Group and Company maintained their practice of keeping employees informed about current activities and progress of the business using various methods including formal briefings, e-mails 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 Group and Company continues and the appropriate training is arranged. It is the policy of the Group and 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.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations were made during the year amounting to £12,000 (2015: £29,000).

Political donations were made during the year amounting to £nil (2015: £1.0 million).

DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board:

Mr. R. Sanderson
Director

Date: 11 September 2017

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

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

For the year ended 31 December 2016

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG
15 Canada Square
London
E14 5GL
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL MEDIA GROUP LIMITED

We have audited the financial statements of Northern & Shell Media Group Limited for the year ended 31 December 2016 which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL MEDIA GROUP LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Adrian Wilcox

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

Date: 11 September 2017

NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2016

	Notes	2016 £000	Restated 2015 £000
TURNOVER	3	**209,188**	241,448
Continuing operations		**207,787**	233,967
Discontinued operations		**1,401**	7,481
	5	**209,188**	241,448
Cost of sales	5	**(77,980)**	(103,334)
GROSS PROFIT	5	**131,208**	138,114
Distribution costs	5	**(13,438)**	(17,721)
Administrative expenses	4/5	**(139,371)**	(147,578)
Other operating income	5	**807**	846
GROUP OPERATING LOSS		**(20,794)**	(26,339)
Continuing operations		**(17,319)**	(9,798)
Discontinued operations		**(3,475)**	(16,541)
	5	**(20,794)**	(26,339)
Share of operating loss of associates		**(2,926)**	(1,265)
Share of operating profit of joint ventures		**880**	789
TOTAL OPERATING LOSS	2/6	**(22,840)**	(26,815)
Profit on sale of discontinued operations	22	**228**	-
Other interest receivable and similar income	8	**2,625**	1,977
Interest payable and similar charges	9	**(2,741)**	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	**(22,728)**	(24,838)
Tax on loss on ordinary activities	10	**(1,003)**	(9,866)
LOSS FOR THE FINANCIAL YEAR		**(23,731)**	(34,704)

The notes on pages 17 to 48 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Loss for the financial year		**(23,731)**	(34,704)
OTHER COMPREHENSIVE INCOME			
Remeasurement of the net defined benefit pension liability		**(14,249)**	21,551
Movement on deferred tax relating to net defined benefit pension liability		**2,422**	(3,879)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(11,827)**	17,672
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(35,558)**	(17,032)

The notes on pages 17 to 48 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2016

	Notes	2016 £000	2015 £000
FIXED ASSETS			
Intangible assets	12	**5,312**	6,745
Tangible assets	13	**62,021**	118,580
Investments:	14		
Interests in joint ventures			
Share of gross assets		**1,791**	1,828
Share of gross liabilities		**(1,511)**	(1,510)
		280	318
Investments in associates		**2,459**	4,885
Other investments		**400**	85
		3,139	5,288
		70,472	130,613
CURRENT ASSETS			
Stocks	15	**48,459**	1,731
Debtors	16	**49,904**	43,365
Current asset investments	17	**234,947**	232,690
Cash at bank and in hand		**29,988**	71,158
		363,298	348,944
CREDITORS: amounts falling due within one year	19	**(48,246)**	(59,884)
NET CURRENT ASSETS		**315,052**	289,060
TOTAL ASSETS LESS CURRENT LIABILITIES		**385,524**	419,673
PROVISIONS FOR LIABILITIES AND CHARGES	20	**(2,125)**	(2,163)
NET ASSETS excluding pension liability		**383,399**	417,510
PENSION LIABILITY	24	**(23,005)**	(21,558)
NET ASSETS including pension liability		**360,394**	395,952
CAPITAL AND RESERVES			
Called up share capital	23	**110**	110
Other reserves		**3,860**	3,860
Profit and loss account		**356,424**	391,982
TOTAL SHAREHOLDERS' FUNDS		**360,394**	395,952

The notes on pages 17 to 48 form an integral part of these financial statements.

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

Mr. R.C. Desmond
Chairman
Date: 11 September 2017

Company registered number: 4086466

NORTHERN & SHELL MEDIA GROUP LIMITED

COMPANY BALANCE SHEET as at 31 December 2016

	Notes	2016 £000	2015 £000
FIXED ASSETS			
Investments	14	**241,923**	256,640
CURRENT ASSETS			
Debtors	16	**47,123**	10,511
CREDITORS: amounts falling due within one year	19	**(42,986)**	(4,115)
NET CURRENT ASSETS		**4,137**	6,396
NET ASSETS		**246,060**	263,036
CAPITAL AND RESERVES			
Called up share capital	23	**110**	110
Profit and loss account		**245,950**	262,926
TOTAL SHAREHOLDERS' FUNDS		**246,060**	263,036

The notes on pages 17 to 48 form an integral part of these financial statements.

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

Mr. R.C. Desmond
Chairman
Date: 11 September 2017

Company registered number: 4086466

NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	110	3,860	409,014	412,984
Total comprehensive income for the year:				
Loss for the year	-	-	(34,704)	(34,704)
Other comprehensive income	-	-	17,672	17,672
Total comprehensive income for the year	-	-	(17,032)	(17,032)
Balance at 31 December 2015	**110**	**3,860**	**391,982**	**395,952**

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	110	3,860	391,982	395,952
Total comprehensive income for the year:				
Loss for the year	-	-	(23,731)	(23,731)
Other comprehensive income	-	-	(11,827)	(11,827)
Total comprehensive income for the year	-	-	(35,558)	(35,558)
Balance at 31 December 2016	**110**	**3,860**	**356,424**	**360,394**

Other reserves represent a merger reserve arising from the reorganisation of Northern & Shell Group Limited, a subsidiary undertaking, on 30 October 2000.

The notes on pages 17 to 48 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	110	186,206	186,316
Total comprehensive income for the year:			
Profit for the year	-	76,720	76,720
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	76,720	76,720
Balance at 31 December 2015	**110**	**262,926**	**263,036**

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	110	262,926	263,036
Total comprehensive income for the year:			
Loss for the year	-	(16,976)	(16,976)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(16,976)	(16,976)
Balance at 31 December 2016	**110**	**245,950**	**246,060**

The notes on pages 17 to 48 form an integral part of these financial statements.

NORTHERN & SHELL MEDIA GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	2016 £000	2015 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	**(23,731)**	(34,704)
Adjustments for:		
Amortisation of intangible assets	**1,155**	1,346
Depreciation of tangible assets	**7,517**	7,384
Impairment of tangible assets	**-**	8,478
Interest receivable and similar income	**(2,625)**	(1,977)
Interest payable and similar charges	**2,741**	-
Loss/(profit) on sale of tangible assets	**2,208**	(80)
Profit on sale of discontinued operations	**(228)**	-
Pension cash contributions in excess of pension cost	**(12,802)**	(9,733)
Share of loss from associate undertakings	**2,926**	1,265
Share of profit from joint ventures	**(880)**	(789)
(Gain)/loss on revaluation of current asset investment	**(4,205)**	2,310
Taxation	**1,003**	9,866
Interest received	**2,098**	1,977
Interest paid	**-**	-
(Increase)/decrease in stocks	**(3,038)**	770
(Increase)/decrease in debtors	**(4,980)**	7,354
Decrease in creditors	**(8,124)**	(13,238)
Decrease in provisions	**(38)**	(893)
Taxation paid	**(5,321)**	(43)
NET CASH USED IN OPERATING ACTIVITIES	**(46,324)**	(20,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of tangible assets	**4,911**	113
Purchase of tangible assets	**(1,848)**	(5,384)
Purchase of intangible assets	**(58)**	(189)
Contributions to associates	**(500)**	(2,550)
Acquisition of other investments	**(400)**	-
Proceeds on disposal of other investments	**85**	-
Dividends received	**818**	580
Proceeds from sale of discontinued operations	**198**	-
Investment in current asset investments	**(247,600)**	(335,000)
Proceeds from current asset investments	**249,548**	385,000
NET CASH FROM INVESTING ACTIVITIES	**5,154**	42,570
NET (DECREASE)/INCREASE IN CASH AT BANK AND IN HAND	**(41,170)**	21,863
CASH AT BANK AND IN HAND AT 1 JANUARY	**71,158**	49,295
CASH AT BANK AND IN HAND AT 31 DECEMBER	**29,988**	71,158

The notes on pages 17 to 48 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

b) Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

The directors believe that the Group is well placed to manage its business risk successfully. The directors made enquiries of, and considered the Group's performance against its plans and objectives and satisfied themselves that the Group is performing as expected.

The Company and its subsidiaries are seen as significant market participants in their industries and the directors feel that they are well placed to build on their established activities and broader media interests to take advantage of improved market conditions and new opportunities as they arise.

The directors have also considered the Company's ability to provide ongoing support to those subsidiaries which may require it, and have concluded that the Company has sufficient resources to provide the support required by those subsidiaries.

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in the preparation of accounts.

c) Basis of consolidation

The consolidated profit and loss account and other comprehensive income, balance sheet and cash flow statement include the results, financial position and cash flows of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its joint ventures and associates, from the date of acquisition and until the date of disposal. Intra-group sales, profits/(losses) and balances are eliminated fully on consolidation.

The Parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Parent Company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- No separate Parent Company Cash Flow Statement with related notes is included.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

d) Revenue recognition

Turnover represents the invoiced amount of goods dispatched and services provided (stated net of value added tax, or other applicable sales taxes and net of trade discounts). Turnover generated from publishing activities is recognised on release of the newspaper or magazine issue to which it relates.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Television subscription revenue is recognised evenly over the period of the subscription and pay per view revenue is recognised in the period in which the broadcast occurs.

Lottery turnover represents the gross amount receivable for lottery management services and money transfer and money handling services (stated net of value added tax or other applicable sales taxes). Turnover is recognised when the lottery draw to which the services relate has taken place.

Revenues are recognised from barter transactions involving advertising exchanged for services and are measured with reference to the fair value of the advertising provided.

Turnover and profit in respect to the sale of property is recognised on legal completion.

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

e) 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.

For consolidation purposes, the monetary assets and liabilities of overseas subsidiary undertakings and associated undertakings are translated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable. Non-monetary assets and liabilities are translated at the exchange rate ruling at the date of transaction or, where forward contracts have been arranged, at the contracted rates. The profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising are taken to reserves.

Foreign operations which are conducted through a foreign branch and overseas subsidiary undertakings whose operations are closely interlinked with those of the Group and Company are accounted for using the temporal method, whereby transactions denominated in foreign currencies are recorded at the average rate of exchange during the year. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with any differences being taken to the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) Intangible fixed assets

i. Trademarks

Trademarks comprise the cost of registering trademarks. These are amortised over 10 years, which is considered to be the useful economic life of the trademarks.

ii. 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 Express Newspapers in 2000 and The Health Lottery group in 2011 is being amortised over its estimated economic life of 10 years in accordance with FRS 102.

Goodwill arising on joint venture and associate acquisitions is being amortised over its 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.

Assets are reviewed for impairment at the level of income-generating units whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the difference between the carrying amount and the recoverable amount and taken immediately to the profit and loss account. The recoverable amount is the higher of the asset’s net realisable value and its value in use.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging/(crediting) the unamortised amount of any related goodwill/(negative goodwill).

iii. Programming rights

Programming rights are stated at cost less accumulated amortisation. The cost of the programming rights represents the purchase cost together with any incidental costs of acquisition.

Amortisation is provided on all programming rights to write off the cost of each asset, less any residual value, over its expected useful life of 4 years. Amortisation is charged to the profit and loss account at 25% on the date of first transmission in the first year, then evenly over 3 years. The Group reviews its amortisation policy regularly to take account of changes to transmission of programming and the rights assigned. Where the Group transmits programming, which is owned by a third party, the charge is written off to the profit and loss account over the period that the charge relates to.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

g) Tangible fixed assets

Freehold investment properties are stated at their open market value at the balance sheet date. Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the profit and loss account. No provision is made for the depreciation of freehold investment properties. This departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

All other 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 (including interest costs). 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:

Leasehold land and buildings	50 years, estimated useful life or period of the lease, whichever is the shorter
Freehold land	No depreciation
Plant and machinery	3 to 24 years
Fixtures, fittings and office equipment	2 to 10 years or period of the lease, if shorter
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.

h) Fixed asset investments

Fixed asset investments are recorded at cost, adjusted for any permanent diminution in value. Any diminution in value is reflected in the profit and loss account when the diminution is identified.

i) Current asset investments

Current asset investments are liquid resources which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying value or traded in an active market. Liquid resources comprise cash, equities and government securities. Current asset investments are stated at the lower of cost and net realisable value.

j) Cash and liquid resources

Cash, for the purpose of the consolidated cash flow statement, comprises cash in hand and cash deposits with a maturity of less than 3 months, less overdrafts repayable on demand. Short term cash deposits with a maturity date of greater than 3 months are recognised within current asset investments in accordance with FRS 102.

k) 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.

Work in progress stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs comprise land and development costs including direct materials and, where applicable, subcontractor labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

l) 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.

m) Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than one year are included within current liabilities. For all other borrowings, accrued finance charges and issue costs are included within Creditors due after more than one year.

n) 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.

Assets leased to third parties under operating leases are capitalised and depreciated over the estimated useful life of the asset.

Rental income is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. Where a lease incentive does not enhance the property, it is amortised on a straight line basis over the period from the date of the lease commencement to the earlier of the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review and the lease end date.

o) 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.

p) Investments in associate undertakings

Where the Group holds an investment in a undertaking, not a subsidiary or a joint venture, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, the investment is treated as an associate. An investment in an associate is accounted for under the equity method from the date on which it falls within the definition of an associate. On acquisition of the investment any difference between the cost of acquisition and the investor’s share of the equity of the associate is described as goodwill. The Group’s share of the profits and losses of the associate are disclosed separately in the Group’s profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

q) Taxation

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

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

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

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

Deferred tax assets and liabilities are not discounted and are calculated at the standard rate of corporation tax in the UK substantively enacted at the balance sheet date of 17% (2015: 18%).

r) Employee benefits

Defined benefit plans:

The Group participates in three defined benefit schemes, the Express Newspapers 1988 Pension Fund, the Express Newspapers Senior Management Pension Fund and the West Ferry Printers Pension Scheme. Both the Express Newspapers Schemes and the West Ferry Printers Scheme were closed to future accrual with effect from 31 December 2008 and 28 February 2010 respectively.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date based on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. A valuation is performed tri-annually by a qualified actuary using the projected unit valuation method. The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/(asset) is recognised in other comprehensive income in the period in which it occurs.

Defined contribution plans:

Pension costs relating to defined contribution schemes are the amount of contributions payable for the year and are recognised as an expense in the profit or loss in the periods during which services are rendered by employees.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

s) Insurance premiums and claims

Premiums written relate to business incepted during the period less an allowance for cancellations. Premiums are accounted for net of relevant taxes.

Claims incurred comprise claims and related expenses paid in the year.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported ("IBNR") to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

2. SEGMENTAL ANALYSIS

The Group's turnover and loss before taxation arise principally from its publishing and printing, broadcasting and lottery management activities. The Group's broadcasting activities were discontinued on 1 April 2016 (note 22).

The Group's turnover, losses before taxation and net assets are principally attributable to activities in the United Kingdom.

Segmental analysis is presented after elimination of intra-group sales, profits/(losses) and balances.

	P&P	P&P (D)	B - O	B – O (D)	INS (D)	LM	P & O	TOTAL
	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000
TURNOVER								
Turnover gross	189,523	195	-	1,396	-	26,737	144	**217,995**
Inter-segment sales	(8,617)	(147)	-	(43)	-	-	-	**(8,807)**
Third party sales	180,906	48	-	1,353	-	26,737	144	**209,188**
OPERATING (LOSS)/PROFIT	**32,315**	**(33,200)***	**-**	**137***	**(11)***	**(23,768)**	**1,687**	**(22,840)**
Profit on sale of discontinued operations (note 22)	-	-	-	228	-	-	-	**228**
	32,315	**(33,200)**	**-**	**365**	**(11)**	**(23,768)**	**1,687**	**(22,612)**
Common costs – net interest receivable								**(116)**
Loss on ordinary activities before taxation								**(22,728)**

	P&P	P&P (D)	B - O	B – O (D)	INS (D)	LM	P & O	Restated TOTAL
	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000
TURNOVER								
Turnover gross	215,586	8,265	-	6,854	506	28,303	87	**259,601**
Inter-segment sales	(10,009)	(7,465)	-	(173)	(506)	-	-	**(18,153)**
Third party sales	205,577	800	-	6,681	-	28,303	87	**241,448**
OPERATING (LOSS)/PROFIT	**1,531**	**(17,325)***	**-**	**1,142***	**271***	**(5,263)**	**(7,171)**	**(26,815)**
Release of amounts owed to group undertakings	26,217	-	-	-	-	(26,217)	-	-
	27,748	**(17,325)**	**-**	**1,142**	**271**	**(31,480)**	**(7,171)**	**(26,815)**
Common costs – net interest receivable								**1,977**
Loss on ordinary activities before taxation								**(24,838)**

2. SEGMENTAL ANALYSIS (Continued)

The common costs are the sum of other interest receivable and similar income of £2.6 million (2015: £2.0 million) and interest payable and similar charges of £2.7 million (2015: £nil).

*The difference between discontinued operating loss as stated above and the operating loss shown in note 5 is as follows:

	2016 £000	Restated 2015 £000
Segmental operating loss - P&P (D)	**(33,200)**	(17,325)
Segmental operating profit - B - O (D)	**137**	1,142
Segmental operating (loss)/profit - INS (D)	**(11)**	271
	(33,074)	(15,912)
Inter-segment sales	**(143)**	(7,492)
Foreign exchange on amounts owed to other group undertakings	**29,742**	6,863
Operating loss per analysis of discontinued operations (note 5)	**(3,475)**	(16,541)

The abbreviations used above relate to the following segments:

P&P	Publishing and printing
P&P (D)	Publishing and printing (discontinued)
B - O	Broadcasting - other
B - O (D)	Broadcasting – other (discontinued)
INS (D)	Insurance (discontinued)
LM	Lottery management
P & O	Property development and other

Net operating assets (including pension deficit)	2016 £000	2015 £000
Publishing and printing	**189,561**	146,229
Publishing and printing (discontinued)	**(122,193)**	(84,400)
Broadcasting – other (discontinued)	**(496)**	6,576
Insurance (discontinued)	**(4)**	14,264
Lottery management	**(123,796)**	(99,023)
Property development and other	**132,698**	93,184
	75,770	76,830
Reconciliation of net operating assets to net assets		
Net operating assets	**75,770**	76,830
Investments (note 14)	**3,139**	5,288
Corporation tax (note 19)	**(2,736)**	(8,040)
Deferred tax – asset (note 18)	**19,286**	18,026
Current asset investments (including cash balances held on deposit – note 17)	**234,947**	232,690
Cash at bank and in hand	**29,988**	71,158
	360,394	395,952

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Provision of services	**60,104**	71,072
Sale of goods	**138,594**	159,307
Royalties	**2,825**	3,092
Commission	**3,203**	3,599
Rental income	**3,656**	3,308
Other income	**806**	1,070
Total Group Turnover	**209,188**	241,448

4. ADMINISTRATIVE EXPENSES

	2016 £000	2015 £000
Chairman's emoluments and pension contributions	**339**	516
Other administrative expenses	**139,032**	147,062
	139,371	147,578

5. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2016 Continuing Operations £000	2016 Discontinued Operations £000	2016 Total £000	2015 Continuing Operations £000	Restated 2015 Discontinued Operations £000	2015 Total £000
Group turnover	207,787	1,401	**209,188**	233,967	7,481	**241,448**
Cost of sales	(77,539)	(441)	**(77,980)**	(84,564)	(18,770)	**(103,334)**
Gross profit/(loss)	130,248	960	**131,208**	149,403	(11,289)	**138,114**
Distribution costs	(13,438)	-	**(13,438)**	(17,721)	-	**(17,721)**
Administrative expenses	(134,936)	(4,435)	**(139,371)**	(142,326)	(5,252)	**(147,578)**
Other operating income	807	-	**807**	846	-	**846**
Group operating loss	(17,319)	(3,475)	**(20,794)**	(9,798)	(16,541)	**(26,339)**

6. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2016 £000	2015 £000
Profit on ordinary activities before tax is stated after charging/(crediting):		
Depreciation – owned assets (note 13)	**7,517**	7,384
Impairment losses on tangible fixed assets (note 13)	**-**	8,478
Amortisation of trademarks (note 12)	**-**	7
Amortisation of programming rights (note 12)	**38**	223
Amortisation of goodwill – acquisitions (note 12)	**1,117**	1,116
Amortisation of goodwill – associates	**524**	423
Impairment of investment in associates	**958**	-
Loss/(profit) on disposal of fixed assets	**2,208**	(80)
(Gain)/loss on revaluation - current asset investments (note 17)	**(4,205)**	2,310
Redundancy costs	**992**	5,079
Operating lease rentals – other	**664**	1,597
Operating lease rentals – land and buildings	**8,968**	8,922
Operating lease rentals – other income	**(3,139)**	(2,864)
Foreign exchange loss	**46**	110

Services provided by the Group's auditor and associated firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from KPMG LLP, at costs as detailed below:

	2016 £000	2015 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**27**	26
Other services		
Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation	**336**	399
Other services provided pursuant to such legislation	**141**	127

Audit fees for the Company are borne by subsidiary undertakings.

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2016 £000	2015 £000
Emoluments	**1,745**	2,010
Company contributions to money purchase pension schemes	**21**	18
	1,766	2,028

Pension benefits are accruing to four directors under money purchase pension schemes (2015: two directors).

The above emoluments and pension contributions include the following amounts in respect of the highest paid director.

	2016 £000	2015 £000
Emoluments	**339**	606
Company contributions to money purchase pension schemes	**-**	-
	339	606

(b) Staff costs (including directors)

	2016 £000	2015 £000
Wages and salaries	**42,869**	43,722
Social security costs	**4,828**	5,323
Contributions to defined contribution plans	**1,380**	1,447
Expenses related to defined benefit plans (net of other income) (note 24)	**2,065**	4,796
	51,142	55,288

Average number of people employed by activity:	2016 Number	2015 Number
Production	**437**	462
Selling and distribution	**103**	97
Administration	**146**	155
	686	714

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £000	2015 £000
Bank and term deposit interest receivable	**2,427**	1,974
Other interest receivable	**198**	3
	2,625	1,977

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Other interest payable	**2,741**	-

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2016 £000	2015 £000
Current tax		
UK corporation tax on loss for the year at 20.0% (2015: 20.25%)	**16**	47
Adjustments in respect of previous periods	**-**	2,659
Foreign taxes suffered	**20**	49
Double taxation relief on loss on ordinary activities	**(16)**	(47)
Share of Joint Venture taxation	**101**	115
Total current tax expense	**121**	2,823
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	**(4,442)**	878
Adjustments in respect of previous periods	**2,932**	3,356
Total deferred tax (income)/expense excluding deferred tax on pension liability (note 18)	**(1,510)**	4,234
Deferred tax on pension liability – recognised in profit and loss account	**2,392**	2,809
Deferred tax on pension liability – recognised in other comprehensive income	**(2,422)**	3,879
Total deferred tax (income)/expense (note 18)	**(1,540)**	10,922
Tax on loss on ordinary activities	**(1,419)**	13,745

Total tax analysed as:

	2016 Current Tax £000	2016 Deferred Tax £000	2016 Total Tax £000	2015 Current Tax £000	2015 Deferred Tax £000	2015 Total Tax £000
Recognised in profit and loss account	121	882	1,003	2,823	7,043	9,866
Recognised in other comprehensive income	-	(2,422)	(2,422)	-	3,879	3,879
Total tax	121	(1,540)	(1,419)	2,823	10,922	13,745

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES (Continued)

The tax assessed for the year differs from the rate of 20.0% (2015: 20.25%) and the differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	**(22,728)**	(24,838)
Loss on ordinary activities multiplied by the rate of 20.0% (2015: 20.25%)	**(4,546)**	(5,030)
Effects of:		
Net effect of expenses not deductible for tax and income not subject to tax	**829**	806
Excess of depreciation over capital allowances and other timing differences	**144**	157
Adjustments in respect of previous periods	**2,932**	6,015
Profits subject to lower level of overseas tax	**(75)**	(44)
Non tax deductible goodwill amortisation and other permanent differences	**328**	312
Deferred tax assets not recognised	**6,310**	5,282
Deferred tax assets recognised on transfer of fixed assets to stock (note 15)	**(5,323)**	-
Impact of tax rate changes	**404**	2,368
Total tax expense included in profit or loss	**1,003**	9,866

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Factors that may affect future tax charges:

Based on current capital investment plans, the Group expects capital allowances to exceed depreciation in future years. The deferred tax asset not recognised relates to unutilised trading losses realised during the year.

The Group has tax losses of £191.9 million (2015: £165.1 million) available to carry forward against future profits. Whilst the Group expects to be able to benefit from tax losses carried forward, a deferred tax asset has only been recognised in respect of £45.1 million (2015: £42.6 million) of the available losses as future benefit is not certain.

11. PROFIT OF THE COMPANY

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company’s loss for the year amounted to £17.0 million (2015: profit of £76.7 million), after receiving dividends of £26,000 from group undertakings (2015: £80.1 million), a provision against amounts owed by group companies of £1.5 million (2015: £nil), a charge for impairment losses of £14.7 million (2015: £400,000) (note 14) and a loss on disposal of fixed asset investments of £310,000 (2015: £nil).

12. INTANGIBLE ASSETS

	Trademarks	Goodwill	Programming Rights	Total
	£000	£000	£000	£000
THE GROUP				
Cost:				
At 1 January 2016	165	41,443	8,958	50,566
Additions	-	-	58	58
Disposals	(165)	-	(9,016)	(9,181)
At 31 December 2016	**-**	**41,443**	**-**	**41,443**
Amortisation:				
At 1 January 2016	138	35,014	8,669	43,821
Charge for the year	-	1,117	38	1,155
Disposals	(138)	-	(8,707)	(8,845)
At 31 December 2016	**-**	**36,131**	**-**	**36,131**
Net book amounts:				
At 31 December 2016	**-**	**5,312**	**-**	**5,312**
At 31 December 2015	27	6,429	289	6,745

During the year, the Group sold its entire shareholding in Portland UK Holdings Limited, a subsidiary undertaking (note 22). Disposals include intangible assets with a cost of £9.2 million and accumulated depreciation of £8.8 million which were disposed of as part of the sale of discontinued operations in the year. The net book value of the assets disposed of amounted to £336,000.

13. TANGIBLE ASSETS

	Assets under construction	Land and Buildings	Motor Vehicles, Plant and Machinery	Fixtures, Fittings and Office Equipment	Total
	£000	£000	£000	£000	£000
THE GROUP					
Cost/valuation:					
At 1 January 2016	345	132,413	100,528	30,700	263,986
Additions	-	193	322	1,333	1,848
Transfer	(345)	-	-	345	-
Transfer to stock (note 15)	-	(44,953)	-	-	(44,953)
Disposals	-	(15,153)	(18,204)	(1,568)	(34,925)
At 31 December 2016	**-**	**72,500**	**82,646**	**30,810**	**185,956**
Depreciation:					
At 1 January 2016	-	49,451	71,457	24,498	145,406
Charge for the year	-	3,028	1,974	2,515	7,517
Transfer to stock (note 15)	-	(1,263)	-	-	(1,263)
Disposals	-	(8,285)	(17,954)	(1,486)	(27,725)
At 31 December 2016	**-**	**42,931**	**55,477**	**25,527**	**123,935**
Net book amounts:					
At 31 December 2016	**-**	**29,569**	**27,169**	**5,283**	**62,021**
At 31 December 2015	345	82,962	29,071	6,202	118,580

During the year, Broughton Printers Limited, a subsidiary undertaking, sold its freehold land and buildings for a total consideration of £4.5 million and a loss on disposal of £2.4 million. The sale contract includes an overage deed, which entitles the company to an additional consideration in the event the buyer makes any further sale or planning development in respect of the site. The amount of additional consideration is not certain and is conditional on certain future events, including the number of years that have passed since the sale. The loss on disposal does not include recognition for any additional consideration, which is contingent on a number of possible outcomes and a reliable estimate cannot therefore be made. The company also sold plant and equipment for a total consideration of £426,000 and a profit on disposal of £161,000.

During the year, the land and buildings held by Westferry Developments Limited (formerly Northern & Shell Investments No. 2 Limited), a subsidiary undertaking, were transferred at their carrying value of £43.7 million to stock on 4 August 2016 (note 15). Assets under the course of construction with a cost of £345,000 were also brought into use and have therefore been transferred to fixtures, fittings and office equipment.

The Group also sold its entire shareholding in Portland UK Holdings Limited, a subsidiary undertaking (note 22). Disposals include tangible assets with a cost of £1.5 million and accumulated depreciation of £1.5 million which were disposed of as part of the sale of discontinued operations in the year. The net book value of the assets disposed of amounted to £82,000.

Land and buildings includes the following assets at net book value as at 31 December 2016:

- freehold land and buildings £nil (2015: £51.0 million).
- short leasehold buildings £29.6 million (2015: £32.0 million).

As at 31 December 2016, the net book value of assets acquired under finance leases was £nil (2015: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2015: £nil).

THE COMPANY

The tangible fixed assets of the Company at 31 December 2016 amount to £nil (2015: £nil).

14. FIXED ASSET INVESTMENTS

THE GROUP	2016 £000	2015 £000
Interest in joint ventures		
At 1 January - net assets	**318**	224
- goodwill (gross)	**9,856**	9,856
	10,174	10,080
Share of profit	**780**	674
Movement in profit and loss reserves	**(818)**	(580)
	(38)	94
At 31 December - net assets	**280**	318
- goodwill (gross)	**9,856**	9,856
	10,136	10,174
Aggregate amortisation of goodwill		
At 1 January	**(9,856)**	(9,856)
Charge for the year	**-**	-
At 31 December	**(9,856)**	(9,856)
Net book amount at 31 December		
Net assets	**280**	318
Goodwill	**-**	-
	280	318
Interest in associate undertakings	**2,459**	4,885
Other fixed asset investment	**400**	85
Total fixed asset investments	**3,139**	5,288

	2016 £000	2015 £000
Summary of Joint Venture net assets		
Share of fixed assets	**216**	212
Share of current assets	**1,575**	1,616
Share of gross assets	**1,791**	1,828
Share of liabilities		
Due within one year	**(1,511)**	(1,510)
Share of gross liabilities	**(1,511)**	(1,510)
Net assets	**280**	318

For the year ended 31 December 2016, the joint ventures do not exceed the 15% and 25% thresholds of gross assets, gross liabilities, turnover or, on a three-year average, operating result of the investing group under FRS 102. Therefore, the Group's share of its principal joint venture has not been disclosed.

14. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2016, the Group held interests in the following joint ventures:

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

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

At 31 December 2016, the Group held interests in the following associate undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Tepilo Limited	Ordinary	39	United Kingdom	Online estate agency
Tepilo Limited	Preference	100	United Kingdom	Online estate agency
OpenRent Limited	Ordinary	30	United Kingdom	Online lettings agency
My Single Friend Limited	Ordinary	40	United Kingdom	Online dating

	Tepilo Limited	OpenRent Limited	My Single Friend Limited	Total
	£000	£000	£000	£000
Share of profit/(loss) for the year	(1,085)	(9)	(349)	**(1,443)**

During the year, Northern & Shell Ventures Limited, a subsidiary undertaking, subscribed for 500,000 preference shares of £1 each in the capital of Tepilo Limited, for a total consideration of £500,000. The preference shares rank pari passu in all respects with the ordinary shares save for the preference shares have priority capital rights but do not have any voting rights or rights to receive a dividend distribution.

During the year, Northern & Shell Ventures Limited also subscribed for 2.0 million D ordinary shares of £0.20 each in the capital of Hochanda Limited, for a total consideration of £400,000. The investment has been recognised within other investments.

In 2015, Northern & Shell Ventures Limited subscribed for 1,334 ordinary shares of £1 each in the capital of My Single Friend Limited, for a total consideration of £1.6 million. Northern & Shell Ventures Limited also subscribed for 1,000,000 preference shares of £1 each in the capital of Tepilo Limited, for a total consideration of £1.0 million. The preference shares rank pari passu in all respects with the ordinary shares save for the preference shares have priority capital rights but do not have any voting rights or rights to receive a dividend distribution.

14. FIXED ASSET INVESTMENTS (Continued)

THE COMPANY	2016 £000	2015 £000
Shares in group undertakings		
Cost:		
At 1 January	**257,040**	186,311
Additions	**300**	70,729
Disposals	**(310)**	-
At 31 December	**257,030**	257,040
Provision for impairment:		
At 1 January	**400**	-
Impairment losses	**14,707**	400
At 31 December	**15,107**	400
Net book amounts:		
At 31 December	**241,923**	256,640

On 29 June 2016, Northern & Shell (Jersey) Limited was dissolved. As at this date, the company had no assets and no liabilities.

During the year, Northern & Shell Luxembourg S.a.r.l., a subsidiary undertaking, issued to the Company 300,000 ordinary shares of £1 each in the capital of the company, for a total consideration of £300,000. Subsequently, on 1 July 2016, Northern & Shell Luxembourg S.a.r.l. and its subsidiary, Northern & Shell Property Luxembourg S.a.r.l., were liquidated. The remaining assets held by Northern & Shell Luxembourg S.a.r.l. as at this date were distributed to the Company, as its immediate parent undertaking, a total of £26,000. The Company recognised a loss on disposal of the investment of £310,000.

In 2015, as part of a group reorganisation, Northern & Shell Network Limited, a subsidiary undertaking issued to the Company 2 ordinary shares of £1 each in the capital of the company, for a total consideration of £1.6 million.

Subsequently, the Company received dividends in the amount of £69.1 million from Northern & Shell Network Limited, comprising the entire issued share capital of Northern & Shell Group Limited, Portland Media Group Limited, Northern & Shell Luxembourg S.a.r.l., Northern & Shell Health Limited, Northern & Shell Services Limited, Sorse Distribution Limited and the share capital of Northern & Shell Investments Limited, each subsidiary undertakings, and 20% of the share capital of Northern & Shell (Jersey) Limited.

Investments in group undertakings are stated at cost less any provision for permanent diminution in value.

Impairment testing:

The company's policy is to carry out annual reviews of its investments. Based on operating results for the subsidiary undertakings, future forecasts and their net assets, the directors consider that the investments' carrying amount exceeded the recoverable amount by £14.7 million and consequently has been written down by this amount. The impairment loss has been recognised within administrative expenses in the profit and loss account (note 11).

The recoverable amount of investments has been assessed with reference to its value in use which is calculated as the net present value of future cash flows using a discount rate of 8% (2015: 8%) as well as a terminal growth rate of 0% which the directors consider to be representative of the Group and the market in which it operates.

14. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2016, the Company held interests in the following subsidiary undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Northern & Shell Network Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Plc	Ordinary	100	United Kingdom	Publishing
Northern & Shell Media Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Worldwide Limited	Ordinary	100	United Kingdom	Intellectual property exploitation
Northern & Shell Leasing Limited	Ordinary	100	United Kingdom	Non-trading
Northern & Shell Titles Limited	Ordinary	100	United Kingdom	Holding of trademarks
Northern & Shell Insurance Limited *	Ordinary	100	Guernsey	Insurance
Northern and Shell Finance Limited	Ordinary	100	United Kingdom	Treasury
Northern & Shell Digital Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Ventures Limited	Ordinary	100	United Kingdom	Media assets exploitation
Northern & Shell Media Holdings Limited	Ordinary	100	United Kingdom	Holding company
Broughton Printers Limited **	Ordinary	100	United Kingdom	Non-trading
OK! Magazine Holdings Limited	Ordinary	100	United Kingdom	Dormant
Express Newspapers	Ordinary	100	United Kingdom	Publishing
Express Printers Manchester Limited	Ordinary	100	United Kingdom	Dormant
LTS Contractors Limited	Ordinary	100	United Kingdom	Dormant
LTS Rentals Limited	Ordinary	100	United Kingdom	Letting of office space
West Ferry Printers Limited	Ordinary	100	United Kingdom	Printing
West Ferry Leasing Limited	Ordinary	100	United Kingdom	Leasing assets
West Ferry Printers Pension Scheme Trustees Limited	Ordinary	100	United Kingdom	Dormant
Beaverbrook Newspapers Limited	Ordinary	100	United Kingdom	Dormant
Blackfriars Leasing Limited	Ordinary	100	United Kingdom	Dormant
Daily Star Limited	Ordinary	100	United Kingdom	Dormant
Express Property Management Limited	Ordinary	100	United Kingdom	Dormant
Express Newspapers Pension Trustees Limited	Ordinary	100	United Kingdom	Dormant
Daily Express Limited	Ordinary	100	United Kingdom	Dormant
Express Newspapers Properties Limited	Ordinary	100	United Kingdom	Dormant
Sunday Express Limited	Ordinary	100	United Kingdom	Dormant
United Magazines Publishing Services Limited	Ordinary	100	United Kingdom	Dormant
Scottish Express Newspapers Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell North America Limited ***	Ordinary	100	United Kingdom	Publishing
Northern & Shell Marketing LLC	Ordinary	100	United States of America	Publishing
Northern & Shell Distribution Limited	Ordinary	100	United Kingdom	Magazine distributor
Northern & Shell Magazines Limited	Ordinary	100	United Kingdom	Publishing
The Green Magazine Company Limited	Ordinary	100	United Kingdom	Dormant
Sightline Publications Limited	Ordinary	100	United Kingdom	Dormant
The Northern & Shell Tower Management Services Limited	Ordinary	100	United Kingdom	Dormant
Burginhall 677 Limited	Ordinary	100	United Kingdom	Dormant
Export Magazine Distributors Limited	Ordinary	100	United Kingdom	Dormant
Tower Magazines Limited	Ordinary	100	United Kingdom	Dormant

14. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2016, the Company held interests in the following subsidiary undertakings (continued):

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Northern & Shell Videos Limited	Ordinary	100	United Kingdom	Dormant
OK Magazines Limited	Ordinary	100	United Kingdom	Dormant
OK Magazines Trading Co Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Properties Limited	Ordinary	100	United Kingdom	Holding company
Westferry Developments Limited (formerly Northern & Shell Investments No. 2 Limited)	Ordinary	100	United Kingdom	Property development
Northern & Shell Broadcasting (CI) Limited	Ordinary	100	Jersey	Holding company
Northern & Shell Enterprises Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Engineering Services Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Music Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Text Limited	Ordinary	100	United Kingdom	Dormant
5 Direct Limited	Ordinary	100	United Kingdom	Dormant
Portland Media Group Limited	Ordinary	100	United Kingdom	Holding company
Portland Media Group UK Limited	Ordinary	100	United Kingdom	Holding company
NS Jersey Finance Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Services Limited	Ordinary	100	United Kingdom	Service Company
Sorse Distribution Limited	Ordinary	100	United Kingdom	Online distribution
Northern & Shell Group Limited	Ordinary	100	United Kingdom	Holding company
Nasnet Online Limited	Ordinary	100	Jersey	Non-trading
Northern & Shell Financing No. 2 Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Investments Limited	Ordinary	100	Isle of Man	Holding of investments
Northern & Shell Health Limited	Ordinary	100	United Kingdom	Holding company
The Health Lottery Limited	Ordinary	100	United Kingdom	Lottery management services
Health Lottery ELM Limited	Ordinary	100	United Kingdom	Lottery management services
Health Lottery Financial Limited	Ordinary	100	United Kingdom	Money handling and money transfer services
Health Lottery Trustee Company Limited	Ordinary	100	United Kingdom	Dormant

*	Denotes the Company was entered in to voluntary liquidation on 23/02/2016;
**	Denotes the Company ceased its principal activity during 2015;
***	Denotes operates a branch in the United States of America, of which the principal trade and assets were disposed during 2011; and

All of the above companies are consolidated within the Group’s financial statements.

15. STOCKS

	2016 £000	2015 £000
Raw materials and consumables	**1,818**	1,731
Work in progress	**46,641**	-
	48,459	1,731

Movements in work in progress:

	2016 £000
Transfer from tangible fixed assets (note 13)	43,690
Additions	2,951
	46,641

On 4 August 2016, S106 planning consent was granted in relation to land owned by Westferry Developments Limited, a subsidiary undertaking, at West Ferry Printworks, 235 Westferry Road, London E14 8NX. The directors consider that from this date the company has moved into the development phase of the project. Accordingly, as at that date the land and building asset was transferred from tangible fixed assets (note 13) into stock, at its carrying value of £43.7 million.

16. DEBTORS

	The Group	
	2016 £000	2015 £000
Trade debtors	**15,262**	12,262
Other debtors	**4,482**	5,774
Amounts owed by related parties	**2,369**	-
Prepayments and accrued income	**8,505**	7,303
Deferred tax asset (note 18)	**19,286**	18,026
	49,904	43,365

	The Company	
	2016 £000	2015 £000
Amounts owed by group undertakings	**46,929**	10,225
Amounts owed by group undertakings with respect to group relief	**170**	276
Other debtors	**24**	10
	47,123	10,511

Amounts owed by group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand. Amounts owed by group undertakings with respect to group relief are non-interest bearing.

17. CURRENT ASSET INVESTMENTS

	The Group	
	2016	**2015**
	£000	**£000**
Bonds	**5,268**	5,009
Listed investments	**36,851**	37,428
Unlisted investments	**5,228**	5,093
Cash on deposit	**187,600**	185,160
	234,947	232,690

The Group holds a mixed portfolio of current asset investments with maturities of one year or less. These investments include diversified growth funds and cash balances held on deposit with financial institutions. The cash balances are held for maturities of between three months and one year and in accordance with the requirements of FRS 102 have been presented under current asset investments.

The Group intends to hold the investments until maturity, at which time the proceeds will either be converted into cash or used for new investments.

The market value of current asset investments is:

	The Group	
	2016	**2015**
	£000	**£000**
At 1 January	**232,690**	285,000
Additions	**247,600**	335,000
Disposals	**(249,548)**	(385,000)
Gain/(loss) on revaluation (note 6)	**4,205**	(2,310)
At 31 December	**234,947**	232,690

18. DEFERRED TAX ASSET

	£000
At 1 January 2016	**18,026**
Charged to the profit and loss account (note 10)	**(882)**
Recognised in other comprehensive income (note 10)	**2,422**
Transfer on disposal of subsidiary undertakings (note 22)	**(280)**
At 31 December 2016	**19,286**

The deferred taxation recognised in these financial statements is as follows:

	2016 £000	2015 £000
Deferred tax recognised including deferred tax on pension liability		
Accelerated capital allowances	**2,302**	5,268
Other timing differences	**5,403**	1,208
Losses	**7,670**	7,670
Deferred tax excluding that relating to pension liability	**15,375**	14,146
Deferred tax on pension liability (note 24)	**3,911**	3,880
Total deferred tax asset recognised	**19,286**	18,026
1 January	**18,026**	28,948
Sale of discontinued operations (note 22)	**(280)**	-
Deferred tax expense in profit and loss account (note 10)	**(882)**	(7,043)
Deferred tax on the actuarial gain/(loss) on the pension scheme charged to other comprehensive income	**2,422**	(3,879)
At 31 December	**19,286**	18,026

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

19. CREDITORS: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	**10,088**	11,945
Other creditors	**5,669**	5,248
Taxation and social security	**2,226**	48
Corporation tax	**2,736**	8,040
Redeemable ordinary 'B' shares	**900**	900
Accruals and deferred income	**26,627**	33,703
	48,246	59,884

	The Company 2016 £000	2015 £000
Amounts owed to group undertakings	**42,986**	3,965
Accruals and deferred income	**-**	150
	42,986	4,115

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

20. PROVISIONS FOR LIABILITIES AND CHARGES

	£000
The Group	
At 1 January 2016	2,163
Credited to the profit and loss account	(38)
At 31 December 2016	**2,125**

Provisions of £2.1 million relate to the provision for onerous rental commitments of £1.3 million (2015: £1.2 million) at the main business premises, Number 10 Lower Thames Street, and other provisions of £195,000 (2015: £20,000) and £671,000 (2015: £937,000) at other business premises 4 Selsdon Way, London and 1155 Avenue of the Americas, New York, respectively. The remaining provisions are expected to be utilised during the period to 31 December 2022.

21. OPERATING LEASE COMMITMENTS

At 31 December 2016, the Group had total commitments under non-cancellable operating leases as follows:-

	2016 £000	2015 £000
Within one year	**10,478**	11,101
Between two and five years	**39,505**	39,929
More than five years	**130,497**	140,984
	180,480	192,014

22. DISPOSALS

Sale of discontinued operations

On 1 April 2016, the Group sold its entire shareholding in Portland UK Holdings Limited, a subsidiary undertaking, to Neon X Limited, as part of a management buyout.

The consideration is contingent on the performance of Portland UK Holdings Limited and its subsidiaries in the period to 31 December 2018, the outcome of which is uncertain.

The profit on disposal is analysed as follows:

	2016 £000	2015 £000
Sale proceeds	352	-
Net assets at date of disposal	(124)	-
Profit on disposal	228	-

23. SHARE CAPITAL

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2016 £000	2015 £000	2016 £000	2015 £000
110,000 Ordinary shares of £1 each	**110**	110	**110**	110

24. PENSION SCHEMES

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 5 April 2015. The latest full actuarial valuation of the West Ferry Printers Pension Fund was carried out as at 31 December 2014. The results below have been updated by a qualified independent actuary using the projected unit valuation method. Both the Express Newspapers schemes and the West Ferry Printers scheme were closed to future accruals with effect from 31 December 2008 and 28 February 2010 respectively. The Group currently has an agreed recovery plan in respect of the shortfall in funding and has paid £10.3 million (2015: £10.0 million) into the 1988 Pension Fund, £559,000 (2015: £542,000) into the Senior Management Pension Fund and £2.8 million (2015: £2.8 million) into the West Ferry Printers Pension Fund during the year. All three Funds are defined benefit schemes. The Group expects to contribute £13.7 million towards the deficit in its defined benefit plans in the next financial year.

The Group also participates in a defined contribution scheme for its employees. Contributions are charged to the profit and loss account to reflect amounts payable under the scheme. The charge for the year was £1.4 million (2015: £1.4 million). At 31 December 2016, contributions of £116,000 were outstanding (2015: £115,000). These have been paid in full after the year end.

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

	2016	**2015**	**2014**
Discount rate	2.80%	3.80%	3.60%
Rate of LPI increase in pensions in payment	3.20%-3.30%	3.00%-3.20%	2.90%-3.20%
Inflation assumption	2.20%	2.00%	1.90%

The mortality assumptions used in the calculation at 31 December 2016 were:

Express Newspapers 1988 Fund mortality:
''S2PA'' base tables with year of birth projections and future improvements from a central year of 2007 in line with the CMI 2015 model and a long term rate of improvement of 1.25% per annum.

Express Newspapers Senior Management Fund mortality:
''S2PA'' base tables with year of birth projections and future improvements from a central year of 2007 in line with the CMI 2015 model and a long term rate of improvement of 1.25% per annum.

West Ferry Printers Fund mortality:
"S2NA" base tables with year of birth projections and future improvements from a central year of 2007 in line with the CMI 2015 model and a long term rate of improvement of 1.25% per annum.

24. PENSION SCHEMES (Continued)

The fair values of the assets presented below reflect the aggregated assets of the Express Newspapers 1988 Pension Fund, the Express Newspapers Senior Management Pension Fund and the West Ferry Printers Pension Fund.

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

	Fair value at 2016 £000	Fair value at 2015 £000
Equities	**207,948**	193,442
Gilts	**84,096**	80,257
Corporate bonds	**15,950**	56,140
Other	**444,906**	341,583
Total market value of assets	**752,900**	671,422
Present value of scheme liabilities	**(770,585)**	(679,673)
Deficit in the schemes	**(17,685)**	(8,251)
Irrecoverable surplus	**(5,320)**	(13,307)
Deficit in the schemes after irrecoverable surplus	**(23,005)**	(21,558)
Related deferred tax asset	**3,911**	3,880
Net pension liability	**(19,094)**	(17,678)

The pension schemes do not hold any ordinary shares issued or property occupied by Express Newspapers or West Ferry Printers Limited.

	2016 £000	2015 £000
The actual return on assets over the period was:		
Return on assets	**103,173**	17,917

24. PENSION SCHEMES (Continued)

The following amounts have been recorded in the consolidated profit and loss account for the schemes as at 31 December:

Operating profit	**2016 £000**	**2015 £000**
Expenses paid	**1,925**	2,247
Settlements	**-**	1,375
Net interest on the net defined benefit liability	**619**	1,723
Total expense	**2,544**	5,345

The expense is recognised in the following line items in the profit and loss account:

	2016 £000	**2015 £000**
Administrative expenses	**2,544**	5,345

Remeasurement of the net defined benefit liability to be shown in the statement of other comprehensive income:

	2016 £000	**2015 £000**
Actuarial (losses)/gains on the liabilities	**(100,862)**	28,462
Return on assets (excluding interest income)	**78,068**	(6,369)
Impact of surplus restrictions	**558**	468
Change in irrecoverable surplus	**7,987**	(1,010)
Total remeasurement of the net defined benefit liability	**(14,249)**	21,551

The total remeasurement loss of the net defined benefit liability to be shown in other comprehensive income of £14.2 million (2015: £21.6 million gain) relates to an actuarial loss on liabilities of £100.9 million, a return on assets (excluding interest income) gain of £78.1 million, an impact of surplus restrictions of £558,000, and £8.0 million for the change in irrecoverable surplus.

24. PENSION SCHEMES (Continued)

Movements in defined benefit obligation during the year:

	2016 £000	2015 £000
Defined benefit obligation	**(770,585)**	(679,673)
Plan assets	**752,900**	671,422
Net pension liability	**(17,685)**	(8,251)
Irrecoverable surplus	**(5,320)**	(13,307)
Net pension liability after irrecoverable surplus	**(23,005)**	(21,558)

Movements in present value of the defined benefit obligation:

	2016 £000	2015 £000
At 1 January	**679,673**	735,959
Settlements	**-**	(18,560)
Interest expense	**25,166**	25,542
Remeasurement: actuarial loss/(gain)	**100,862**	(28,462)
Benefits paid	**(35,116)**	(34,806)
At 31 December	**770,585**	679,673

Movements in fair value of the scheme assets:

	2016 £000	2015 £000
At 1 January	**671,422**	695,414
Settlements	**-**	(19,935)
Interest income on scheme assets	**25,105**	24,287
Remeasurement: return on assets (excluding interest income)	**78,068**	(6,369)
Contributions by employers	**15,315**	14,529
Net income	**31**	549
Benefits paid	**(35,116)**	(34,806)
Expenses paid	**(1,925)**	(2,247)
At 31 December	**752,900**	671,422

The deficit at the end of the year of £23.0 million (2015: £21.6 million) is after an irrecoverable surplus of £5.3 million (2015: £13.3 million). The deficit includes a remeasurement loss of £14.2 million (2015: £21.6 million gain) and is after recognising the impact of surplus restrictions of £558,000 (2015: £468,000) and allowance for the change in irrecoverable surplus of £8.0 million gain (2015: £1.0 million loss). The movements in defined benefit obligation and fair value of the scheme assets are before the irrecoverable surplus.

25. GUARANTEES AND CONTINGENT LIABILITIES

At 31 December 2016, a group undertaking, Northern & Shell North America Limited, held in place a bank guarantee. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the landlord of the Company's former business premises on demand a sum or sums to an amount not exceeding USD $2.5 million (sterling equivalent at 31 December 2016: £2.0 million) (2015: $2.7 million). The guarantee amortises on a reducing balance basis over the term of the lease and shall be reduced to USD $1.6 million following the ninth year of the lease. The bank's liabilities have also been jointly guaranteed by the Company. The bank's liabilities cease and are determined on 31 August 2018.

In 2014, Westferry Developments Limited (formerly Northern & Shell Investments No. 2 Limited), a subsidiary undertaking, acquired freehold interest in property for the total sum of £18.1 million, included in stock (note 15). Under the terms of the acquisition deed, further amounts may become due payable to the seller, a third party. Accordingly, as at 31 December 2016, Westferry Developments Limited held in place a bank guarantee. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the seller on demand any sum or sums due under the terms of the guarantee to an amount not exceeding £719,000. Westferry Developments Limited has also pledged certain assets as security for the bank guarantee facility.

In 2015, Health Lottery ELM Limited, a subsidiary undertaking, entered into contracts for the provision of advertising and production services. Under the terms of the contracts, the company is committed to a minimum annual media spend of £21.8 million and a minimum annual production spend of £5.4 million to £7.3 million for the periods ending 31 December 2018 and 30 September 2018 respectively (note 26). Express Newspapers, a fellow subsidiary undertaking, irrevocably and unconditionally guarantees the company's obligations under the agreements.

At 31 December 2016, certain claims in the normal course of business were pending against the Company and certain subsidiaries and certain tax computations were still subject to agreement with the relevant taxation authorities. Although there is uncertainty regarding the final outcome of these matters, the directors believe, based on professional advice received, that adequate provision has been made in the financial statements for anticipated liabilities and the probable ultimate resolution of such matters will not have a material effect on the financial statements of the Group.

26. COMMITMENTS

In 2015, Health Lottery ELM Limited, a subsidiary undertaking, entered into contracts for the provision of advertising and production services. Under the terms of the contracts, the company is committed to a minimum annual media spend of £21.8 million and a minimum annual production spend of £5.4 million to £7.3 million for the periods ending 31 December 2018 and 30 September 2018 respectively (note 25).

27. RELATED PARTY TRANSACTIONS

Badger Property Partners LLP, of which Mr. R.C. Desmond is a member, owns the Number 10 Lower Thames Street property which is the head office of the Northern & Shell group. The Number 10 Lower Thames Street property is leased to Express Newspapers, a subsidiary undertaking, for a period of 20 years from 10 October 2013, for an annual rental of £6.9 million and with a rent review every 5 years. The charge for the year was £6.9 million (2015: £6.9 million). No amounts were due to Badger Property Partners LLP as at 31 December 2016 (2015: £nil).

During the year, Northern & Shell Ventures Limited, a subsidiary undertaking, provided media services to its associate undertakings and other investments and as at 31 December, was committed to provide further media services as follows:

	Media Services		**Commitment**	
	2016 £000	**2015 £000**	**2016 £000**	**2015 £000**
Tepilo Limited	**899**	2,148	**239**	638
OpenRent Limited	**-**	345	**355**	355
My Single Friend Limited	**480**	85	**935**	1,415
Hochanda Limited	**101**	-	**299**	-
	1,480	2,578	**1,828**	2,408

During the year, Northern and Shell Finance Limited, a subsidiary undertaking, entered into a loan facility agreement with Tepilo Limited. The loan facility is for an amount of £2.5 million, charges interest at 15% and is repayable by February 2018. After the year end, the loan facility has increased to £4.0 million and is repayable by February 2019. Amounts outstanding are included in debtors in amounts owed to related parties (note 16).

The following amounts were outstanding at the reporting end date:

	2016 £000	**2015 £000**
Tepilo Limited	**2,369**	-

The Company has taken advantage of the exemption available under FRS 102 from disclosing transactions with other group undertakings that form part of the wholly owned Group.

28. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Richard Desmond, the Chairman of the Company.