

**NORTHERN & SHELL LIMITED  
(FORMERLY NORTHERN & SHELL MEDIA GROUP LIMITED)**

**GROUP ANNUAL REPORT & FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NORTHERN & SHELL LIMITED**  
**ANNUAL REPORT**  
**For the year ended 31 December 2017**

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**NORTHERN & SHELL LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr. R.C. Desmond (Chairman)  
Mr. R. Sanderson  
Mr. M.S. Ellice  
Dr. P. Ashford (Resigned 28 February 2018)  
Mr. R. Martin  
Mr. D. Rancombe

**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

# **NORTHERN & SHELL LIMITED**

## **STRATEGIC REPORT**

**For the year ended 31 December 2017**

### **PRINCIPAL ACTIVITIES**

Northern & Shell Limited is the ultimate holding company of the Northern & Shell group of companies. It owns a group of companies which have principally been engaged in property development, lottery management services, newspaper publishing and printing, magazine publishing, television broadcasting, other investment interests and the exploitation and further development of intellectual property and media assets. In 2016, the Group disposed of its remaining television broadcasting interests (note 23) and after the year end it disposed of its publishing and printing interests (notes 23 and 29).

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.

On 28 February 2018, shortly after the year end, with the sale of its remaining publishing and printing assets to Trinity Mirror plc (now renamed Reach plc), the Group fulfilled its strategic objective to divest of its directly held media businesses in order to focus on areas with potentially higher growth prospects. The sale, which included the Express Newspapers titles, the celebrity magazines and West Ferry Printers, was the culmination of a process that began with the disposal of OK! USA in 2011, followed by the sale of Channel 5 in 2014 and the Portland television business in 2016. With this transaction, the Group has successfully re-orientated its operations to the core activities of property development and lottery management.

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

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 a specific brief of addressing health inequalities in their individual localities. In a little over 6 years in excess of £100.0 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 2,700 local health projects throughout England, Scotland and Wales which has directly aided around 460,000 people. Among Charities that have benefitted are national charities, such as Scope, The Conservation Volunteers and Youth Sport Trust, in addition to many local community projects such as Special Stars Foundation in Hull, Lightburn Elderly Association in South Lanarkshire and The Parent Network in 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](http://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 in this country. However, this has been achieved at some considerable cost to the Group, which as at the end of 2017, has accumulated pre tax losses of £155.0 million on a total investment of £181.2 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 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. The Group has also publicly declared its intention to bid for the next UK National Lottery licence at the appropriate time. Accordingly, the directors are encouraged by the potential of the lottery management business and view the future with confidence.

In relation to our property interests, work is underway to implement a consented planning scheme on the Group's 15.5 acre site in the London docklands. During the year, with financing from the Group's strong balance sheet, the old printworks and associated buildings were completely demolished and sub-contractors have recently commenced basement works which will run across the site. The directors are pleased with the progress of this exciting and transformational development, which continues to be undertaken in line with the overall development programme.

# **NORTHERN & SHELL LIMITED**

## **STRATEGIC REPORT**

**For the year ended 31 December 2017**

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)**

Given the resources of the Group, its 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 £24.4 million at 31 December 2017 (2016: £19.1 million), after a net remeasurement loss of £12.0 million (2016: £11.8 million). The directors continue to monitor the pension liability position and are committed to taking steps to reduce this deficit. After the year end, the Group divested of its printing and publishing businesses, which included all of the Group's liabilities for its defined benefit pension schemes (notes 25 and 29). The Group's net assets before a gross pension liability of £29.5 million (2016: £23.0 million) were £367.6 million at 31 December 2017 (2016: £383.4 million).

The directors feel that the Group is well placed to build on its established activities and broader 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.

**NORTHERN & SHELL LIMITED**

**STRATEGIC REPORT**

**For the year ended 31 December 2017**

**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:

A handwritten signature in black ink, appearing to be 'R. Sanderson', written over a light grey rectangular background.

Mr. R. Sanderson  
Director

Date: 18 June 2018

**NORTHERN & SHELL LIMITED**

**DIRECTORS' REPORT**

**For the year ended 31 December 2017**

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2017.

**RESULTS AND DIVIDENDS**

The Group recorded a loss before tax for the financial year of £5.5 million (2016: £22.7 million), with an operating loss of £4.3 million (2016: £20.8 million), after recording non-recurring overhead costs of £5.7 million (2016: £3.2 million).

The directors do not recommend the payment of a dividend (2016: £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 £11,000 (2016: £12,000).

Political donations were made during the year amounting to £10,000 (2016: £nil). Political donations were made solely to the Conservative Party.

**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: 18 June 2018

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

## **NORTHERN & SHELL LIMITED**

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

**For the year ended 31 December 2017**

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 judgements 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.





15 Canada Square  
London  
E14 5GL  
United Kingdom

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**NORTHERN & SHELL LIMITED**

**OPINION**

We have audited the financial statements of Northern & Shell Limited ("the company") for the year ended 31 December 2017 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 including the accounting policies in note 1.

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 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**GOING CONCERN**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**STRATEGIC REPORT AND DIRECTORS' REPORT**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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 LIMITED**

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

Under the Companies Act 2006, we are required 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 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.

We have nothing to report in these respects.

**DIRECTORS' RESPONSIBILITIES**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

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.

**Mark Prince (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
London  
United Kingdom  
E14 5GL

Date: 18 June 2018

**NORTHERN & SHELL LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2017**

	Notes	2017 £000	2016 * £000
<b>TURNOVER</b>	4	<b>223,680</b>	209,188
Continuing operations		<b>40,337</b>	27,783
Discontinued operations		<b>183,343</b>	181,405
	6	<b>223,680</b>	209,188
Cost of sales	6	<b>(72,811)</b>	(77,980)
<b>GROSS PROFIT</b>	6	<b>150,869</b>	131,208
Distribution costs	6	<b>(13,324)</b>	(13,438)
Administrative expenses	5/6	<b>(142,248)</b>	(139,371)
Other operating income	6	<b>420</b>	807
<b>GROUP OPERATING LOSS</b>		<b>(4,283)</b>	(20,794)
Continuing operations		<b>(1,041)</b>	(11,629)
Discontinued operations		<b>(3,242)</b>	(9,165)
	6	<b>(4,283)</b>	(20,794)
Share of operating loss of associates		<b>(2,483)</b>	(2,926)
Share of operating profit of joint ventures		<b>760</b>	880
<b>TOTAL OPERATING LOSS</b>	3/7	<b>(6,006)</b>	(22,840)
(Loss)/profit on sale of discontinued operations	23	<b>(108)</b>	228
Loss on deemed disposal of associate interest	15	<b>(1,010)</b>	-
Other interest receivable and similar income	9	<b>1,662</b>	2,625
Interest payable and similar charges	10	<b>(32)</b>	(2,741)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>(5,494)</b>	(22,728)
Tax on loss on ordinary activities	11	<b>(4,266)</b>	(1,003)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(9,760)</b>	(23,731)
Loss attributable to:			
Shareholders of the parent company		<b>(9,753)</b>	(23,731)
Non-controlling interest		<b>(7)</b>	-
<b>TOTAL LOSS</b>		<b>(9,760)</b>	(23,731)

\* Management have taken the decision to re-present the analysis of continuing and discontinued operations in the prior year (note 1).

The notes on pages 17 to 49 form an integral part of these financial statements.

**NORTHERN & SHELL LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2017**

	Notes	2017 £000	2016 £000
Loss for the financial year		(9,760)	(23,731)
<b>OTHER COMPREHENSIVE INCOME</b>			
Remeasurement of the net defined benefit pension liability		(14,436)	(14,249)
Movement on deferred tax relating to net defined benefit pension liability		2,454	2,422
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u>(11,982)</u>	<u>(11,827)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(21,742)</u>	<u>(35,558)</u>
Total comprehensive income attributable to:			
Shareholders of the parent company		(21,735)	(35,558)
Non-controlling interest		<u>(7)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(21,742)</u>	<u>(35,558)</u>

The notes on pages 17 to 49 form an integral part of these financial statements.

**NORTHERN & SHELL LIMITED**

**CONSOLIDATED BALANCE SHEET as at 31 December 2017**

	Notes	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Intangible assets	13	8,220	5,312
Tangible assets	14	56,677	62,021
Investments:	15		
Interests in joint ventures			
Share of gross assets		1,814	1,791
Share of gross liabilities		(1,365)	(1,511)
		449	280
Investments in associates		1,715	2,459
Other investments		404	400
		<u>2,568</u>	<u>3,139</u>
		<u>67,465</u>	<u>70,472</u>
<b>CURRENT ASSETS</b>			
Stocks	16	58,425	48,459
Debtors	17	42,970	49,904
Current asset investments	18	171,059	234,947
Cash at bank and in hand		86,635	29,988
		<u>359,089</u>	<u>363,298</u>
<b>CREDITORS:</b> amounts falling due within one year	20	<u>(53,173)</u>	<u>(48,246)</u>
<b>NET CURRENT ASSETS</b>		<u>305,916</u>	<u>315,052</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		373,381	385,524
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	21	<u>(5,819)</u>	<u>(2,125)</u>
<b>NET ASSETS excluding pension liability</b>		367,562	383,399
<b>PENSION LIABILITY</b>	25	<u>(29,451)</u>	<u>(23,005)</u>
<b>NET ASSETS including pension liability</b>		<u>338,111</u>	<u>360,394</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	110	110
Other reserves		3,860	3,860
Profit and loss account		334,689	356,424
Equity attributable to the parent's shareholders		338,659	360,394
Non-controlling interest		<u>(548)</u>	<u>-</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>338,111</u>	<u>360,394</u>

The notes on pages 17 to 49 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: 18 June 2018

Company registered number: 4086466

**NORTHERN & SHELL LIMITED**

**COMPANY BALANCE SHEET as at 31 December 2017**

	Notes	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Investments	15	<u>262,269</u>	<u>241,923</u>
<b>CURRENT ASSETS</b>			
Debtors	17	55,299	47,123
Cash at bank and in hand		<u>301</u>	<u>-</u>
		<u>55,600</u>	<u>47,123</u>
<b>CREDITORS: amounts falling due within one year</b>	20	<u>(94,545)</u>	<u>(42,986)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(38,945)</u>	<u>4,137</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>223,324</b>	246,060
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	21	<u>(3,495)</u>	<u>-</u>
<b>NET ASSETS</b>		<u>219,829</u>	<u>246,060</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	110	110
Profit and loss account		<u>219,719</u>	<u>245,950</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>219,829</u>	<u>246,060</u>

The notes on pages 17 to 49 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: 18 June 2018

Company registered number: 4086466

**NORTHERN & SHELL LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2017**

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total shareholder's equity £000	Non- controlling interest £000	Total equity £000
Balance at 1 January 2016	110	3,860	391,982	<b>395,952</b>	-	<b>395,952</b>
Total comprehensive income for the year:						
Loss for the year	-	-	(23,731)	<b>(23,731)</b>	-	<b>(23,731)</b>
Other comprehensive income	-	-	(11,827)	<b>(11,827)</b>	-	<b>(11,827)</b>
Total comprehensive income for the year	-	-	(35,558)	<b>(35,558)</b>	-	<b>(35,558)</b>
<b>Balance at 31 December 2016</b>	<b>110</b>	<b>3,860</b>	<b>356,424</b>	<b>360,394</b>	-	<b>360,394</b>
	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total shareholder's equity £000	Non- controlling interest £000	Total equity £000
Balance at 1 January 2017	110	3,860	356,424	<b>360,394</b>	-	<b>360,394</b>
Total comprehensive income for the year:						
Loss for the year	-	-	(9,753)	<b>(9,753)</b>	(7)	<b>(9,760)</b>
Other comprehensive income	-	-	(11,982)	<b>(11,982)</b>	-	<b>(11,982)</b>
Total comprehensive income for the year	-	-	(21,735)	<b>(21,735)</b>	(7)	<b>(21,742)</b>
Acquisition of non-controlling interest	-	-	-	-	(541)	<b>(541)</b>
Total contributions by and distributions to owners	-	-	-	-	(541)	<b>(541)</b>
<b>Balance at 31 December 2017</b>	<b>110</b>	<b>3,860</b>	<b>334,689</b>	<b>338,659</b>	<b>(548)</b>	<b>338,111</b>

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 49 form an integral part of these financial statements.

**NORTHERN & SHELL LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2017**

	<b>Called up Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
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)
<b>Balance at 31 December 2016</b>	<b>110</b>	<b>245,950</b>	<b>246,060</b>

	<b>Called up Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2017	110	245,950	246,060
Total comprehensive income for the year:			
Loss for the year	-	(26,231)	(26,231)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(26,231)	(26,231)
<b>Balance at 31 December 2017</b>	<b>110</b>	<b>219,719</b>	<b>219,829</b>

The notes on pages 17 to 49 form an integral part of these financial statements.



**NORTHERN & SHELL LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the year ended 31 December 2017**

	<b>2017 £000</b>	<b>2016 £000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the financial year	<b>(9,760)</b>	(23,731)
Adjustments for:		
Amortisation of intangible assets	1,117	1,155
Depreciation of tangible assets	7,182	7,517
Impairment of tangible assets	597	-
Interest receivable and similar income	(1,662)	(2,625)
Interest payable and similar charges	32	2,741
Loss on sale of tangible assets	-	2,208
Loss/(profit) on sale of discontinued operations	108	(228)
Pension cash contributions in excess of pension cost	(7,990)	(12,802)
Share of loss from associate undertakings	2,483	2,926
Loss on deemed disposal of associate undertaking	1,010	-
Share of profit from joint ventures	(760)	(880)
Gain on revaluation of current asset investment	(11,706)	(4,205)
Taxation	4,266	1,003
Interest received	1,389	2,098
Interest paid	(1)	-
Increase in stocks	(9,966)	(3,038)
Decrease/(increase) in debtors	6,045	(4,980)
Decrease in creditors	(403)	(8,124)
Increase/(decrease) in provisions	3,694	(38)
Taxation paid	(40)	(5,321)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(14,365)</b>	(46,324)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of tangible assets	-	4,911
Purchase of tangible assets	(2,353)	(1,848)
Purchase of intangible assets	-	(58)
Contributions to associates	(2,750)	(500)
Acquisition of other investments	-	(400)
Proceeds on disposal of other investments	-	85
Dividends received	503	818
Proceeds from sale of discontinued operations	75	198
Investment in current asset investments	(219,911)	(247,600)
Proceeds from current asset investments	295,505	249,548
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>71,069</b>	5,154
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of shares in associate undertaking	(57)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(57)</b>	-
<b>NET INCREASE/(DECREASE) IN CASH AT BANK AND IN HAND</b>	<b>56,647</b>	(41,170)
<b>CASH AT BANK AND IN HAND AT 1 JANUARY</b>	<b>29,988</b>	71,158
<b>CASH AT BANK AND IN HAND AT 31 DECEMBER</b>	<b>86,635</b>	29,988

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

## **NORTHERN & SHELL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

#### **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.

##### **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.

## **NORTHERN & SHELL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

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.

##### **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, The Health Lottery group in 2011 and Tepilo Limited in 2017 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.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

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.

**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**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the Group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. 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.

## **NORTHERN & SHELL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the 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.

##### **i) Impairment of fixed assets**

At each reporting period end date, the Group and Parent Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Parent Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **j) 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.

##### **k) Cash and liquid resources**

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### **l) Financial instruments**

The Group and Parent Company have elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

## **NORTHERN & SHELL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

Financial instruments are recognised in the Group and Parent Company's balance sheets when the Group or Parent Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### *Other financial assets*

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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, managed funds, corporate bonds and government securities. Current asset investments are stated at the lower of cost and net realisable value.

##### *Impairment of financial assets*

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group or company after deducting all of its liabilities.

##### *Basic financial liabilities*

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

*Derecognition of financial liabilities*

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**m) 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.

**n) 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% (2016: 17%).

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

**n) Provisions**

Provisions are recognised when the Group or Company has a legal or constructive present obligation as a result of a past event, it is probable that the Group or Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Where the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**o) 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 the profit and loss account.

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 and loss account in the periods during which services are rendered by employees.



**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

**p) 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.

**q) Discontinued operations**

Discontinued operations are components of the group that have been disposed of at the date of signing the accounts and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative in the profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

Discontinued operations are also disclosed by financial caption for the current and comparative periods in note 6.

**r) Re-presentation of prior period balances**

Management have taken the decision to re-present the segmental analysis (note 3) and continuing and discontinued operations (note 6) disclosures in the prior year. The change follows the sale of the Group's publishing and printing assets (note 29).

**2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group and Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider the judgement associated with these financial statements to be over the carrying value of investments, deferred tax assets and the valuation of retirement benefit obligations. There is significant judgement involved in determining the assumptions, including discount rate, inflation rates and mortality assumptions underlying the valuation of the liabilities of the pension schemes. The assumptions are disclosed in note 25.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**3. SEGMENTAL ANALYSIS**

The Group's turnover and loss before taxation arise principally from its publishing and printing, lottery management, broadcasting, property development and other investment activities. The Group's broadcasting activities were discontinued on 1 April 2016 (note 23) and after the year end, the Group disposed of its publishing and printing activities (note 29).

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.

	<b>P&amp;P (D) 2017 £000</b>	<b>B – O (D) 2017 £000</b>	<b>INS (D) 2017 £000</b>	<b>LM 2017 £000</b>	<b>P &amp; O 2017 £000</b>	<b>TOTAL 2017 £000</b>
<b>TURNOVER</b>						
Turnover gross	192,400	-	-	26,551	13,845	<b>232,796</b>
Inter-segment sales	(9,057)	-	-	-	(59)	<b>(9,116)</b>
Third party sales	183,343	-	-	26,551	13,786	<b>223,680</b>
<b>OPERATING (LOSS)/PROFIT</b>	<b>7,799**</b>	<b>-**</b>	<b>-**</b>	<b>(20,546)</b>	<b>6,741</b>	<b>(6,006)</b>
Loss on sale of discontinued operations (note 23)	-	(108)	-	-	-	<b>(108)</b>
Loss on deemed disposal of associate interest	-	-	-	-	(1,010)	<b>(1,010)</b>
	<b>7,799</b>	<b>(108)</b>	<b>-</b>	<b>(20,546)</b>	<b>5,731</b>	<b>(7,124)</b>
Common costs – net interest receivable						<b>1,630</b>
Loss on ordinary activities before taxation						<b>(5,494)</b>

	<b>P&amp;P (D) 2016 * £000</b>	<b>B – O (D) 2016 * £000</b>	<b>INS (D) 2016 * £000</b>	<b>LM 2016 £000</b>	<b>P &amp; O 2016 £000</b>	<b>TOTAL 2016 £000</b>
<b>TURNOVER</b>						
Turnover gross	189,250	1,396	-	26,737	1,104	<b>218,487</b>
Inter-segment sales	(9,198)	(43)	-	-	(58)	<b>(9,299)</b>
Third party sales	180,052	1,353	-	26,737	1,046	<b>209,188</b>
<b>OPERATING (LOSS)/PROFIT</b>	<b>1,757**</b>	<b>146**</b>	<b>(11)**</b>	<b>(23,768)</b>	<b>(964)</b>	<b>(22,840)</b>
Profit on sale of discontinued operations (note 23)	-	228	-	-	-	<b>228</b>
	<b>1,757*</b>	<b>374</b>	<b>(11)</b>	<b>(23,768)</b>	<b>(964)</b>	<b>(22,612)</b>
Common costs – net interest payable						<b>(116)</b>
Loss on ordinary activities before taxation						<b>(22,728)</b>

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**3. SEGMENTAL ANALYSIS (Continued)**

The common costs are the sum of other interest receivable and similar income of £1.7 million (2016: £2.6 million) and interest payable and similar charges of £32,000 (2016: £2.7 million).

\* Management have taken the decision to re-present the segmental analysis in the prior year (note 1).

\*\*The difference between discontinued operating profit/(loss) as stated above and the operating loss shown in note 6 is as follows:

	<b>2017</b>	<b>2016 *</b>
	<b>£000</b>	<b>£000</b>
Segmental operating profit - P&P (D)	7,799	1,757
Segmental operating profit - B - O (D)	-	146
Segmental operating profit/(loss) - INS (D)	-	(11)
	7,799	1,892
Inter-segment transactions	(10,281)	(10,177)
Share of operating profit of joint ventures	(760)	(880)
	(10,281)	(10,177)
	(760)	(880)
	(3,242)	(9,165)
Operating loss per analysis of discontinued operations (note 6)	<b>(3,242)</b>	<b>(9,165)</b>

The abbreviations used above relate to the following segments:

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

	<b>2017</b>	<b>2016 *</b>
	<b>£000</b>	<b>£000</b>
<b>Net operating assets (including pension deficit)</b>		
Publishing and printing (discontinued)	82,075	69,529
Insurance (discontinued)	-	(4)
Lottery management	(145,581)	(123,796)
Property development and other	126,490	130,042
	62,984	75,770
<b>Reconciliation of net operating assets to net assets</b>		
Net operating assets	62,984	75,770
Investments (note 15)	2,568	3,139
Corporation tax (note 20)	(2,734)	(2,736)
Deferred tax – asset (note 19)	17,599	19,286
Current asset investments (including cash balances held on deposit – note 18)	171,059	234,947
Cash at bank and in hand	86,635	29,988
	338,111	360,394

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**4. TURNOVER**

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

	<b>2017 £000</b>	<b>2016 £000</b>
Provision of services	<b>61,257</b>	60,104
Sale of goods	<b>138,875</b>	138,594
Royalties	<b>3,135</b>	2,825
Commission	<b>3,179</b>	3,203
Rental income	<b>3,143</b>	3,656
Dividend income	<b>1,164</b>	-
Net gain from current asset investments	<b>11,706</b>	-
Other income	<b>1,221</b>	806
	<hr/>	<hr/>
Total Group Turnover	<b>223,680</b>	209,188

**5. ADMINISTRATIVE EXPENSES**

	<b>2017 £000</b>	<b>2016 £000</b>
Chairman's emoluments and pension contributions	<b>284</b>	339
Other administrative expenses	<b>141,964</b>	139,032
	<hr/>	<hr/>
	<b>142,248</b>	139,371

**6. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS**

	<b>2017 Continuing Operations £000</b>	<b>2017 Discontinued Operations £000</b>	<b>2017 Total £000</b>	<b>2016 * Continuing Operations £000</b>	<b>2016 * Discontinued Operations £000</b>	<b>2016 Total £000</b>
Group turnover	40,337	183,343	<b>223,680</b>	27,783	181,405	<b>209,188</b>
Cost of sales	(26)	(72,785)	<b>(72,811)</b>	-	(77,980)	<b>(77,980)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	40,311	110,558	<b>150,869</b>	27,783	103,425	<b>131,208</b>
Distribution costs	-	(13,324)	<b>(13,324)</b>	-	(13,438)	<b>(13,438)</b>
Administrative expenses	(41,352)	(100,896)	<b>(142,248)</b>	(39,412)	(99,959)	<b>(139,371)</b>
Other operating income	-	420	<b>420</b>	-	807	<b>807</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Group operating loss	<b>(1,041)</b>	<b>(3,242)</b>	<b>(4,283)</b>	<b>(11,629)</b>	<b>(9,165)</b>	<b>(20,794)</b>

\* Management have taken the decision to re-present the analysis of continuing and discontinued operations in the prior year (note 1).

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**7. NOTES TO THE PROFIT AND LOSS ACCOUNT**

**2017  
£000**

**2016  
£000**

**Loss on ordinary activities before tax is stated after charging/(crediting):**

Depreciation – owned assets (note 14)	7,182	7,517
Impairment losses on tangible fixed assets (note 14)	597	-
Amortisation of programming rights (note 13)	-	38
Amortisation of goodwill – acquisitions (note 13)	1,117	1,117
Amortisation of goodwill – associates	479	524
Impairment of investment in associates	-	958
Loss on disposal of fixed assets	-	2,208
Gain on revaluation - current asset investments (note 18)	-	(4,205)
Redundancy costs	317	992
Operating lease rentals – other	303	664
Operating lease rentals – land and buildings	8,930	8,968
Operating lease rentals – other income	(2,522)	(3,139)
Foreign exchange loss	2	46
	<hr/>	<hr/>

**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:

**Audit services**

Fees payable to the Company’s auditor for the audit of the Company and consolidated accounts	30	27
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**Other services**

Fees payable to the Company’s auditor and its associates for the audit of associates to the Company pursuant to legislation	319	336
Other services provided pursuant to such legislation	63	141
Transaction services	344	-
	<hr/>	<hr/>

**NORTHERN & SHELL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**(a) Directors**

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Emoluments	1,562	1,745
Company contributions to money purchase pension schemes	<u>25</u>	<u>21</u>
	<u><b>1,587</b></u>	<u><b>1,766</b></u>

Pension benefits are accruing to three directors under money purchase pension schemes (2016: four directors).

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

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Emoluments	327	339
Company contributions to money purchase pension schemes	<u>8</u>	<u>-</u>
	<u><b>335</b></u>	<u><b>339</b></u>

**(b) Staff costs (including directors)**

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Wages and salaries	44,430	42,869
Social security costs	4,987	4,828
Contributions to defined contribution plans	1,399	1,380
Expenses related to defined benefit plans (net of other income) (note 25)	<u>1,118</u>	<u>2,065</u>
	<u><b>51,934</b></u>	<u><b>51,142</b></u>

Average number of people employed by activity:

	<b>2017</b> <b>Number</b>	<b>2016</b> <b>Number</b>
Production	454	437
Selling and distribution	101	103
Administration	<u>137</u>	<u>146</u>
	<u><b>692</b></u>	<u><b>686</b></u>

**9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Bank and term deposit interest receivable	1,173	2,427
Other interest receivable	<u>489</u>	<u>198</u>
	<u><b>1,662</b></u>	<u><b>2,625</b></u>

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

<b>10. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2017 £000</b>	<b>2016 £000</b>
Other interest payable	32	2,741

**11. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Current tax</b>		
UK corporation tax on loss for the year at 19.25% (2016: 20.0%)	38	16
Foreign taxes suffered	38	20
Double taxation relief on loss on ordinary activities	(38)	(16)
Share of Joint Venture taxation	87	101
Total current tax expense	125	121
<b>Deferred tax</b>		
Origination and reversal of timing differences (accelerated capital allowances and other)	2,732	(4,442)
Adjustments in respect of previous periods	51	2,932
Total deferred tax expense/(income) excluding deferred tax on pension liability (note 19)	2,783	(1,510)
Deferred tax on pension liability – recognised in profit and loss account	1,358	2,392
Deferred tax on pension liability – recognised in other comprehensive income	(2,454)	(2,422)
Total deferred tax expense/(income) (note 19)	1,687	(1,540)
Tax on loss on ordinary activities	1,812	(1,419)

Total tax analysed as:

	<b>Current Tax £000</b>	<b>2017 Deferred Tax £000</b>	<b>Total Tax £000</b>	<b>Current Tax £000</b>	<b>2016 Deferred Tax £000</b>	<b>Total Tax £000</b>
Recognised in profit and loss account	125	4,141	4,266	121	882	1,003
Recognised in other comprehensive income	-	(2,454)	(2,454)	-	(2,422)	(2,422)
Total tax	125	1,687	1,812	121	(1,540)	(1,419)

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**11. TAXATION ON LOSS ON ORDINARY ACTIVITIES (Continued)**

The tax assessed for the year differs from the rate of 19.25% (2016: 20.0%) and the differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	<u>(5,494)</u>	<u>(22,728)</u>
Loss on ordinary activities multiplied by the rate of 19.25% (2016: 20.0%)	<b>(1,058)</b>	(4,546)
Effects of:		
Net effect of expenses not deductible for tax and income not subject to tax	<b>1,801</b>	829
Excess of depreciation over capital allowances and other timing differences	<b>95</b>	144
Adjustments in respect of previous periods	<b>51</b>	2,932
Profits subject to lower level of overseas tax	<b>(59)</b>	(75)
Non tax deductible goodwill amortisation and other permanent differences	<b>307</b>	328
Deferred tax assets not recognised	<b>3,649</b>	6,310
Deferred tax assets recognised on transfer of fixed assets to stock	<b>-</b>	(5,323)
Impact of tax rate changes	<u>(520)</u>	<u>404</u>
Total tax expense included in profit or loss	<u><b>4,266</b></u>	<u>1,003</u>

A reduction in the UK Corporation Tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 December 2017 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 £202.1 million (2016: £191.9 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 £34.0 million (2016: £45.1 million) of the available losses as future benefit is not certain.

**12. 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 £26.2 million (2016: £17.0 million), after a provision against amounts owed by group companies of £22.9 million (2016: £1.5 million), a charge for impairment losses of £nil (2016: £14.7 million) (note 15) and a loss on disposal of fixed asset investments of £nil (2016: £310,000).



**NORTHERN & SHELL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**13. INTANGIBLE ASSETS**

	<b>Goodwill £000</b>
<b>THE GROUP</b>	
Cost:	
At 1 January 2017	41,443
Additions	<u>4,025</u>
<b>At 31 December 2017</b>	<b><u>45,468</u></b>
Amortisation:	
At 1 January 2017	36,131
Charge for the year	<u>1,117</u>
<b>At 31 December 2017</b>	<b><u>37,248</u></b>
Net book amounts:	
<b>At 31 December 2017</b>	<b><u>8,220</u></b>
At 31 December 2016	<u>5,312</u>

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**14. TANGIBLE ASSETS**

	<b>Land and Buildings</b>	<b>Motor Vehicles, Plant and Machinery</b>	<b>Fixtures, Fittings and Office Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>THE GROUP</b>				
Cost/valuation:				
At 1 January 2017	72,500	82,646	30,810	185,956
Additions	598	279	1,558	2,435
Disposals	-	(109)	-	(109)
<b>At 31 December 2017</b>	<b>73,098</b>	<b>82,816</b>	<b>32,368</b>	<b>188,282</b>
Depreciation:				
At 1 January 2017	42,931	55,477	25,527	123,935
Charge for the year	2,570	1,942	2,670	7,182
Impairment losses	-	-	597	597
Disposals	-	(109)	-	(109)
<b>At 31 December 2017</b>	<b>45,501</b>	<b>57,310</b>	<b>28,794</b>	<b>131,605</b>
Net book amounts:				
<b>At 31 December 2017</b>	<b>27,597</b>	<b>25,506</b>	<b>3,574</b>	<b>56,677</b>
At 31 December 2016	29,569	27,169	5,283	62,021

Land and buildings includes the following assets at net book value as at 31 December 2017:

- freehold land and buildings £nil (2016: £nil).
- short leasehold buildings £27.6 million (2016: £29.6 million).

As at 31 December 2017, the net book value of assets acquired under finance leases was £nil (2016: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2016: £nil).

**THE COMPANY**

The tangible fixed assets of the Company at 31 December 2017 amount to £nil (2016: £nil).

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**15. FIXED ASSET INVESTMENTS**

<b>THE GROUP</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Interest in joint ventures</b>		
At 1 January - net assets	280	318
- goodwill (gross)	<u>9,856</u>	<u>9,856</u>
	<u>10,136</u>	<u>10,174</u>
Share of profit	672	780
Movement in profit and loss reserves	<u>(503)</u>	<u>(818)</u>
	<u>169</u>	<u>(38)</u>
At 31 December - net assets	449	280
- goodwill (gross)	<u>9,856</u>	<u>9,856</u>
	<u>10,305</u>	<u>10,136</u>
<b>Aggregate amortisation of goodwill</b>		
At 1 January	(9,856)	(9,856)
Charge for the year	<u>-</u>	<u>-</u>
At 31 December	<u>(9,856)</u>	<u>(9,856)</u>
<b>Net book amount at 31 December</b>		
Net assets	449	280
Goodwill	<u>-</u>	<u>-</u>
	<u>449</u>	<u>280</u>
<b>Interest in associate undertakings</b>	1,715	2,459
<b>Other fixed asset investment</b>	<u>404</u>	<u>400</u>
<b>Total fixed asset investments</b>	<u>2,568</u>	<u>3,139</u>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Summary of Joint Venture net assets</b>		
Share of fixed assets	195	216
Share of current assets	<u>1,619</u>	<u>1,575</u>
<b>Share of gross assets</b>	<u>1,814</u>	<u>1,791</u>
Share of liabilities		
Due within one year	<u>(1,365)</u>	<u>(1,511)</u>
<b>Share of gross liabilities</b>	<u>(1,365)</u>	<u>(1,511)</u>
<b>Net assets</b>	<u>449</u>	<u>280</u>

For the year ended 31 December 2017, 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.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**15. FIXED ASSET INVESTMENTS (Continued)**

At 31 December 2017, the Group held interests in the following joint ventures:

<b>Company Name</b>	<b>Class of shares</b>	<b>Holding (%)</b>	<b>Country of incorporation</b>	<b>Principal Activity</b>
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 2017, the Group held interests in the following associate undertakings:

<b>Company Name</b>	<b>Class of shares</b>	<b>Holding (%)</b>	<b>Country of incorporation</b>	<b>Principal Activity</b>
OpenRent Limited	Ordinary	26	United Kingdom	Online lettings agency
My Single Friend Limited	Ordinary	40	United Kingdom	Online dating
Friction Free Shaving Limited	A1 Preferred	26	United Kingdom	Subscription shaving

OpenRent Limited is incorporated in the United Kingdom, with a registered office at 30-34 New Bridge Street, London, EC4V 6BJ. The Group's shareholding in OpenRent Limited was diluted from 30.0% to 25.5% at the Balance Sheet date, following the company's issue of preference shares during the year. There were no changes in the class of shares held during the year.

My Single Friend Limited is incorporated in the United Kingdom, with a registered office at 34 Anyards Road, Cobham, Surrey, KT11 2LA. There were no changes in the ownership or class of shares held during the year.

Friction Free Shaving Limited is incorporated in the United Kingdom, with a registered office at 11 Heritage Park Hayes Way, Cannock, WS11 7LT. During the year, the Group subscribed for 44,532 A1 Preferred shares in the capital of the company, representing a shareholding of 25.94% (2016: 0.0%) at the Balance Sheet date.

	<b>OpenRent Limited</b>	<b>My Single Friend Limited</b>	<b>Friction Free Shaving Limited</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Share of profit/(loss) for the year	(192)	-	(59)	<b>(251)</b>

During the year, Northern & Shell Ventures Limited, a subsidiary undertaking, subscribed for 1,500,000 preference shares of £1 each in the capital of Tepilo Limited for a total consideration of £1.5 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.

On 21 December 2017, Northern & Shell Ventures Limited disposed of its 39.0% shareholding in Tepilo Limited for a consideration of 38,366 ordinary shares in Tepilo Holdings Limited, a subsidiary undertaking. As at 31 December 2017, Tepilo Holdings Limited held 100% of the shareholding in Tepilo Limited, representing an indirect shareholding for the Group of 87.8%. Accordingly, Tepilo Holdings Limited and Tepilo Limited are accounted for as subsidiary undertakings as at the Balance Sheet date. The Group's disposal of its 39.0% shareholding in Tepilo Limited represents a loss on deemed disposal of associate interest of £1.0 million.

The Group also subscribed for 44,532 A1 preferred shares of £28.07 each in the capital of Friction Free Shaving Limited, for a total consideration of £1.3 million. The A1 Preferred shares rank pari passu in all respects with the ordinary shares, save for the A1 Preferred shares have priority capital rights.

In 2016, Northern & Shell Ventures Limited 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. 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.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**15. FIXED ASSET INVESTMENTS (Continued)**

<b>THE COMPANY</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Shares in group undertakings</b>		
Cost:		
At 1 January	<b>257,030</b>	257,040
Additions	<b>20,346</b>	300
Disposals	<b>-</b>	(310)
	<hr/> <b>277,376</b>	<hr/> 257,030
At 31 December		
Provision for impairment:		
At 1 January	<b>15,107</b>	400
Impairment losses	<b>-</b>	14,707
	<hr/> <b>15,107</b>	<hr/> 15,107
At 31 December		
Net book amounts:		
<b>At 31 December</b>	<hr/> <b>262,269</b>	<hr/> 241,923

On 25 May 2017, 100 ordinary shares of £1.00 each, comprising the entire issued share capital of Northern & Shell Ventures Limited, were transferred from Northern & Shell Network Limited, a subsidiary undertaking at the Balance Sheet date, to the Company at fair value for a consideration of £18.4 million. On the same date, the Company also acquired 1 ordinary share of £1.00 each, comprising the entire issued share capital of LTS Rentals Limited, from Express Newspapers, a subsidiary undertaking at the Balance Sheet date, at fair value for a consideration of £1.8 million, and acquired 1 ordinary share of £1.00 each, comprising the entire issued share capital LTS Contractors Limited, from Express Newspapers, a subsidiary undertaking at the Balance Sheet date, at fair value for a consideration of £107,000.

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

In 2016, 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.

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 £nil (2016: £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 12).

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 post-tax discount rate of 8% (2016: 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.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**15. FIXED ASSET INVESTMENTS (Continued)**

At 31 December 2017, the Company held interests in the following subsidiary undertakings:

<b>Company Name</b>	<b>Class of shares</b>	<b>Holding (%)</b>	<b>Country of incorporation</b>	<b>Principal Activity</b>
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 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

**NORTHERN & SHELL LIMITED**

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**15. FIXED ASSET INVESTMENTS (Continued)**

At 31 December 2017, the Company held interests in the following subsidiary undertakings (continued):

<b>Company Name</b>	<b>Class of shares</b>	<b>Holding (%)</b>	<b>Country of incorporation</b>	<b>Principal Activity</b>
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	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
Tepilo Limited	Ordinary	88	United Kingdom	Online estate agency
Tepilo Limited	Preference	88	United Kingdom	Online estate agency
Tepilo Holdings Limited	Ordinary	88	United Kingdom	Online estate agency

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

\*\* Denotes the company was sold to Trinity Mirror plc on 28 February 2018 (note 29).

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

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**16. STOCKS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	1,451	1,818
Work in progress	<u>56,974</u>	<u>46,641</u>
	<u>58,425</u>	<u>48,459</u>
Movements in work in progress:		<b>2017</b>
		<b>£000</b>
At 1 January		46,641
Additions		<u>10,333</u>
<b>At 31 December</b>		<u><b>56,974</b></u>

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 into stock, at its carrying value of £43.7 million.

**17. DEBTORS**

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	10,586	15,262
Other debtors	3,593	4,482
Amounts owed by related parties	-	2,369
Prepayments and accrued income	11,192	8,505
Deferred tax asset (note 19)	<u>17,599</u>	<u>19,286</u>
	<u>42,970</u>	<u>49,904</u>
		<b>The Company</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	73	-
Amounts owed by group undertakings	54,776	46,929
Amounts owed by group undertakings with respect to group relief	149	170
Other debtors	67	24
Prepayments and accrued income	<u>234</u>	<u>-</u>
	<u>55,299</u>	<u>47,123</u>

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, unsecured and repayable on demand.



**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**18. CURRENT ASSET INVESTMENTS**

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Bonds	5,744	5,268
Listed investments	141,967	36,851
Unlisted investments	10,848	5,228
Cash on deposit	12,500	187,600
	<u>171,059</u>	<u>234,947</u>

The Group holds a mixed portfolio of current asset investments with maturities of one year or less. These investments include equities, diversified growth funds, corporate bonds 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:

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 January	234,947	232,690
Additions	219,911	247,600
Disposals	(295,505)	(249,548)
Gain on revaluation (note 7)	11,706	4,205
	<u>171,059</u>	<u>234,947</u>

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**19. DEFERRED TAX ASSET**

	<b>£000</b>
At 1 January 2017	19,286
Charged to the profit and loss account (note 11)	(4,141)
Recognised in other comprehensive income (note 11)	<u>2,454</u>
At 31 December 2017	<u>17,599</u>

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

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Deferred tax recognised including deferred tax on pension liability</b>		
Accelerated capital allowances	8,248	2,302
Other timing differences	(1,432)	5,403
Losses	<u>5,776</u>	<u>7,670</u>
Deferred tax excluding that relating to pension liability	12,592	15,375
Deferred tax on pension liability (note 25)	<u>5,007</u>	<u>3,911</u>
<b>Total deferred tax asset recognised</b>	<u>17,599</u>	<u>19,286</u>
1 January	19,286	18,026
Sale of discontinued operations (note 23)	-	(280)
Deferred tax expense in profit and loss account (note 11)	(4,141)	(882)
Deferred tax on the actuarial loss on the pension scheme charged to other comprehensive income	<u>2,454</u>	<u>2,422</u>
<b>At 31 December</b>	<u>17,599</u>	<u>19,286</u>

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.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	11,210	10,088
Other creditors	6,511	5,669
Taxation and social security	2,031	2,226
Corporation tax	2,734	2,736
Redeemable ordinary 'B' shares	-	900
Accruals and deferred income	30,687	26,627
	<u>53,173</u>	<u>48,246</u>

	<b>The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	93,915	42,986
Other creditors	264	-
Taxation and social security	40	-
Accruals and deferred income	326	-
	<u>94,545</u>	<u>42,986</u>

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

**21. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2017</b>
	<b>£000</b>
<b>The Group</b>	
At 1 January	2,125
Charged to the profit and loss account	4,180
Utilised or released during the year	<u>(486)</u>
<b>At 31 December</b>	<u><b>5,819</b></u>

Provisions of £5.8 million relate to the provision for onerous rental commitments of £2.1 million (2016: £1.3 million) at the main business premises, Number 10 Lower Thames Street, and other provisions of £3.5 million (2016: £195,000) and £185,000 (2016: £671,000) 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.

	<b>2017</b>
	<b>£000</b>
<b>The Company</b>	
At 1 January	-
Charged to the profit and loss account	<u>3,495</u>
<b>At 31 December</b>	<u><b>3,495</b></u>

Provisions of £3.5 million relate to the provision for onerous rental and property related commitments of 3.5 million (2016: £nil) at Selsdon Way, London. The remaining provisions are expected to be utilised during the period to 31 December 2022.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**22. OPERATING LEASE COMMITMENTS**

At 31 December 2017, the Group had total commitments under non-cancellable operating leases as follows:-

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>9,512</b>	10,478
Between two and five years	<b>39,969</b>	39,505
More than five years	<b><u>120,482</u></b>	<u>130,497</u>
	<b><u>169,963</u></b>	<u>180,480</u>

**23. 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. In 2016, sales proceeds of £352,000 and a profit on sale of discontinued operations of £228,000 were recorded.

At the Balance Sheet date, the profit on sale of discontinued operations was recalculated to include the actual performance in the year, together with the expected performance of Portland UK Holdings Limited and its subsidiaries in the year ending 31 December 2018. The directors have made the decision to recognise a reduction in the estimated sales proceeds of £108,000, meaning the total profit on sale of discontinued operations of £228,000 was revised to £120,000.

After the year end, the Group divested of its publishing and printing assets with the sale of its entire shareholding in Northern & Shell Network Limited, a subsidiary undertaking, to Trinity Mirror plc (note 29).

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**24. SHARE CAPITAL**

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2017 £000	2016 £000	2017 £000	2016 £000
110,000 Ordinary shares of £1 each	<b>110</b>	110	<b>110</b>	110

**25. 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 £10.4 million (2016: £10.3 million) into the 1988 Pension Fund, £563,000 (2016: £559,000) into the Senior Management Pension Fund and £2.8 million (2016: £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 £44.1 million towards the deficit in its defined benefit plans in the next financial year, including special contributions of £32.9 million and £8.8 million to be paid by Express Newspapers and West Ferry Printers Limited respectively, which were contingent on the sale of Northern & Shell Network Limited (note 29).

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 (2016: £1.4 million). At 31 December 2017, contributions of £117,000 were outstanding (2016: £116,000). These have been paid in full after the year end.

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Discount rate	2.60%	2.80%	3.80%
Rate of LPI increase in pensions in payment	3.10%-3.20%	3.20%-3.30%	3.00%-3.20%
Inflation assumption	2.10%	2.20%	2.00%

The mortality assumptions used in the calculation at 31 December 2017 were:

Express Newspapers 1988 Fund mortality:

“SAPS Series 2” base tables with year of birth projections and future improvements from a central year of 2007 in line with the CMI 2016 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 2016 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 2016 model and a long term rate of improvement of 1.25% per annum.

**NORTHERN & SHELL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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**25. 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:

	<b>Fair value at 2017 £000</b>	<b>Fair value at 2016 £000</b>
Equities	<b>188,886</b>	207,948
Gilts	<b>43,046</b>	84,096
Corporate bonds	<b>33,111</b>	15,950
Other	<b>440,864</b>	444,906
Total market value of assets	<b>705,907</b>	752,900
Present value of scheme liabilities	<b>(724,842)</b>	(770,585)
Deficit in the schemes	<b>(18,935)</b>	(17,685)
Irrecoverable surplus	<b>(10,516)</b>	(5,320)
Deficit in the schemes after irrecoverable surplus	<b>(29,451)</b>	(23,005)
Related deferred tax asset (note 19)	<b>5,007</b>	3,911
Net pension liability	<b>(24,444)</b>	(19,094)

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

	<b>2017 £000</b>	<b>2016 £000</b>
The actual return on assets over the period was:		
Return on assets	<b>17,826</b>	103,173

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**25. PENSION SCHEMES (Continued)**

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

<b>Operating profit</b>	<b>2017 £000</b>	<b>2016 £000</b>
Expenses paid	2,101	1,925
Settlements	5,893	-
Net interest on the net defined benefit liability	527	619
<b>Total expense</b>	<b>8,521</b>	<b>2,544</b>

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

	<b>2017 £000</b>	<b>2016 £000</b>
Administrative expenses	8,521	2,544

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

	<b>2017 £000</b>	<b>2016 £000</b>
Actuarial losses on the liabilities	(6,783)	(100,862)
Return on assets (excluding interest income)	(2,645)	78,068
Impact of surplus restrictions	188	558
Change in irrecoverable surplus	(5,196)	7,987
<b>Total remeasurement of the net defined benefit liability</b>	<b>(14,436)</b>	<b>(14,249)</b>

The total remeasurement loss of the net defined benefit liability to be shown in other comprehensive income of £14.4 million (2016: £14.2 million) relates to an actuarial loss on liabilities of £6.8 million, a return on assets (excluding interest income) loss of £2.6 million, an impact of surplus restrictions of £188,000, less £5.2 million for the change in irrecoverable surplus.

**NORTHERN & SHELL LIMITED**

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**25. PENSION SCHEMES (Continued)**

**Movements in defined benefit obligation during the year:**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Defined benefit obligation	<b>(724,842)</b>	(770,585)
Plan assets	<b>705,907</b>	752,900
Net pension liability	<b>(18,935)</b>	(17,685)
Irrecoverable surplus	<b>(10,516)</b>	(5,320)
Net pension liability after irrecoverable surplus	<b>(29,451)</b>	(23,005)

**Movements in present value of the defined benefit obligation:**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 January	<b>770,585</b>	679,673
Settlements	<b>(36,980)</b>	-
Interest expense	<b>20,810</b>	25,166
Remeasurement: actuarial loss	<b>6,783</b>	100,862
Benefits paid	<b>(36,356)</b>	(35,116)
At 31 December	<b>724,842</b>	770,585

**Movements in fair value of the scheme assets:**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 January	<b>752,900</b>	671,422
Settlements	<b>(42,873)</b>	-
Interest income on scheme assets	<b>20,471</b>	25,105
Remeasurement: return on assets (excluding interest income)	<b>(2,645)</b>	78,068
Contributions by employers	<b>16,450</b>	15,315
Net income	<b>61</b>	31
Benefits paid	<b>(36,356)</b>	(35,116)
Expenses paid	<b>(2,101)</b>	(1,925)
At 31 December	<b>705,907</b>	752,900

The deficit at the end of the year of £29.5 million (2016: £23.0 million) is after an irrecoverable surplus of £10.5 million (2016: £5.3 million). The deficit includes a remeasurement loss of £14.4 million (2016: £14.2 million) and is after recognising the impact of surplus restrictions of £118,000 (2016: £558,000) and allowance for the change in irrecoverable surplus of £5.2 million loss (2016: £8.0 million gain). The movements in defined benefit obligation and fair value of the scheme assets are before the irrecoverable surplus.



## **NORTHERN & SHELL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

#### **26. GUARANTEES AND CONTINGENT LIABILITIES**

At 31 December 2017, 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 \$1.6 million (sterling equivalent at 31 December 2017: £1.2 million) (2016: \$2.5 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, a subsidiary undertaking, acquired freehold interest in property for the total sum of £18.1 million, included in stock (note 16). Under the terms of the acquisition deed, further amounts may become due payable to the seller, a third party. Accordingly, as at 31 December 2017, 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 for the periods ending 31 December 2018 and 30 September 2018 respectively (note 27). The Company, irrevocably and unconditionally guarantees Health Lottery ELM Limited's obligations under the agreements.

#### **27. 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 for the periods ending 31 December 2018 and 30 September 2018 respectively (note 26).

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#### **28. 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 (2016: £6.9 million). No amounts were due to Badger Property Partners LLP as at 31 December 2017 (2016: £nil). After the year end, the lease was transferred from Express Newspapers to the Company.

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:

	<b>Media Services</b>		<b>Commitment</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
OpenRent Limited	-	-	355	355
My Single Friend Limited	338	480	597	935
Hochanda Limited	98	101	201	299
Friction Free Shaving Limited	409	-	341	-
	<b>845</b>	<b>581</b>	<b>1,494</b>	<b>1,589</b>

In 2016, Northern and Shell Finance Limited, a subsidiary undertaking, entered into a loan facility agreement with Tepilo Limited. The loan facility was for an initial amount of £2.5 million, charges interest at 15% and is repayable by February 2018. During the year, the loan facility was increased to £4.0 million and is repayable by February 2019. Amounts outstanding are included in debtors within amounts owed to related parties (note 17).

On 21 December 2017, Northern & Shell Ventures Limited disposed of its 39.0% shareholding in Tepilo Limited for a consideration of 38,366 ordinary shares in Tepilo Holdings Limited, a subsidiary undertaking. As at 31 December 2017, Tepilo Holdings Limited held 100% of the shareholding in Tepilo Limited, representing an indirect shareholding for the Group of 87.8%.

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.

#### **29. EVENTS AFTER THE REPORTING DATE**

On 28 February 2018, the Group divested of its publishing and printing assets with the sale of its entire shareholding in Northern & Shell Network Limited, a subsidiary undertaking, to Trinity Mirror plc (now renamed Reach plc) for a total consideration of £126.7 million (note 15).

#### **30. ULTIMATE CONTROLLING PARTY**

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