NORTHERN & SHELL PLC
(FORMERLY NORTHERN & SHELL LIMITED)

GROUP ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NORTHERN & SHELL PLC

ANNUAL REPORT

For the year ended 31 December 2018

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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

04086466 (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 PLC

STRATEGIC REPORT

For the year ended 31 December 2018

PRINCIPAL ACTIVITIES

Northern & Shell Plc 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, other investment interests and the exploitation and further development of intellectual property and media assets. During the year, the Group disposed of its publishing and printing interests (note 23).

With the exception of publishing and printing, 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 11.

On 28 February 2018, the Group sold its remaining publishing and printing assets to Trinity Mirror plc (now renamed Reach plc) for a total consideration of £128.0 million and profit on disposal of £106.9 million (note 23). With this sale, 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. As part of the cash consideration, the Group took a significant equity interest in Reach plc, which is now the largest commercial national and regional news publisher in the UK, including influential and iconic brands such as the Daily Mirror, Sunday Mirror, Sunday People, Daily Express, Sunday Express, Daily Star, Daily Star Sunday, Daily Record, Sunday Mail, market leading brands in key metropolitan markets across the country and paid-for celebrity brands: OK! and New!. With the 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 seventh 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 12 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 7 years in excess of £109.0 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 2,900 local health projects throughout England, Scotland and Wales which has directly aided more than half a million people. Among Charities that have benefitted are national charities, such as Scope, The Conservation Volunteers and Royal Voluntary Service, in addition to many local community projects such as Craigmillar Literacy Trust in Edinburgh, One Place East in Waltham Forest and Digging Deeside in Flintshire. Organisations interested in, or enquiring about, funding should apply to The Peoples Health Trust, 356 Holloway Road, London, N7 6PA and application forms are available at www.peopleshealthtrust.org.uk/apply-for-funding.

The directors take great pride in the philanthropic work that has been enabled through the efforts and activities of the Health Lottery and the truly positive effects that it has already had on so many people's lives in this country. However, this has been achieved at some considerable cost to the Group, which as at the end of 2018, has accumulated pre tax losses of £179.9 million on a total investment of £206.1 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.

In furtherance of that ambition the Group has extensively lobbied the Department for Digital, Culture, Media and Sport (DCMS) and individual MP's in connection with The Consultation on Society Lottery Reform which sets out the Government's proposal for changes to society lottery legislation. These proposals were informed largely by responses to Call for Evidence (December 2014 – March 2015) which proposes the easing of current restrictions regarding lottery prize limits. The Health Lottery, together with The Lotteries Council, has extensively evidenced the need for society lotteries to be able to compete in a market where other forms of gambling offer jackpots of tens of millions of pounds. An increase in the maximum jackpot allowed per draw from £25,000 to £1 million regardless of ticket sales would give lottery operators the scope to offer suitably attractive prize levels, which would in turn help

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)

generate additional monies for good causes each year. Without this increase there is a very real danger that many projects currently supported by society lottery-generated funds will close. We continue to lobby Government whilst we await the outcome of the consultation which is now expected later in 2019.

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 and is currently engaged in responding to a series of Intention to Apply Consultative questionnaires sent out by the Gambling Commission to intended bidders for the UK 4th National Lottery licence. Accordingly, the directors are encouraged by the potential of the 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 site on the Isle of Dogs in London. Having demolished the old printworks and associated buildings in 2017, the main focus of the site works during the year was the excavation of the common basement tub which was completed in February 2019. Work has now commenced in a package to deliver utilities diversion, surface water discharge and drainage across the site. These works are expected to be completed by the end of 2019.

In July 2018, the Group submitted to the London Borough of Tower Hamlets a new planning application for a comprehensive mixed-use redevelopment comprising 1,540 residential units (subsequently revised to 1,524 units), shops, offices, flexible workplaces, financial and professional services, restaurants, cafes and bars, community uses, car and cycle basement parking, associated landscaping, new public realm and all other necessary enabling works, in addition to providing a 1,200 place secondary school with extensive outdoor amenities and recreational sports facilities.

After many months of engaging with the local authority and the Greater London Authority, during which the statutory period for determining the application expired in November 2018, and with no visibility as to when the application would be put forward to the planning committee, the Group made the decision to appeal to the Planning Inspectorate against the non-determination of its application for the revised Westferry Printworks masterplan. The consequent hearing has now been scheduled for August 2019 with the subsequent planning determination to be made by the Secretary of State for Housing.

Naturally, the Group is disappointed with the delay. However, we remain committed to deliver on our promise to bring this significant development to fruition, providing over 1,500 much needed new homes for Londoners in what will be a vibrant new waterfront neighbourhood just minutes from Canary Wharf.

Aside from the hitherto irritating and unproductive planning inertia, the Group is pleased with the overall progress of the development works.

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

Under FRS 102, the Group's financial statements recognise a net pension liability of £nil at 31 December 2018 (2017: £24.4 million), after a net remeasurement loss of £4.1 million (2017: £12.0 million). During the year, the Group divested of its printing and publishing businesses, which included all of the Group's liabilities for its defined benefit pension schemes (notes 23 and 25).

The Group's net assets were £390.4 million at 31 December 2018 (2017: £338.1 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, lottery draw ticket sales, contribution by title, profitability by business segment, year on year variance analysis and cash flows.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

On behalf of the Board:

Mr. R. Sanderson
Director

Date: 12 June 2019

NORTHERN & SHELL PLC

DIRECTORS' REPORT

For the year ended 31 December 2018

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The Group recorded a profit before tax for the financial year of £55.1 million (2017: a loss of £5.5 million), after recording non-recurring overhead costs of £6.0 million (2017: £5.7 million), a share of operating losses for associates of £19.4 million (2017: £2.5 million) (note 15) and a profit on sale of discontinued operations of £117.7 million (2017: a loss of £108,000) (note 23).

The directors do not recommend the payment of a dividend (2017: £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 £7,000 (2017: £11,000).

Political donations were made during the year amounting to £nil (2017: £10,000).

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: 12 June 2019

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

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

For the year ended 31 December 2018

The directors are responsible for preparing the Annual Report, 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 PLC

OPINION

We have audited the financial statements of Northern & Shell Plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and 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 2018 and of the Group's profit 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.

THE IMPACT OF UNCERTAINTIES DUE TO THE UK EXITING THE EUROPEAN UNION ON OUR AUDIT

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL PLC

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: 12 June 2019

NORTHERN & SHELL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Notes	2018 £000	2017 * £000
TURNOVER	4	**47,581**	223,680
Continuing operations		**17,239**	40,280
Discontinued operations		**30,342**	183,400
	6	**47,581**	223,680
Cost of sales	6	**(12,634)**	(72,811)
GROSS PROFIT	6	**34,947**	150,869
Distribution costs	6	**(2,101)**	(13,324)
Administrative expenses	5/6	**(79,657)**	(142,248)
Other operating income	6	**-**	420
GROUP OPERATING LOSS		**(46,811)**	(4,283)
Continuing operations		**(43,671)**	(969)
Discontinued operations		**(3,140)**	(3,314)
	6	**(46,811)**	(4,283)
Share of operating loss of associates	15	**(19,422)**	(2,483)
Share of operating profit of joint ventures		**355**	760
TOTAL OPERATING LOSS	3/7	**(65,878)**	(6,006)
Profit/(loss) on sale of discontinued operations	23	**117,712**	(108)
Loss on deemed disposal of associate interest	15	**-**	(1,010)
Dividend income from investments	15	**1,528**	-
Other interest receivable and similar income	9	**1,776**	1,662
Interest payable and similar charges	10	**(71)**	(32)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**55,067**	(5,494)
Tax on profit/(loss) on ordinary activities	11	**1,795**	(4,266)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**56,862**	(9,760)
Profit/(loss) attributable to:			
Shareholders of the parent company		**57,404**	(9,753)
Non-controlling interest		**(542)**	(7)
TOTAL PROFIT/(LOSS)		**56,862**	(9,760)

* 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 18 to 51 form an integral part of these financial statements.

NORTHERN & SHELL PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Profit/(loss) for the financial year		**56,862**	(9,760)
OTHER COMPREHENSIVE INCOME			
Remeasurement of the net defined benefit pension liability		**(4,992)**	(14,436)
Movement on deferred tax relating to net defined benefit pension liability		**848**	2,454
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(4,144)**	(11,982)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**52,718**	(21,742)
Total comprehensive income attributable to:			
Shareholders of the parent company		**53,260**	(21,735)
Non-controlling interest		**(542)**	(7)
TOTAL COMPREHENSIVE INCOME		**52,718**	(21,742)

The notes on pages 18 to 51 form an integral part of these financial statements.

NORTHERN & SHELL PLC

CONSOLIDATED BALANCE SHEET as at 31 December 2018

	Notes	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	13	**1,930**	8,220
Tangible assets	14	**12,329**	56,677
Investments:	15		
Interests in joint ventures			
Share of gross assets		**-**	1,814
Share of gross liabilities		**-**	(1,365)
		-	449
Investments in associates		**1,030**	1,715
Other investments		**19,496**	404
		20,526	2,568
		34,785	67,465
CURRENT ASSETS			
Stocks	16	**69,705**	58,425
Debtors	17	**76,757**	42,970
Current asset investments	18	**168,956**	171,059
Cash at bank and in hand		**60,225**	86,635
		375,643	359,089
CREDITORS: amounts falling due within one year	20	**(16,664)**	(53,173)
NET CURRENT ASSETS		**358,979**	305,916
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,764**	373,381
PROVISIONS FOR LIABILITIES AND CHARGES	21	**(3,393)**	(5,819)
NET ASSETS excluding pension liability		**390,371**	367,562
PENSION LIABILITY	25	**-**	(29,451)
NET ASSETS including pension liability		**390,371**	338,111
CAPITAL AND RESERVES			
Called up share capital	24	**110**	110
Other reserves		**3,860**	3,860
Profit and loss account		**386,401**	334,689
Equity attributable to the parent's shareholders		**390,371**	338,659
Non-controlling interest		**-**	(548)
TOTAL SHAREHOLDERS' FUNDS		**390,371**	338,111

The notes on pages 18 to 51 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: 12 June 2019

Company registered number: 04086466

NORTHERN & SHELL PLC

COMPANY BALANCE SHEET as at 31 December 2018

	Notes	2018 £000	2017 £000
FIXED ASSETS			
Tangible assets	14	**10,596**	-
Investments	15	**228,515**	262,269
		239,111	262,269
CURRENT ASSETS			
Debtors	17	**146,650**	55,299
Cash at bank and in hand		**36,133**	301
		182,783	55,600
CREDITORS: amounts falling due within one year	20	**(133,228)**	(94,545)
NET CURRENT ASSETS/(LIABILITIES)		**49,555**	(38,945)
TOTAL ASSETS LESS CURRENT LIABILITIES		**288,666**	223,324
PROVISIONS FOR LIABILITIES AND CHARGES	21	**(54,469)**	(3,495)
NET ASSETS		**234,197**	219,829
CAPITAL AND RESERVES			
Called up share capital	24	**110**	110
Profit and loss account		**234,087**	219,719
TOTAL SHAREHOLDERS' FUNDS		**234,197**	219,829

The notes on pages 18 to 51 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: 12 June 2019

Company registered number: 04086466

NORTHERN & SHELL PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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	**360,394**	-	**360,394**
Total comprehensive income for the year:						
Loss for the year	-	-	(9,753)	**(9,753)**	(7)	**(9,760)**
Other comprehensive income	-	-	(11,982)	**(11,982)**	-	**(11,982)**
Total comprehensive income for the year	-	-	(21,735)	**(21,735)**	(7)	**(21,742)**
Transactions with the owners of the Company – changes in ownership interests:						
Increase in ownership in subsidiary	-	-	-	**-**	(541)	**(541)**
Transactions with the owners of the Company	**-**	**-**	**-**	**-**	(541)	**(541)**
Balance at 31 December 2017	**110**	**3,860**	**334,689**	**338,659**	**(548)**	**338,111**

	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 2018	110	3,860	334,689	**338,659**	(548)	**338,111**
Total comprehensive income for the year:						
Profit/(loss) for the year	-	-	57,404	**57,404**	(542)	**56,862**
Other comprehensive income	-	-	(4,144)	**(4,144)**	-	**(4,144)**
Total comprehensive income for the year	-	-	53,260	**53,260**	(542)	**52,718**
Transactions with the owners of the Company – changes in ownership interests:						
Increase in ownership in subsidiary	-	-	(1,548)	**(1,548)**	1,548	**-**
Disposal of subsidiary	-	-	-	**-**	(458)	**(458)**
Transactions with the owners of the Company	**-**	**-**	(1,548)	**(1,548)**	1,090	**(458)**
Balance at 31 December 2018	**110**	**3,860**	**386,401**	**390,371**	**-**	**390,371**

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 18 to 51 form an integral part of these financial statements.

NORTHERN & SHELL PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Called up Share capital £000	Profit and loss account £000	Total equity £000
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)
Balance at 31 December 2017	**110**	**219,719**	**219,829**

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	110	219,719	219,829
Total comprehensive income for the year:			
Profit for the year	-	14,368	14,368
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	14,368	14,368
Balance at 31 December 2018	**110**	**234,087**	**234,197**

The notes on pages 18 to 51 form an integral part of these financial statements.

NORTHERN & SHELL PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	2018 £000	2017 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year	**56,862**	(9,760)
Adjustments for:		
Amortisation of intangible assets	**619**	1,117
Depreciation of tangible assets	**2,006**	7,182
Impairment of tangible assets	**-**	597
Interest receivable and similar income	**(1,776)**	(1,662)
Interest payable and similar charges	**71**	32
Loss on disposal of tangible assets	**463**	-
(Profit)/loss on sale of discontinued operations	**(117,712)**	108
Pension cash contributions in excess of pension cost	**(2,205)**	(7,990)
Share of loss from associate undertakings	**19,422**	2,483
Loss on deemed disposal of associate undertaking	**-**	1,010
Share of profit from joint ventures	**(355)**	(760)
Dividend income	**(1,528)**	-
Loss/(gain) on revaluation of current asset investments	**6,056**	(11,706)
Loss on revaluation of other investments - listed	**2,954**	-
Taxation	**(1,795)**	4,266
Interest received	**1,672**	1,389
Interest paid	**(71)**	(1)
Increase in stocks	**(12,733)**	(9,966)
(Increase)/decrease in debtors	**(4,335)**	6,045
Decrease in creditors	**(11,843)**	(403)
(Decrease)/increase in provisions	**(2,317)**	3,694
Taxation paid	**(15)**	(40)
NET CASH USED IN OPERATING ACTIVITIES	**(66,560)**	(14,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	**(2,402)**	(2,353)
Contributions to associates	**-**	(2,750)
Acquisition of other investments	**(2,050)**	-
Dividends received	**1,942**	503
Proceeds from sale of discontinued operations	**46,613**	75
Investment in current asset investments	**(152,219)**	(219,911)
Proceeds from current asset investments	**148,266**	295,505
NET CASH FROM INVESTING ACTIVITIES	**40,150**	71,069
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of shares in associate undertaking	**-**	(57)
NET CASH FROM FINANCING ACTIVITIES	**-**	(57)
NET (DECREASE)/ INCREASE IN CASH AT BANK AND IN HAND	**(26,410)**	56,647
CASH AT BANK AND IN HAND AT 1 JANUARY	**86,635**	29,988
CASH AT BANK AND IN HAND AT 31 DECEMBER	**60,225**	86,635

The notes on pages 18 to 51 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

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

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

a) Basis of accounting

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

b) Going Concern

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

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

The Company and its subsidiaries are seen as significant market participants in their industries and the directors feel that they are well placed to build on their established activities 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

Current asset investments are measured at fair value with the resultant gains or losses taken to the profit and loss account. Net gains and losses from current asset investments includes realised and unrealised fair value changes and foreign exchange gains and losses but excludes interest and dividend income.

Dividend income is recognised in the profit and loss account on the date at which the right to receive payment is established.

Turnover from online estate agency transactions are accounted for as revenue when, and to the extent that, the Group obtains a right to consideration in exchange for its performance of its obligations under the sales contract with the customer. Fees earned on instruction of residential property are accounted for at the point of publication of the advert to the property portals, the point at which the Group's obligations are complete.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

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

g) Tangible fixed assets

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

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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 Group's contractual obligations expire or are discharged or cancelled.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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% (2017: 17%).

o) 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 in the profit and loss account 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

p) Employee benefits

Defined benefit plans:

The Group participated 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. During the year, the Group divested of its printing and publishing businesses, which included all of the Group's liabilities for its defined benefit pension schemes (notes 23 and 25).

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.

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 its online estate agency interests entering into administration during the year (notes 15 and 23).

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, provisions for liabilities and charges 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.

3. SEGMENTAL ANALYSIS

The Group's turnover and profit/(loss) before taxation arise principally from its publishing and printing, lottery management, property development and other investment activities. During the year, the Group disposed of its publishing and printing activities (note 23).

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

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

	P&P (D)	B – O (D)	LM	P & O	P & O (D)	TOTAL
	2018	2018	2018	2018	2018	2018
	£000	£000	£000	£000	£000	£000
TURNOVER						
Turnover gross	30,141	-	17,627	(388)	1,782	**49,162**
Inter-segment sales	(1,581)	-	-	-	-	**(1,581)**
Third party sales	28,560	-	17,627	(388)	1,782	**47,581**
OPERATING (LOSS)/PROFIT	**3,361****	**-**	**(23,291)**	**(41,411)**	**(4,537)****	**(65,878)**
Profit on sale of discontinued operations (note 23)	-	4	-	117,708	-	**117,712**
Dividend income from listed investments	-	-	-	1,528	-	**1,528**
	3,361	**4**	**(23,291)**	**77,825**	**(4,537)**	**53,362**
Common costs – net interest receivable						**1,705**
Profit on ordinary activities before taxation						**55,067**

	P&P (D)	B – O (D)	LM	P & O	P & O (D)	TOTAL
	2017	2017	2017	2017 *	2017 *	2017
	£000	£000	£000	£000	£000	£000
TURNOVER						
Turnover gross	192,400	-	26,551	13,788	57	**232,796**
Inter-segment sales	(9,057)	-	-	(59)	-	**(9,116)**
Third party sales	183,343	-	26,551	13,729	57	**223,680**
OPERATING (LOSS)/PROFIT	**7,799****	**-**	**(20,546)**	**6,813**	**(72)****	**(6,006)**
Loss on sale of discontinued operations (note 23)	-	(108)	-	-	-	**(108)**
Loss on deemed disposal of associate interest	-	-	-	(1,010)	-	**(1,010)**
	7,799	**(108)**	**(20,546)**	**5,803**	**(72)**	**(7,124)**
Common costs – net interest receivable						**1,630**
Loss on ordinary activities before taxation						**(5,494)**

3. SEGMENTAL ANALYSIS (Continued)

The common costs are the sum of other interest receivable and similar income of £1.8 million (2017: £1.7 million) and interest payable and similar charges of £71,000 (2017: £32,000).

* 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:

	2018 £000	2017 * £000
Segmental operating profit - P&P (D)	**3,361**	7,799
Segmental operating loss - P & O (D)	**(4,537)**	(72)
	(1,176)	7,727
Inter-segment transactions	**(1,609)**	(10,281)
Share of operating profit of joint ventures	**(355)**	(760)
Operating loss per analysis of discontinued operations (note 6)	**(3,140)**	(3,314)

The abbreviations used above relate to the following segments:

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

Net operating assets (including pension deficit)	2018 £000	2017 * £000
Publishing and printing (discontinued)	**-**	82,075
Lottery management	**(165,423)**	(145,581)
Property development and other	**297,639**	122,366
Property development and other (discontinued)	**-**	4,124
	132,216	62,984
Reconciliation of net operating assets to net assets		
Net operating assets	**132,216**	62,984
Investments (note 15)	**20,526**	2,568
Corporation tax (note 20)	**-**	(2,734)
Deferred tax – asset (note 19)	**8,448**	17,599
Current asset investments (including cash balances held on deposit – note 18)	**168,956**	171,059
Cash at bank and in hand	**60,225**	86,635
	390,371	338,111

4. TURNOVER

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

	2018 £000	2017 £000
Provision of services	**13,747**	61,257
Sale of goods	**32,034**	138,875
Royalties	**509**	3,135
Commission	**1,288**	3,179
Rental income	**5,465**	3,143
Dividend income	**428**	1,164
Net (loss)/gain from current asset investments	**(6,056)**	11,706
Other income	**166**	1,221
Total Group Turnover	**47,581**	223,680

5. ADMINISTRATIVE EXPENSES

	2018 £000	2017 £000
Chairman's emoluments	**495**	284
Other administrative expenses	**79,162**	141,964
	79,657	142,248

6. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2018 Continuing Operations £000	2018 Discontinued Operations £000	2018 Total £000	2017 * Continuing Operations £000	2017 * Discontinued Operations £000	2017 Total £000
Group turnover	17,239	30,342	**47,581**	40,280	183,400	**223,680**
Cost of sales	-	(12,634)	**(12,634)**	-	(72,811)	**(72,811)**
Gross profit	17,239	17,708	**34,947**	40,280	110,589	**150,869**
Distribution costs	-	(2,101)	**(2,101)**	-	(13,324)	**(13,324)**
Administrative expenses	(60,910)	(18,747)	**(79,657)**	(41,249)	(100,999)	**(142,248)**
Other operating income	-	-	**-**	-	420	**420**
Group operating loss	(43,671)	(3,140)	**(46,811)**	(969)	(3,314)	**(4,283)**

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

7. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax is stated after charging/(crediting):		
Depreciation – owned assets (note 14)	**2,006**	7,182
Impairment losses on tangible assets (note 14)	**-**	597
Loss on disposal of tangible assets (note 14)	**463**	-
Amortisation of goodwill – acquisitions (note 13)	**619**	1,117
Amortisation of goodwill – associates (note 15)	**1,377**	479
Impairment of investment in associates (note 15)	**12,598**	-
Impairment of amounts due from related parties (note 28)	**3,069**	-
Loss on revaluation - other investments (note 15)	**2,954**	-
Redundancy costs	**51**	317
Operating lease rentals – other	**35**	303
Operating lease rentals – land and buildings	**7,973**	8,930
Operating lease rentals – other income	**(5,308)**	(2,522)
Foreign exchange (gain)/loss	**(2)**	2

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:

	2018 £000	2017 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**41**	30
Other services		
Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation	**109**	319
Other services provided pursuant to such legislation	**18**	63
Transaction services	**70**	344

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2018 £000	2017 £000
Emoluments	**5,175**	1,562
Company contributions to money purchase pension schemes	**18**	25
	5,193	1,587

Pension benefits are accruing to two directors under money purchase pension schemes (2017: four directors).

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

	2018 £000	2017 £000
Emoluments	**1,247**	327
Company contributions to money purchase pension schemes	**-**	8
	1,247	335

(b) Staff costs (including directors)

	2018 £000	2017 £000
Wages and salaries	**12,710**	44,430
Social security costs	**1,508**	4,987
Contributions to defined contribution plans	**300**	1,399
Expenses related to defined benefit plans (net of other income) (note 25)	**466**	1,118
	14,984	51,934

Average number of people employed by activity:	2018 Number	2017 Number
Production	**76**	454
Selling and distribution	**16**	101
Administration	**70**	137
	162	692

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Bank and term deposit interest receivable	**1,712**	1,173
Other interest receivable	**64**	489
	1,776	1,662

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Other interest payable	**71**	32

11. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2018 £000	2017 £000
Current tax		
UK corporation tax on profit/(loss) for the year at 19.0% (2017: 19.25%)	**13**	38
Foreign taxes suffered	**15**	38
Double taxation relief on profit/(loss) on ordinary activities	**(13)**	(38)
Share of Joint Venture taxation	**54**	87
Total current tax expense	**69**	125
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	**(3,086)**	2,732
Adjustments in respect of previous periods	**847**	51
Total deferred tax (income)/expense excluding deferred tax on pension liability (note 19)	**(2,239)**	2,783
Deferred tax on pension liability – recognised in profit and loss account	**375**	1,358
Deferred tax on pension liability – recognised in other comprehensive income	**(848)**	(2,454)
Total deferred tax (income)/expense (note 19)	**(2,712)**	1,687
Tax on (profit)/loss on ordinary activities	**(2,643)**	1,812

Total tax analysed as:

	2018 Current Tax £000	2018 Deferred Tax £000	2018 Total Tax £000	2017 Current Tax £000	2017 Deferred Tax £000	2017 Total Tax £000
Recognised in profit and loss account	**69**	**(1,864)**	**(1,795)**	125	4,141	4,266
Recognised in other comprehensive income	**-**	**(848)**	**(848)**	-	(2,454)	(2,454)
Total tax	**69**	**(2,712)**	**(2,643)**	125	1,687	1,812

11. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (Continued)

The tax assessed for the year differs from the rate of 19.0% (2017: 19.25%) and the differences are explained below:

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax	**55,067**	(5,494)
Profit/(loss) on ordinary activities multiplied by the rate of 19.0% (2017: 19.25%)	**10,463**	(1,058)
Effects of:		
Net effect of expenses not deductible for tax and income not subject to tax	**2,477**	1,801
Excess of depreciation over capital allowances and other timing differences	**612**	95
Adjustments in respect of previous periods	**847**	51
Profits subject to lower level of overseas tax	**(14)**	(59)
Non tax deductible goodwill amortisation and other permanent differences	**379**	307
Deferred tax assets not recognised	**5,494**	3,649
Profit on disposal of subsidiary undertaking not subject to tax	**(22,366)**	-
Impact of tax rate changes	**313**	(520)
Total tax (income)/expense included in profit or loss	**(1,795)**	4,266

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 2018 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 £91.0 million (2017: £202.1 million) available to carry forward against future profits. Whilst the Group expects to be able to benefit from tax losses carried forward, a deferred tax asset has only been recognised in respect of £5.3 million (2017: £34.0 million) of the available losses as future benefit is not certain. The Group expects to be able to benefit from tax losses carried forward in the period to 2027.

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 profit for the year amounted to £14.4 million (2017: a loss of £26.2 million), after a provision against amounts owed by group companies of £35.8 million (2017: £22.9 million), a charge for fixed asset investments impairment losses of £22.3 million (2017: £nil) (note 15), a profit on disposal of fixed asset investments of £80.0 million (2017: £nil) and receiving dividends of £3.6 million (2017: £nil) from group undertakings and £1.5 million (2017: £nil) from fixed asset investments respectively.

13. INTANGIBLE ASSETS

	Goodwill £000
THE GROUP	
Cost:	
At 1 January 2018	45,468
Disposals	(41,480)
At 31 December 2018	**3,988**
Amortisation:	
At 1 January 2018	37,248
Charge for the year	619
Disposals	(35,809)
At 31 December 2018	**2,058**
Net book amounts:	
At 31 December 2018	**1,930**
At 31 December 2017	8,220

During the year, the Group sold its entire shareholding in Northern & Shell Network Limited and Tepilo Holdings Limited. Accordingly, the unamortised goodwill of £1.9 million arising on the acquisition of Express Newspapers and West Ferry Printers Limited, both subsidiary undertakings of Northern & Shell Network Limited, and £3.9 million arising on the disposal of Tepilo Limited, a subsidiary of Tepilo Holdings Limited, was charged to the profit and loss account in the year as part of the accounting for the sale of discontinued operations.

14. TANGIBLE ASSETS

	Land and Buildings £000	Motor Vehicles, Plant and Machinery £000	Fixtures, Fittings and Office Equipment £000	Assets Under Construction £000	Total £000
THE GROUP					
Cost/valuation:					
At 1 January 2018	73,098	82,816	32,368	-	188,282
Additions	792	7	487	1,116	2,402
Disposals	(43,459)	(82,823)	(26,013)	-	(152,295)
At 31 December 2018	**30,431**	**-**	**6,842**	**1,116**	**38,389**
Depreciation:					
At 1 January 2018	45,501	57,310	28,794	-	131,605
Charge for the year	1,068	322	616	-	2,006
Disposals	(26,639)	(57,632)	(23,280)	-	(107,551)
At 31 December 2018	**19,930**	**-**	**6,130**	**-**	**26,060**
Net book amounts:					
At 31 December 2018	**10,501**	**-**	**712**	**1,116**	**12,329**
At 31 December 2017	27,597	25,506	3,574	-	56,677

14. TANGIBLE ASSETS (Continued)

Land and buildings includes the following assets at net book value as at 31 December 2018:

- freehold land and buildings £nil (2017: £nil).
- short leasehold buildings £10.7 million (2017: £27.6 million).

As at 31 December 2018, the net book value of assets acquired under finance leases was £nil (2017: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2017: £nil).

Disposals include assets with a cost of £134.6 million and accumulated depreciation of £90.3 million, representing a net book value of £44.3 million, which were disposed of as part of the sale of discontinued operations in the year (note 23).

	Land and Buildings	Fixtures, Fittings and Office Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
THE COMPANY				
Cost/valuation:				
At 1 January 2018	-	-	-	-
Additions	9,893	168	1,116	11,177
At 31 December 2018	**9,893**	**168**	**1,116**	**11,117**
Depreciation:				
At 1 January 2018	-	-	-	-
Charge for the year	559	22	-	581
At 31 December 2018	**559**	**22**	**-**	**581**
Net book amounts:				
At 31 December 2018	**9,334**	**146**	**1,116**	**10,596**
At 31 December 2017	-	-	-	-

Land and buildings includes the following assets at net book value as at 31 December 2018:

- freehold land and buildings £nil (2017: £nil).
- short leasehold buildings £9.3 million (2017: £nil).

As at 31 December 2018, the net book value of assets acquired under finance leases was £nil (2017: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2017: £nil).

During the year, land and buildings with a net book value of £9.0 million were transferred to the Company at fair value from a group undertaking.

Assets under construction relate to leasehold improvements of £1.1 million and IT development of £8,000.

15. FIXED ASSET INVESTMENTS

THE GROUP

	2018 £000	2017 £000
Investments in joint ventures	**-**	449
Investments in associates	**1,030**	1,715
Other investments - Listed	**17,046**	-
Other investments - Unlisted	**2,450**	404
	20,526	2,568

Investment in joint ventures

	£000	£000
At 1 January - net assets	**449**	280
- goodwill (gross)	**9,856**	9,856
	10,305	10,136
Share of profit	**301**	672
Movement in profit and loss reserves	**(414)**	(503)
	(113)	169
Sale of joint ventures	**(10,192)**	-
At 31 December - net assets	**-**	449
- goodwill (gross)	**-**	9,856
	-	10,305
Aggregate amortisation of goodwill		
At 1 January	**(9,856)**	(9,856)
Sale of joint ventures	**9,856**	-
At 31 December	**-**	(9,856)
Net book amount at 31 December		
Net assets	**-**	449
Goodwill	**-**	-
	-	449

Summary of joint venture net assets	£000	£000
Share of fixed assets	**-**	195
Share of current assets	**-**	1,619
Share of gross assets	**-**	1,814
Share of liabilities		
Due within one year	**-**	(1,365)
Share of gross liabilities	**-**	(1,365)
Net assets	**-**	449

15. FIXED ASSET INVESTMENTS (Continued)

On 6 February 2018, 500 ordinary E shares of €1.27 each, comprising 50% of the share capital of Independent Star Limited, were transferred from Express Newspapers, a former subsidiary undertaking, to the Company at fair value for a consideration of £4.5 million. On 5 December 2018, the Company disposed of its entire shareholding in Independent Star Limited for a consideration of £4.5 million (note 23).

For the year ended 31 December 2018, 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.

Investment in associates

At 31 December 2018, the Group held interests in the following associate undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
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
Emoov Limited	Ordinary	45	United Kingdom	Online estate agency
Tepilo Holdings Limited	Ordinary	45	United Kingdom	Online estate agency
Tepilo Limited	Ordinary	45	United Kingdom	Online estate agency

OpenRent Limited is incorporated in the United Kingdom, with a registered office at New Bridge Street House, 30-34 New Bridge Street, London, EC4V 6BJ. There were no changes in ownership or class of shares held during the year.

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

Friction Free Shaving Limited is incorporated in the United Kingdom, with a registered office at Unit 4 Bettys Lane, Norton Canes, Cannock, WS11 9UU. There were no changes in ownership or class of shares held during the year.

Emoov Limited is incorporated in the United Kingdom, with a registered office at The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP. During the year, the Group disposed of its shares in Tepilo Holdings Limited for a consideration of shares in Emoov Limited.

Tepilo Holdings Limited is incorporated in the United Kingdom, with a registered office at The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP.

Tepilo Limited is incorporated in the United Kingdom, with a registered office at The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP.

	OpenRent Limited	My Single Friend Limited	Friction Free Shaving Limited	Emoov Limited	Total
	£000	£000	£000	£000	£000
Share of profit/(loss) for the year	(224)	-	(212)	(5,011)	**(5,447)**
Goodwill amortisation	(121)	-	(128)	(1,128)	**(1,377)**
Impairment in investment in associates	-	-	-	(12,598)	**(12,598)**
	(345)	-	(340)	(18,737)	**(19,422)**

15. FIXED ASSET INVESTMENTS (Continued)

On 30 May 2018, Northern & Shell Ventures Limited, a subsidiary undertaking, subscribed for 20,326 ordinary shares of £1 each in the capital of Tepilo Holdings Limited for a total consideration of £8.4 million. On the same date, Northern & Shell Ventures Limited disposed of its 87.8% shareholding in Tepilo Holdings Limited for a consideration of 65,545,571 B ordinary shares of £0.00001 each in the capital of Emoov Limited. The B ordinary shares rank pari passu in all respects with the existing B ordinary shares of £0.00001 each in the capital of Emoov Limited. As at 31 December 2018, Emoov Limited held 100% of the shareholding in Tepilo Holdings Limited and Tepilo Limited, representing an indirect shareholding for the Group of 45.38%. On 3 December 2018, Tepilo Limited, Tepilo Holdings Limited and Emoov Limited were entered into administration.

In 2017, Northern & Shell Ventures Limited 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. 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 were accounted for as subsidiary undertakings as at 31 December 2017. 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.

In 2017, 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.

Other investments

During the year, Northern & Shell Ventures Limited also subscribed for 1,502,403 ordinary shares of £1 each in the capital of Denmark Square Limited for a total consideration of £1.0 million and for 67,486 ordinary shares of £1 each in the capital of The Cheeky Panda Limited for a total consideration of £1.0 million. These investments have been recognised within Fixed Asset Investments: Other investments – Unlisted.

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 Reach plc (formerly Trinity Mirror plc) for a total consideration of £123.0 million (note 23). The total consideration included £20.0 million of shares in Reach plc. The fair value of the shares at the Balance Sheet date was £17.0 million. These investments have been recognised within Fixed Asset Investments: Other investments – Listed.

During the year, the Group received dividends from Reach plc of £1.5 million (2017: £nil).

15. FIXED ASSET INVESTMENTS (Continued)

THE COMPANY

	2018 £000	2017 £000
Investments in subsidiaries	**211,469**	262,269
Other investments - Listed	**17,046**	-
	228,515	262,269

Shares in group undertakings

	2018 £000	2017 £000
Cost:		
At 1 January	**277,376**	257,030
Additions	**29,687**	20,346
Return of cost on investment	**(15,240)**	-
Disposals	**(42,994)**	-
At 31 December	**248,829**	277,376
Provision for impairment:		
At 1 January	**15,107**	15,107
Impairment losses	**22,253**	-
At 31 December	**37,360**	15,107
Net book amounts:		
At 31 December	**211,469**	262,269

On 10 January 2018, the Company subscribed for 100 ordinary shares of £1.00 each in the capital of International Distribution 2018 Limited, a subsidiary undertaking, for a total consideration of £100. On 5 December 2018, the Company disposed of its entire shareholding in International Distribution 2018 Limited for a consideration of £500,000 (note 23).

On 28 February 2018, the Company disposed of its entire shareholding in Northern & Shell Network Limited, a subsidiary undertaking, for a consideration of £123.0 million (note 23).

On 23 November 2018, 3 ordinary A shares of £1.00 each and 5 ordinary B shares of £1.00 each, comprising the entire issued share capital of NS Jersey Finance Limited, were transferred from Portland Media Group UK Limited, a subsidiary undertaking, to the Company at fair value for a consideration of £10.8 million.

On the same date, the Company also subscribed for 2 ordinary shares of £1.00 each in the capital of Sorse Distribution Limited for a total consideration of £365,000, 2 ordinary shares of £1.00 each in the capital of Northern & Shell Group Limited for a total consideration of £2.5 million and 2 ordinary shares of £1.00 each in the capital of Portland Media Group Limited for a total consideration of £16.0 million.

During the year, the Company received dividend income of £15.1 million from Portland Media Group Limited, a subsidiary undertaking. The dividend income is presented in the financial statements by way of a return of cost on investment of £15.0 million and dividend income of £111,000 in the profit and loss account. The return of cost on investment represents the permanent diminution of value generated by the payment of the dividend from its subsidiary undertaking of £15.1 million.

The Company also received dividend income of £106,000 from LTS Contractors Limited, a subsidiary undertaking. The dividend income is presented in the financial statements by way of a return of cost on investment of £106,000 and dividend income of £nil in the profit and loss account. The return of cost on investment represents the permanent diminution of value generated by the payment of the dividend from its subsidiary undertaking of £106,000.

15. FIXED ASSET INVESTMENTS (Continued)

The Company also received dividend income of £154,000 from Northern & Shell Investments Limited, a subsidiary undertaking. The dividend income is presented in the financial statements by way of a return of cost on investment of £127,000 and dividend income of £27,000 in the profit and loss account. The return of cost on investment represents the permanent diminution of value generated by the payment of the dividend from its subsidiary undertaking of £154,000.

In 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 former subsidiary undertaking, 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 former subsidiary undertaking, 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, at fair value for a consideration of £107,000.

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 £22.3 million (2017: £nil) 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% (2017: 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.

In relation to the lottery division, the directors have given consideration to a number of factors in addition to the above, including the attributable value for their infrastructure and distribution network, the expectation for an easing of current restrictions regarding lottery prize limits following consultation on Society Lottery Reform and also the stated intention of the Company's subsidiaries to bid for the next UK National Lottery licence.

The Group is fully committed to the future success and longevity of The Health Lottery. However, due to uncertainty around some of the factors outlined above, including the outcome of the consultation on Society Lottery Reform and the timing of any outcome, there is ultimately uncertainty over the future forecasts and strategy of The Health Lottery. Therefore, in carrying out their impairment review, the directors have prepared a range of forecasts covering several different strategies. The forecasts give a range of recoverable values but based on the available evidence and taking a balanced valuation, the directors consider that the investment's recoverable amount is greater than its carrying amount and consequently no impairment is considered necessary.

15. FIXED ASSET INVESTMENTS (Continued)

At 31 December 2018, the Company held interests in the following subsidiary undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
Northern & Shell Ventures Limited	Ordinary	100	United Kingdom	Media assets exploitation
LTS Contractors Limited *	Ordinary	100	United Kingdom	Dormant
LTS Rentals Limited	Ordinary	100	United Kingdom	Letting of office space
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
The Great British Lottery Company Limited	Ordinary	100	United Kingdom	Dormant

* Denotes the company entered into members' voluntary liquidation on 6 December 2018
** Denotes the company entered into members' voluntary liquidation on 13 December 2018

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

Investment in joint ventures

On 6 February 2018, 500 ordinary E shares of €1.27 each, comprising 50% of the share capital of Independent Star Limited, were transferred from Express Newspapers, a former subsidiary undertaking, to the Company at fair value for a consideration of £4.5 million. On 5 December 2018, the Company disposed of its entire shareholding in Independent Star Limited for a consideration of £4.5 million (note 23).

During the year, the Company received dividends from Independent Star Limited of £414,000 (2017: £nil).

15. FIXED ASSET INVESTMENTS (Continued)

Other investments

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 Reach plc (formerly Trinity Mirror plc) for a total consideration of £123.0 million (note 23). The total consideration included £20.0 million of shares in Reach plc. The fair value of the shares at the Balance Sheet date were £17.0 million. These investments have been recognised within Fixed Asset Investments: Other investments – Listed.

During the year, the Company received dividends from Reach plc of £1.5 million (2017: £nil).

16. STOCKS

	2018 £000	2017 £000
Raw materials and consumables	**-**	1,451
Work in progress	**69,705**	56,974
	69,705	58,425

Movements in work in progress:

	2018 £000
At 1 January	56,974
Additions	12,731
At 31 December	**69,705**

Work in progress is expected to be recoverable during the period in more than one year.

17. DEBTORS

	The Group	
	2018 £000	2017 £000
Trade debtors	**588**	10,586
Other debtors	**2,753**	3,593
Prepayments and accrued income	**64,968**	11,192
Deferred tax asset (note 19)	**8,448**	17,599
	76,757	42,970

	The Company	
	2018 £000	2017 £000
Trade debtors	**240**	73
Amounts owed by group undertakings	**82,871**	54,776
Amounts owed by group undertakings with respect to group relief	**-**	149
Other debtors	**16**	67
Prepayments and accrued income	**63,523**	234
	146,650	55,299

Amounts owed by group undertakings carry interest at 2.0% 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.

18. CURRENT ASSET INVESTMENTS

	The Group	
	2018	**2017**
	£000	**£000**
Bonds	**13,162**	5,744
Listed investments	**114,092**	141,967
Unlisted investments	**11,702**	10,848
Cash on deposit	**30,000**	12,500
	168,956	171,059

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:

	The Group	
	2018	**2017**
	£000	**£000**
At 1 January	**171,059**	234,947
Additions	**152,219**	219,911
Disposals	**(148,266)**	(295,505)
(Loss)/gain on revaluation	**(6,056)**	11,706
At 31 December	**168,956**	171,059

19. DEFERRED TAX ASSET

	£000
At 1 January 2018	**17,599**
Credited to the profit and loss account (note 11)	**1,864**
Recognised in other comprehensive income (note 11)	**848**
Sale of discontinued operations	**(11,863)**
At 31 December 2018	**8,448**

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

	2018 £000	2017 £000
Deferred tax recognised including deferred tax on pension liability		
Accelerated capital allowances	**7,780**	8,248
Other timing differences	**(238)**	(1,432)
Losses	**906**	5,776
Deferred tax excluding that relating to pension liability	**8,448**	12,592
Deferred tax on pension liability (note 25)	**-**	5,007
Total deferred tax asset recognised	**8,448**	17,599
1 January	**17,599**	19,286
Sale of discontinued operations (note 23)	**(11,863)**	-
Deferred tax credit/(expense) in profit and loss account (note 11)	**1,864**	(4,141)
Deferred tax on the actuarial loss on the pension scheme charged to other comprehensive income	**848**	2,454
At 31 December	**8,448**	17,599

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.

20. CREDITORS: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**1,490**	11,210
Other creditors	**5,505**	6,511
Taxation and social security	**225**	2,031
Corporation tax	**-**	2,734
Accruals and deferred income	**9,444**	30,687
	16,664	53,173

	The Company	
	2018 £000	2017 £000
Trade creditors	**1,060**	-
Amounts owed to group undertakings	**128,273**	93,915
Other creditors	**647**	264
Taxation and social security	**196**	40
Accruals and deferred income	**3,052**	326
	133,228	94,545

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

	2018 £000
The Group	
At 1 January	5,819
Additions	1,089
Utilised or released during the year	(3,372)
Sale of discontinued operations (note 23)	(143)
At 31 December	**3,393**

Provisions of £3.4 million relate to the provision for onerous rental commitments of £2.9 million (2017: £2.1 million) at the main business premises, Number 10 Lower Thames Street, £533,000 (2017: £3.5 million) at 4 Selsdon Way, London and £nil (2017: £185,000) at 1155 Avenue of the Americas, New York, respectively. The remaining provisions are expected to be utilised during the period to 31 December 2033.

	2018 £000
The Company	
At 1 January	3,495
Additions	54,593
Utilised or released during the year	(3,619)
At 31 December	**54,469**

Provisions of £54.5 million relate to the provision for onerous rental commitments of £3.7 million (2017: £nil) and other property related commitments of £47.6 million (2017: £nil) at the main business premises, Number 10 Lower Thames Street and the provision for onerous rental commitments of £533,000 (2017: £199,000) and other property related commitments of £2.7 million (2017: £3.3 million) at Selsdon Way, London. The remaining provisions are expected to be utilised during the period to 31 December 2033.

22. OPERATING LEASE COMMITMENTS

At 31 December 2018, the Group had total commitments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Within one year	**8,884**	9,512
Between two and five years	**34,595**	39,969
More than five years	**97,410**	120,482
	140,889	169,963

23. DISPOSALS

Sale of discontinued operations

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 Reach plc (formerly Trinity Mirror plc) for a total consideration of £123.0 million. The total profit recognised in the consolidated profit and loss account in respect of the sale of the subsidiary was £102.3 million, after a charge for unamortised goodwill of £1.9 million. The profit on disposal is analysed as follows:

	2018 £000	2017 £000
Sale proceeds	122,964	-
Share of net assets at date of disposal	(18,777)	-
Goodwill on consolidation unamortised at date of disposal (note 13)	(1,864)	-
Profit on disposal	102,323	-

On 5 December 2018, the Group divested of its remaining publishing and printing assets with the sale of its 50% shareholding in Independent Star Limited, a joint venture, and its entire shareholding in International Distribution 2018 Limited, a subsidiary undertaking, to Reach plc (formerly Trinity Mirror plc) for a total consideration of £5.0 million. The profit on disposal is analysed as follows:

	2018 £000	2017 £000
Sale proceeds	5,000	-
Share of net assets at date of disposal	(470)	-
Profit on disposal	4,530	-

23. DISPOSALS (Continued)

On 30 May 2018, Northern & Shell Ventures Limited, a subsidiary undertaking, disposed of its 87.8 % shareholding in Tepilo Holdings Limited for a consideration of 65,545,571 B ordinary shares of £0.00001 each in the capital of Emoov Limited. As at 31 December 2018, Emoov Limited held 100% of the shareholding in Tepilo Holdings Limited and Tepilo Limited, representing an indirect shareholding for the Group of 45.38%. The total profit recognised in the consolidated profit and loss account in respect of the deemed sale of the subsidiary was £10.9 million, after a charge for unamortised goodwill of £3.8 million. The profit on disposal is analysed as follows:

	2018 £000	2017 £000
Sale proceeds	18,737	-
Net assets at date of disposal	(4,533)	-
Non-controlling interest	458	-
Goodwill on consolidation unamortised at date of disposal (note 13)	(3,807)	-
Profit on disposal	10,855	-

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 was contingent on the performance of Portland UK Holdings Limited and its subsidiaries in the period to 31 December 2018, the outcome of which was uncertain. In 2016 and 2017, total sales proceeds of £244,000 and a profit on sale of discontinued operations of £120,000 were recorded.

At the Balance Sheet date, the profit on sale of discontinued operations was recalculated to include the actual performance in 2018. The directors have made the decision to recognise an increase in the sales proceeds of £4,000, meaning the total profit on sale of discontinued operations of £120,000 was revised to £124,000.

24. SHARE CAPITAL

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2018 £000	2017 £000	2018 £000	2017 £000
110,000 Ordinary shares of £1 each	**110**	110	**110**	110

25. PENSION SCHEMES

Up until 28 February 2018, the date of the sale of Northern & Shell Network Limited (note 23), the Group participated in three defined benefit pension schemes: the Express Newspapers 1988 Pension Fund, the Express Newspapers Senior management Pension Fund and the West Ferry Printers Pension Fund.

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 2017. The latest full actuarial valuation of the West Ferry Printers Pension Fund was carried out as at 31 December 2017. 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 had an agreed recovery plan in respect of the shortfall in funding and has paid £1.7 million (2017: £10.4 million) into the 1988 Pension Fund, £94,000 (2017: £563,000) into the Senior Management Pension Fund and £458,000 (2017: £2.8 million) into the West Ferry Printers Pension Fund during the year. All three Funds are defined benefit schemes. Following the sale of Northern & Shell Network Limited on 28 February 2018 (note 23), the Group no longer operates a defined benefit pension scheme. Contingent on the sale were special contributions of £32.9 million and £8.2 million to be paid by Express Newspapers and West Ferry Printers Limited respectively. These were paid after 28 February 2018 and therefore have not been included in the Group's financial statements.

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 £300,000 (2017: £1.4 million). At 31 December 2018, contributions of £7,000 were outstanding (2017: £117,000). These have been paid in full after the year end.

The major financial assumptions used in the defined benefit pension scheme calculations were:

	28 February 2018	**31 December 2017**	**31 December 2016**
Discount rate	2.80%	2.60%	2.80%
Rate of LPI increase in pensions in payment	3.10%-3.20%	3.10%-3.20%	3.20%-3.30%
Inflation assumption	2.10%	2.10%	2.20%

The mortality assumptions used in the calculation at 28 February 2018 were:

Express Newspapers 1988 Fund mortality:
106% (males) or 103% (females) of "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:
85% (males) or 90% (females) of "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:
100% of "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.

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 were:

	Fair value at 28 February 2018 £000	**Fair value at 31 December 2017 £000**
Equities	**176,523**	188,886
Gilts	**28,159**	43,046
Corporate bonds	**31,687**	33,111
Other	**422,628**	440,864
Total market value of assets	**658,997**	705,907
Present value of scheme liabilities	**(679,640)**	(724,842)
Deficit in the schemes	**(20,643)**	(18,935)
Irrecoverable surplus	**(11,595)**	(10,516)
Deficit in the schemes after irrecoverable surplus	**(32,238)**	(29,451)
Related deferred tax asset (note 19)	**5,480**	5,007
Net pension liability	**(26,758)**	(24,444)
Disposal in year – net liability (note 23)	**26,758**	-
Net pension liability – 31 December 2018	**-**	(24,444)

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

	2018 £000	**2017 £000**
The actual return on assets over the period was:		
Return on assets	**(32,955)**	17,826

The following amounts have been recorded in the consolidated profit and loss account for the schemes as at 28 February 2018 and 31 December 2017:

Operating profit	**2018 £000**	**2017 £000**
Expenses paid	**345**	2,101
Settlements	**(158)**	5,893
Net interest on the net defined benefit liability	**121**	527
Total operating expenses	**308**	8,521

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

	2018 £000	**2017 £000**
Administrative expenses	**308**	8,521

25. PENSION SCHEMES (Continued)

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

	2018 £000	2017 £000
Actuarial gains/(losses) on the liabilities	**31,992**	(6,783)
Return on assets (excluding interest income)	**(35,951)**	(2,645)
Impact of surplus restrictions	**46**	188
Change in irrecoverable surplus	**(1,079)**	(5,196)
Total remeasurement of the net defined benefit liability	**(4,992)**	(14,436)

The total remeasurement loss of the net defined benefit liability to be shown in other comprehensive income of £5.0 million (2017: £14.4 million) relates to an actuarial gain on liabilities of £32.0 million, a return on assets (excluding interest income) loss of £36.0 million, an impact of surplus restrictions of £46,000, less £1.1 million for the change in irrecoverable surplus.

Movements in defined benefit obligation during the year:

	2018 £000	2017 £000
Defined benefit obligation	**(679,640)**	(724,842)
Plan assets	**658,997**	705,907
Net pension liability	**(20,643)**	(18,935)
Irrecoverable surplus	**(11,595)**	(10,516)
Net pension liability after irrecoverable surplus	**(32,238)**	(29,451)
Disposal in year (note 23)	**32,238**	-
Net pension liability – 31 December	**-**	(29,451)

Movements in present value of the defined benefit obligation:

	2018 £000	2017 £000
At 1 January	**724,842**	770,585
Settlements	**(11,892)**	(36,980)
Interest expense	**3,071**	20,810
Remeasurement: actuarial (gain)/loss	**(31,992)**	6,783
Benefits paid	**(4,792)**	(36,356)
Contributions by scheme participants	**403**	-
At 28 February 2018 and 31 December 2017	**679,640**	724,842

25. PENSION SCHEMES (Continued)

Movements in fair value of the scheme assets:

	2018 £000	2017 £000
At 1 January	**705,907**	752,900
Settlements	**(11,734)**	(42,873)
Interest income on scheme assets	**2,996**	20,471
Remeasurement: return on assets (excluding interest income)	**(35,951)**	(2,645)
Contributions by employers	**2,513**	16,450
Net income	**-**	61
Benefits paid	**(4,792)**	(36,356)
Expenses paid	**(345)**	(2,101)
Contributions by scheme participants	**403**	-
At 28 February 2018 and 31 December 2017	**658,997**	705,907

The deficit at 28 February 2018 of £32.2 million (2017: £29.5 million) is after an irrecoverable surplus of £11.6 million (2017: £10.5 million). The deficit includes a remeasurement loss of £5.0 million (2017: £14.4 million) and is after recognising the impact of surplus restrictions of £46,000 (2017: £118,000) and allowance for the change in irrecoverable surplus of £1.1 million loss (2017: £5.2 million). The movements in defined benefit obligation and fair value of the scheme assets are before the irrecoverable surplus. Following the sale of Northern & Shell Network Limited, a subsidiary undertaking, the Group disposed of its net pension liability on 28 February 2018 (note 23). The deficit at the end of the year was £nil (2017: £29.5 million).

26. GUARANTEES AND CONTINGENT LIABILITIES

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 2018, 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 cash balances to an amount of £719,000 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 was 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. The Company, irrevocably and unconditionally guaranteed Health Lottery ELM Limited's obligations under the agreements. As at 31 December 2018, both the commitment and guarantee had ceased following the expiry of the contracts in the year.

27. COMMITMENTS

During the year, the Company entered into a contract for the provision of advertising. Under the terms of the contract, the Company is committed to a minimum annual spend of £6.1 million for the period ending 31 December 2021 and a minimum annual spend of £3.1 million for the year ending 31 December 2022.

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 the Group 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 (2017: £6.9 million). No amounts were due to Badger Property Partners LLP as at 31 December 2018 (2017: £nil). During the year, the lease was transferred from Express Newspapers, a former subsidiary undertaking, to the Company.

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

	Media Services		Commitment	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Tepilo Limited	**181**	1,558	**-**	181
Tepilo Holdings Limited	**6,956**	-	**-**	-
OpenRent Limited	**355**	-	**-**	355
My Single Friend Limited	**597**	338	**-**	597
Friction Free Shaving Limited	**286**	409	**55**	341
	8,375	2,305	**55**	1,474

During the year, Northern and Shell Ventures Limited, a subsidiary undertaking, entered into a loan facility arrangement with Emoov Limited, an associate undertaking. The loan facility was for an initial amount of £2.5 million, charges interest at 5.0% and is repayable by June 2019. On 3 December 2018, Emoov Limited entered into administration. Accordingly, the amounts outstanding of £2.6 million have been provided against in full with an impairment charge of £2.6 million recognised in the profit and loss account (note 7).

During the year, Northern and Shell Ventures Limited also provided in full against an amount of £300,000 due from My Single Friend Limited, with an impairment charge of £300,000 recognised in the profit and loss account (note 7).

During the year, LTS Rentals Limited, a subsidiary undertaking, provided in full against an amount of £164,000 due from Emoov Limited and an amount of £40,000 due from Tepilo Limited, an associate undertaking, with a total impairment charge of £204,000 being recognised in the profit and loss account (note 7).

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. ULTIMATE CONTROLLING PARTY

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