NORTHERN & SHELL PLC

GROUP ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

NORTHERN & SHELL PLC

ANNUAL REPORT

For the year ended 31 December 2020

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. R.C. Desmond (Chairman)
Mr. R. Sanderson
Mr. M.S. Ellice
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

Kleinwort Hambros
5th floor
8 St James's Square
London, SW1Y 4JU
United Kingdom

REGISTERED OFFICE

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

PRINCIPAL ACTIVITIES

Northern & Shell plc is the ultimate holding company of the Northern & Shell group of companies. It owns a group of companies which are principally engaged in property development, lottery management services, other investment interests and the exploitation of media assets.

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The consolidated statement of comprehensive income is set out on page 14.

The financial year 2020 was the second full year of trading for the newly constituted Group, following the disposal of its remaining directly held publishing and printing assets to Reach plc in February 2018. Part of the sale consideration comprised of 25.8 million of shares in Reach plc, which is now the largest commercial national and regional news publisher in the UK, including such iconic brands 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!. As at the reporting date, the Group continued to hold its shares in Reach plc and its intention was to remain one of the largest shareholders in the business. However, following a significant increase in Reach plc's share price and upon receiving an approach to buy the Group's shares in the business, the directors took the strategic decision after the reporting date to sell the Group's entire remaining shareholding in Reach plc. The total consideration for the shares was £62.5 million, in addition to dividend income received to date of £3.7 million, representing a total profit on the sale of the investment of £46.2 million (notes 14 and 28).

In our lottery division, The Health Lottery has 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 good causes with a specific brief of addressing health inequalities in their individual localities. To date, in excess of £119.0 million has been raised for good causes, with donations awarded and distributed through a separate Charity, The Peoples Health Trust (PHT).

Grants through the PHT have been made to more than 3,100 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, Youth Sport Trust and The Royal Voluntary Service, in addition to many local community projects such as St Matthew's Centre Project Community Kitchen in Glasgow, West Norfolk Deaf Association in Norfolk and Swansea Community Farm in Swansea. 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.

A separate new entity within the Northern & Shell group is actively engaged in bidding for the 4th UK National Lottery licence, due to commence in 2023. A sizeable and experienced bid team is in place, advisors engaged and we are following through our bid in accordance with the detailed timetable and process laid down by the Gambling Commission and their advisors, Rothschild & Co. The Group is confident about what it can deliver for the bid process and has earmarked significant funds for the project, in the region of £20.0 million, of which an amount of £7.2 million had been incurred as at 31 December 2020.

In relation to our Property interests, work is underway to implement a consented planning scheme on the Group's site in London's Docklands, near Canary Wharf. Having demolished the old printworks and associated buildings in 2017 and finished the excavation of the common basement tub in early 2019, the main focus of the site works during the year was the package to deliver utilities diversion, surface water discharge and drainage across the site. As at 31 December 2020, the Group had invested £88.0 million (2019: £81.4 million) in the development of the site. These costs are included in stocks – work in progress, in the balance sheet (note 16).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (Continued)

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, a health centre and creche, car and cycle basement parking, associated landscaping, new public realm and all other necessary enabling works. In addition, we are also facilitating 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 (GLA), 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 resultant hearing was held in August and September of 2019 and, given the strategic importance of the site, the Secretary of State for Housing, Communities and Local Government assumed the role of adjudicator and subsequently gave his approval to the planning permission in January 2020. This approval was challenged by the GLA and the London Borough of Tower Hamlets, which bodies jointly requested from the Courts approval to bring a formal appeal against the Secretary of State's decision. In May 2020, the Secretary of State decided not to contest the London Borough of Tower Hamlets' claim, with the result that the planning permission was formally quashed and the case reverted back to the Ministry of Housing, Communities and Local Government (MHCLG) for re-determination. Subsequently, the Planning Inspectorate instructed that the Planning Inquiry was to be re-opened in May 2021 to consider a limited number of specific issues, as set out by the Secretary of State, relating to matters that have arisen since his previous decision in January 2020. Following this, the Group is hopeful of receiving a positive decision on this application from the Secretary of State by the end of September 2021.

Naturally, the Group is disappointed with this further 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 and remain confident that the scheme will ultimately secure approval. In addition, the project would support more than 1,600 construction jobs at the peak of the development, on what is currently a derelict brownfield site.

Aside from the ongoing planning machinations, the Group is pleased with the overall progress of the development works which, to date, have progressed under the 2016 consent with the works being also applicable to the new scheme. The new scheme will not be implemented until consent is received and any resultant legal challenges have been overruled, however, the Group at its own financial risk has continued working with its professional team on the detailed design of the new scheme so as to lose as little time as possible in the development and sales programme.

The onset of the COVID-19 pandemic in the UK raised some short-term economic uncertainties and unprecedented challenges across UK businesses. The Group's priority in this period of pandemic has been to ensure the health and safety of its employees and all key stakeholders. The Group continues to closely monitor the impact of COVID-19 and respond accordingly.

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

The Group's net assets were £464.6 million at 31 December 2020 (2019: £433.3 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 lottery draw ticket sales, 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 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. Where appropriate, the Group utilises financial instruments to manage the risk of fluctuating exchange rates. The directors keep these measures under constant review.

Market risk
The Group has current asset investments which are subject to financial market risk. The Group manages a mixed portfolio of assets to help mitigate financial market risk.

On behalf of the Board:

Mr. R. Sanderson
Director

Date: 14 June 2021

DIRECTORS' REPORT

For the year ended 31 December 2020

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The Group recorded a profit before tax for the financial year of £36.8 million (2019: £46.7 million), after recording non-recurring overhead costs of £12.5 million (2019: £4.4 million) and a profit on disposal of fixed asset investments of £2.0 million (2019: £nil) (note 14).

The directors do not recommend the payment of a dividend (2019: £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 £15,000 (2019: £22,000).

Political donations were made during the year amounting to £nil (2019: £nil).

SECR ENERGY USE AND CARBON EMISSIONS DISCLOSURE

The Group's energy use and greenhouse gas emissions that the Group are responsible for are disclosed below, in line with the requirements of Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 and latest 2018 regulations.

Primary Statement for the financial year ended 31 December 2020:

	UK Consumption (kWh)	**UK Emissions (tCO2e)**
Electricity	**6,946,667**	1,619
Gas	**5,213,610**	959
Transport Fuels	**5,340**	1
Gross Annual Total	**12,165,617**	2,579
Intensity Metric (Floor Area - sqm)	**37,607**	
Total TCO2e/sqm		0.0686
Qualifying Green Tariffs	**6,946,667**	1,620
Net Annual Total	**5,218,950**	959

SECR ENERGY USE AND CARBON EMISSIONS DISCLOSURE (Continued)

The above reported carbon emissions translate to Scope 1, 2 and 3 emissions as follows.

Greenhouse Gas Emissions for the financial year ended 31 December 2020:

	Consumption (kWh)	Emissions (tCO2e)
Scope 1	**5,218,866**	959
Scope 2 (location based)	**6,946,667**	1,620
Scope 2 (market based)	**-**	-
Scope 3	**84**	-
Total (location based)	**12,165,617**	2,579
Total (market based)	**5,218,950**	959

Baseline Year

This is the first year of Greenhous Gas Emissions (GHG) reporting and is aligned with the financial year ended 31 December 2020. This year's report will form the baseline year and there are no comparatives for the previous year's data.

Targets

The Group has not developed any specific carbon targets for the current reporting period, however, it is committed to reducing its GHG emissions.

Intensity Measurement

The intensity metric chosen is floor area, measured as floor area in square metres for the financial year ended 31 December 2020. This was chosen as the most suitable metric as the Group's carbon emissions are almost exclusively from the Group's properties during this period.

Carbon Offset

The Group has no qualifying carbon offsets during this financial period. However, all of the electricity that the Group procure is either REGO backed or 100% Carbon offset (Kyoto Protocol), therefore the market-based emissions are relatively small.

Energy Efficiency Narrative

This year's reporting period has been significantly impacted by the Covid-19 pandemic, which has reduced occupation of buildings and business transport costs since March 2020. The pandemic has also delayed the implementation of any energy efficiency measures during the financial year. Therefore, the Group has not implemented any further energy efficiency measures during this period.

The surveys and associated reports completed as part of Phase 2 ESOS should provide a route map for which energy conservation measures can be implemented cost effectively. To reduce energy consumption, cost and carbon emissions, the Group is committed to implementing further energy conservation measures.

Methodology

The Group has chosen Operational Control as the consolidation approach and the boundary includes all entities and facilities either owned or under its operational control that are within the UK.

SECR ENERGY USE AND CARBON EMISSIONS DISCLOSURE (Continued)

The methodology used to calculate the CO2e emissions is the Operational Control approach on reporting boundaries, as well as utilising the carbon emissions methodology, as defined by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Emissions factor data source: BEIS 2020 conversion factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020.

Reporting covers electricity, gas and transport fuel consumption within the UK as required by Environmental Reporting Guidelines for non-quoted companies as defined in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Emissions in tonnes CO2e is in line with the GHG Protocol Corporate Standard (2004), including revised Scope 2 guidance (2015) which discloses a market-based figure in addition to the location-based figure. Scope 2 emissions have been calculated in accordance with GHG Protocol guidelines, in both location and market-based methodologies. The Group has used a zero emission factor where it has renewable contracts in place in the UK.

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: 14 June 2021

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 2020

The directors are responsible for preparing the Group Annual Report and the Group and Parent Company 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 the Group's 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.

KPMG
15 Canada Square
London
E14 5GL
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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 2020 which comprise 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 2020 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for onerous rental commitments and impairment assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group is not listed, does not hold any external debt and internal performance indicators are not revenue-based which means that there is limited pressure on management from sources inside or outside the Group to achieve certain revenue targets. Moreover, we consider that due to robust control environment there's little opportunity for fraudulent alterations.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, anti-money laundering, regulatory capital and liquidity recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 9, 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.

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

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

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

15 Canada Square
London
United Kingdom
E14 5GL

Date: 18 June 2021

NORTHERN & SHELL PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
TURNOVER	4	**77,626**	64,711
GROSS PROFIT		**77,626**	64,711
Administrative expenses	5	**(43,454)**	(20,602)
GROUP OPERATING PROFIT		**34,172**	44,109
Share of operating loss of associates	14	**(148)**	(427)
TOTAL OPERATING PROFIT	3/6	**34,024**	43,682
Profit on sale of associate undertaking	14	**2,000**	-
Dividend income from investments	14	**-**	1,619
Other interest receivable and similar income	8	**731**	1,408
Interest payable and similar charges	9	**-**	(9)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**36,755**	46,700
Tax on profit on ordinary activities	10	**(5,412)**	(3,802)
PROFIT FOR THE FINANCIAL YEAR		**31,343**	42,898
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,343**	42,898

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 20 to 43 form an integral part of these financial statements.

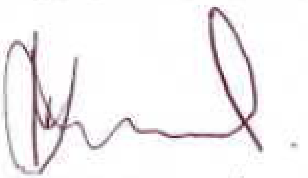
NORTHERN & SHELL PLC

CONSOLIDATED BALANCE SHEET as at 31 December 2020

	Notes	2020	2019
		£000	£000
FIXED ASSETS			
Intangible assets	12	**1,286**	1,608
Tangible assets	13	**10,421**	14,282
Investments:	14		
Investments in associates		**455**	603
Other investments		**40,483**	37,278
		40,938	37,881
		52,645	53,771
CURRENT ASSETS			
Stocks	16	**87,957**	81,365
Debtors	17	**47,306**	72,363
Current asset investments	18	**277,416**	190,127
Cash at bank and in hand		**22,419**	53,290
		435,098	397,145
CREDITORS: amounts falling due within one year	20	**(14,182)**	(14,495)
NET CURRENT ASSETS		**420,916**	382,650
TOTAL ASSETS LESS CURRENT LIABILITIES		**473,561**	436,421
PROVISIONS FOR LIABILITIES AND CHARGES	21	**(8,949)**	(3,152)
NET ASSETS		**464,612**	433,269
CAPITAL AND RESERVES			
Called up share capital	23	**110**	110
Other reserves		**3,860**	3,860
Profit and loss account		**460,642**	429,299
TOTAL SHAREHOLDERS' FUNDS		**464,612**	433,269

The notes on pages 19 to 42 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: 14 June 2021

Company registered number: 04086466

NORTHERN & SHELL PLC

COMPANY BALANCE SHEET as at 31 December 2020

	Notes	2020 £000	2019 £000
FIXED ASSETS			
Tangible assets	13	**8,942**	12,412
Investments	14	**221,771**	218,325
		230,713	230,737
CURRENT ASSETS			
Debtors	17	**109,763**	148,795
Current asset investments	18	**30,034**	-
Cash at bank and in hand		**9,521**	8,845
		149,318	157,640
CREDITORS: amounts falling due within one year	20	**(183,898)**	(138,129)
NET CURRENT (LIABILITIES)/ASSETS		**(34,580)**	19,511
TOTAL ASSETS LESS CURRENT LIABILITIES		**196,133**	250,248
PROVISIONS FOR LIABILITIES AND CHARGES	21	**(51,400)**	(51,664)
NET ASSETS		**144,733**	198,584
CAPITAL AND RESERVES			
Called up share capital	23	**110**	**110**
Profit and loss account		**144,623**	**198,474**
TOTAL SHAREHOLDERS' FUNDS		**144,733**	**198,584**

The notes on pages 20 to 43 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: 14 June 2021

Company registered number: 04086466

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	110	3,860	386,401	**390,371**
Total comprehensive income for the year:				
Profit for the year	-	-	42,898	**42,898**
Other comprehensive income	-	-	-	**-**
Total comprehensive income for the year	-	-	42,898	**42,898**
Balance at 31 December 2019	**110**	**3,860**	**429,299**	**433,269**

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	110	3,860	429,299	**433,269**
Total comprehensive income for the year:				
Profit for the year	-	-	31,343	**31,343**
Other comprehensive income	-	-	-	**-**
Total comprehensive income for the year	-	-	31,343	**31,343**
Balance at 31 December 2020	**110**	**3,860**	**460,642**	**464,612**

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 20 to 43 form an integral part of these financial statements.

NORTHERN & SHELL PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	110	234,087	234,197
Total comprehensive income for the year:			
Loss for the year	-	(35,613)	(35,613)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(35,613)	(35,613)
Balance at 31 December 2019	**110**	**198,474**	**198,584**

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	110	198,474	198,584
Total comprehensive income for the year:			
Loss for the year	-	(53,851)	(53,851)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(53,851)	(53,851)
Balance at 31 December 2020	**110**	**144,623**	**144,733**

The notes on pages 20 to 43 form an integral part of these financial statements.

NORTHERN & SHELL PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	2020 £000	2019 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	**31,343**	42,898
Adjustments for:		
Amortisation of intangible fixed assets	**322**	322
Depreciation of tangible fixed assets	**1,552**	1,356
Impairment of tangible fixed assets	**3,473**	-
Impairment of other investments - unlisted	**241**	400
Interest receivable and similar income	**(731)**	(1,408)
Interest payable and similar charges	**-**	9
Loss on disposal of tangible assets	**25**	50
Profit on sale of associate undertaking	**(2,000)**	-
Share of loss from associate undertakings	**148**	427
Dividend income	**-**	(1,619)
Gain on revaluation of current asset investments	**(60,051)**	(42,489)
Gain on revaluation of other investments - listed	**(3,446)**	(18,182)
Taxation	**5,412**	3,802
Interest received	**731**	1,408
Interest paid	**-**	(9)
Increase in stocks	**(6,592)**	(11,660)
Decrease in debtors	**20,349**	654
Decrease in creditors	**(313)**	(2,169)
Increase/(decrease) in provisions	**5,136**	(241)
Taxation paid	**(43)**	(62)
NET CASH USED IN OPERATING ACTIVITIES	**(4,444)**	(26,513)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	**(1,189)**	(3,359)
Dividends received	**-**	1,619
Proceeds from sale of associate undertaking	**2,000**	-
Investment in current asset investments	**(153,800)**	(112,818)
Proceeds from current asset investments	**126,562**	134,136
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(26,427)**	19,578
NET DECREASE IN CASH AT BANK AND IN HAND	**(30,871)**	(6,935)
CASH AT BANK AND IN HAND AT 1 JANUARY	**53,290**	60,225
CASH AT BANK AND IN HAND AT 31 DECEMBER	**22,419**	53,290

The notes on pages 20 to 43 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 Group'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 prepared cash flow forecasts for the Group to 31 December 2022. For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the directors have considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market and customer risks, cost management and working capital management. These forecasts, sensitised for reasonably possible and certain downside scenarios, indicate that the Group will have sufficient funds to meet its liabilities for that period. Having considered the downside risk, the directors note that they have significant cash, cash equivalent and listed investments, that, if needed in extreme circumstances, could be realised to support the activities of the Group. As part of the forecasting, the Directors have considered the financing required to continue to fund the development of the Group's site in London's Docklands. Based on the Group's current cash, cash equivalent and listed investments, it would be able to fund this development beyond 31 December 2022. However, the Group acknowledges that it had always anticipated partially funding this development using external financing as part of a balanced financing package and, although this will not be required for some time, early conversations with its bankers have indicated their support of this. In the event of unforeseen and more severe downsides than forecast, the Group has potential mitigating actions, including reducing the level of controllable costs, including capital expenditure on the development site in London's Docklands, which would further increase the Group's headroom.

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 statement of 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 associates, from the date of acquisition and until the date of disposal. Intra-group sales, profits/(losses) and balances are eliminated fully on consolidation.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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).

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.

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.

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.

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

f) Intangible fixed assets

i. 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 the Health Lottery group in 2011 is being amortised over its estimated economic life of 10 years in accordance with FRS 102.

Goodwill arising on 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).

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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, computer and office equipment	2 to 24 years
Websites and game development	3 years

Assets in the course of construction are not depreciated.

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.

The profit or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. An investment in an associate is accounted for under the equity method from the date on which it falls within the definition of an associate. On acquisition of the investment any difference between the cost of acquisition and the investor's share of the equity of the associate is described as goodwill. The Group's share of the profits and losses of the associate are disclosed separately in the Group's profit and loss account.

i) Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 19% (2019: 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.

p) Employee benefits

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.

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, tangible fixed assets and stock, recoverability of debtor balances, including deferred tax assets, and provisions for liabilities and charges.

3. SEGMENTAL ANALYSIS

The Group's turnover and profit before taxation arise principally from its lottery management services, property development and other investment activities.

The Group's turnover, profits 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.

The abbreviations used below relate to the following segments:

LM	Lottery management
P&O	Property development and other

	LM 2020 £000	P&O 2020 £000	TOTAL 2020 £000
TURNOVER			
Turnover gross	10,921	67,072	**77,993**
Inter-segment sales	-	(367)	**(367)**
Third party sales	10,921	66,705	**77,626**
OPERATING PROFIT/(LOSS)	**(12,588)**	**46,612**	**34,024**
Profit on sale of associate undertaking	-	2,000	**2,000**
	(12,588)	**48,612**	**36,024**
Common costs – net interest receivable			**731**
Profit on ordinary activities before taxation			**36,755**

3. SEGMENTAL ANALYSIS (Continued)

	LM 2019 £000	P&O 2019 £000	TOTAL 2019 £000
TURNOVER			
Turnover gross	15,410	49,425	**64,835**
Inter-segment sales	-	(124)	**(124)**
Third party sales	15,410	49,301	**64,711**
OPERATING PROFIT/(LOSS)	**(3,829)**	**47,511**	**43,682**
Dividend income from listed investments	-	1,619	**1,619**
	(3,829)	**49,130**	**45,301**
Common costs – net interest receivable			**1,399**
Profit on ordinary activities before taxation			**46,700**

The common costs are the sum of other interest receivable and similar income of £731,000 (2019: £1.4 million) and interest payable and similar charges of £nil (2019: £9,000).

Net operating assets/(liabilities)	**2020 £000**	**2019 £000**
Lottery management	**(191,615)**	(172,452)
Property development and other	**315,454**	319,715
	123,839	147,263
Reconciliation of net operating assets to net assets		
Net operating assets	**123,839**	147,263
Investments (note 14)	**40,938**	37,881
Deferred tax – asset (note 19)	**-**	4,708
Current asset investments (including cash balances held on deposit – note 18)	**277,416**	190,127
Cash at bank and in hand	**22,419**	53,290
	464,612	433,269

4. TURNOVER

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

	2020 £000	**2019 £000**
Provision of services	**10,114**	14,566
Commission	**807**	844
Rental income	**6,225**	6,314
Dividend income	**429**	498
Net gain from current asset investments	**60,051**	42,489
Total Group Turnover	**77,626**	64,711

5. ADMINISTRATIVE EXPENSES

	2020 £000	2019 £000
Chairman's emoluments	**311**	310
Other administrative expenses	**43,143**	20,292
	43,454	20,602

Other administrative expenses include a gain on fixed asset investments of £3.4 million (2019: £18.2 million) (notes 6 and 14) and non-recurring overhead costs of £12.5 million (2019: £4.4 million) including a provision for non-recurring legal costs relating to discontinued operations of £87,000 (2019: £3.8 million) (note 6).

6. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2020 £000	2019 £000
Profit on ordinary activities before tax is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 13)	**1,552**	1,356
Impairment of tangible fixed assets (note 13)	**3,473**	-
Loss on disposal of tangible fixed assets (note 13)	**25**	50
Amortisation of goodwill – acquisitions (note 12)	**322**	322
Amortisation of goodwill – associates (note 14)	**128**	249
Profit on disposal of investment in associates (note 14)	**(2,000)**	-
Impairment of other investments - unlisted (note 14)	**241**	400
Reversal of impairment of amounts due from related parties (note 27)	**(287)**	(12)
Gain on revaluation - other investments (note 14)	**(3,446)**	(18,182)
Operating lease rentals – land and buildings	**8,430**	8,884
Operating lease rentals – other income	**(5,960)**	(6,112)
Legal provision relating to discontinued operations (note 5)	**87**	3,753
Foreign exchange (gain)/loss	**(141)**	93

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:

	2020 £000	2019 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**32**	28
Other services		
Fees payable to the Company's auditor and its associates for the audit of associates to the Company pursuant to legislation	**138**	117

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	2020 £000	2019 £000
Emoluments	**1,998**	1,300
Company contributions to money purchase pension schemes	**10**	18
	2,008	1,318

Pension benefits are accruing to one director under money purchase pension schemes (2019: two directors).

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

	2020 £000	2019 £000
Emoluments	**509**	340

(b) Staff costs (including directors)

	2020 £000	2019 £000
Wages and salaries	**3,545**	2,949
Social security costs	**471**	387
Contributions to defined contribution plans	**82**	90
	4,098	3,426

Average number of people employed by activity:	2020 Number	2019 Number
Selling and distribution	**1**	1
Administration	**48**	50
	49	51

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Bank and term deposit interest receivable	**160**	645
Other interest receivable	**571**	763
	731	1,408

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
Other interest payable	**-**	9

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2020 £000	2019 £000
Current tax		
UK corporation tax on profit for the year at 19.0% (2019: 19.0%)	**43**	62
Foreign taxes suffered	**43**	62
Double taxation relief on profit on ordinary activities	**(43)**	(62)
Total current tax expense	**43**	62
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	**5,928**	3,731
Adjustments in respect of previous periods	**(559)**	9
Total deferred tax expense (note 19)	**5,369**	3,740
Tax on profit on ordinary activities	**5,412**	3,802

Total tax analysed as:

	2020			2019		
	Current Tax £000	Deferred Tax £000	Total Tax £000	Current Tax £000	Deferred Tax £000	Total Tax £000
Recognised in profit and loss account	**43**	**5,369**	**5,412**	62	3,740	3,802
Recognised in other comprehensive income	**-**	**-**	**-**	-	-	-
Total tax	**43**	**5,369**	**5,412**	62	3,740	3,802

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (Continued)

The tax assessed for the year differs from the rate of 19.0% (2019: 19.0%) and the differences are explained below:

	2020 £000	**2019 £000**
Profit on ordinary activities before tax	**36,755**	46,700
Profit on ordinary activities multiplied by the rate of 19.0% (2019: 19.0%)	**6,983**	8,873
Effects of:		
Net effect of expenses not deductible for tax and income not subject to tax	**(110)**	944
Excess of depreciation over capital allowances and other timing differences	**713**	159
Adjustments in respect of previous periods	**(559)**	9
Non tax deductible goodwill amortisation and other permanent differences	**86**	108
Deferred tax assets previously not recognised	**(1,447)**	(5,477)
Impact of tax rate changes	**(254)**	(814)
Total tax expense included in profit or loss	**5,412**	3,802

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £209,000.

Factors that may affect future tax charges:

Based on current capital investment plans, the Group expects capital allowances to exceed depreciation in future years. Deferred tax assets not recognised relate to unutilised trading losses realised during the year.

The Group has tax losses of £102.5 million (2019: £93.7 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 £48.0 million (2019: £32.9 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 2032.

11. LOSS OF THE COMPANY

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The Company's loss for the year amounted to £53.9 million (2019: £35.6 million), after a provision against amounts owed by group companies of £46.4 million (2019: £19.4 million), a charge for fixed asset investments impairment losses of £nil (2019: £28.4 million) (note 14), a charge for tangible fixed assets impairments losses of £3.4 million (2019: £nil) (note 13), a provision for non-recurring legal costs of £87,000 (2019: £3.8 million), a gain on revaluation of fixed asset investments of £3.4 million (2019: £18.2 million) (note 14) and receiving dividends of £nil (2019: £1.6 million) from fixed asset investments.

12. INTANGIBLE FIXED ASSETS

	Goodwill £000
THE GROUP	
Cost:	
At 1 January 2020 and 31 December 2020	**3,988**
Amortisation:	
At 1 January 2020	2,380
Charge for the year	322
At 31 December 2020	**2,702**
Net book amounts:	
At 31 December 2020	**1,286**
At 31 December 2019	1,608

13. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Plant, Computer and Office Equipment £000	Websites and Game Development £000	Assets Under Construction £000	Total £000
THE GROUP					
Cost/valuation:					
At 1 January 2020	33,994	4,129	3,330	245	41,698
Additions	556	148	171	314	1,189
Transfer	166	-	-	(166)	-
Disposals	-	(511)	-	-	(511)
At 31 December 2020	**34,716**	**3,766**	**3,501**	**393**	**42,376**
Depreciation:					
At 1 January 2020	20,933	3,743	2,740	-	27,416
Charge for the year	1,168	96	288	-	1,552
Impairment losses	3,416	-	57	-	3,473
Disposals	-	(486)	-	-	(486)
At 31 December 2020	**25,517**	**3,353**	**3,085**	**-**	**31,955**
Net book amounts:					
At 31 December 2020	**9,199**	**413**	**416**	**393**	**10,421**
At 31 December 2019	13,061	386	590	245	14,282

Land and buildings includes the following assets at net book value as at 31 December 2020:

- freehold land and buildings £nil (2019: £nil).
- short leasehold buildings £9.2 million (2019: £13.1 million).

As at 31 December 2020, the net book value of assets acquired under finance leases was £nil (2019: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2019: £nil).

13. TANGIBLE FIXED ASSETS (Continued)

The Group's policy is to carry out annual impairment reviews of its tangible fixed assets. Based on an assessment of cash generating units and future forecasts, including those directly associated with that of the onerous lease provision (note 21), the directors consider that the carrying amount of land and buildings tangible fixed assets exceeded the recoverable amount by £3.4 million (2019: £nil) and consequently has been written down by this amount. The impairment losses of £3.4 million (2019: £nil) have been recognised in administrative expenses in the profit and loss account (note 6).

	Land and Buildings	Plant, Computer and Office Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
THE COMPANY				
Cost/valuation:				
At 1 January 2020	13,456	367	-	13,823
Additions	555	95	314	964
Disposals	(62)	-	-	(62)
At 31 December 2020	**13,949**	**462**	**314**	**14,725**
Depreciation:				
At 1 January 2020	1,327	84	-	1,411
Charge for the year	914	79	-	993
Impairment losses	3,416	-	-	3,416
Disposals	(37)	-	-	(37)
At 31 December 2020	**5,620**	**163**	**-**	**5,783**
Net book amounts:				
At 31 December 2020	**8,329**	**299**	**314**	**8,942**
At 31 December 2019	12,129	283	-	12,412

Land and buildings includes the following assets at net book value as at 31 December 2020:

- freehold land and buildings £nil (2019: £nil).
- short leasehold buildings £8.3 million (2019: £12.1 million).

As at 31 December 2020, the net book value of assets acquired under finance leases was £nil (2019: £nil). Capitalised interest included in the net book value of fixed assets was £nil (2019: £nil).

The Company's policy is to carry out annual impairment reviews of its tangible fixed assets. Based on an assessment of cash generating units and future forecasts, including those directly associated with that of the onerous lease provision (note 21), the directors consider that the carrying amount of land and buildings tangible fixed assets exceeded the recoverable amount by £3.4 million (2019: £nil) and consequently has been written down by this amount. The impairment losses of £3.4 million (2019: £nil) have been recognised in administrative expenses in the profit and loss account (note 11).

14. FIXED ASSET INVESTMENTS

THE GROUP

	2020 £000	2019 £000
Investments in associates	**455**	603
Other investments - Listed	**38,674**	35,228
Other investments - Unlisted	**1,809**	2,050
	40,938	37,881

Investment in associates

At 31 December 2020, the Group held interests in the following associate undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
FFS Beauty Limited	A1 Preferred	23	United Kingdom	Subscription shaving
My Single Friend Limited	Ordinary	40	United Kingdom	Online dating
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

* Denotes the company entered into administration on 3 December 2018

FFS Beauty Limited (formerly Friction Free Shaving Limited) is incorporated in the United Kingdom, with a registered office at Unit 4 Bettys Lane, Norton Canes, Cannock, WS11 9UU. Following an allotment of shares during the year, the Group's shareholding in FFS Beauty Limited was reduced to 22.83% (2019: 25.94%).

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

Tepilo Holdings Limited is incorporated in the United Kingdom, with a registered office at The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP. There were no changes in ownership or class of shares held during the year.

Tepilo Limited is incorporated in the United Kingdom, with a registered office at The White Building, 1-4 Cumberland Place, Southampton, SO15 2NP. There were no changes in ownership or class of shares held during the year.

On 11 June 2020, Northern & Shell Ventures Limited, a subsidiary undertaking, sold its entire shareholding in OpenRent Limited, an associate undertaking, for a total consideration of £2.0 million resulting in a profit on disposal of £2.0 million (note 6). OpenRent Limited is incorporated in the United Kingdom, with a registered office at 6th Floor, 2 London Wall Place, London, EC2Y 5AU.

The Group’s share of operating losses of its associates were as follows:

	OpenRent Limited £000	My Single Friend Limited £000	FFS Beauty Limited £000	Emoov Limited £000	Total £000
Share of loss for the year	-	-	(20)	-	**(20)**
Goodwill amortisation	-	-	(128)	-	**(128)**
	-	-	(148)	-	**(148)**

14. 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. The total consideration included £20.0 million of shares in Reach plc. During the year, the Group received a further 1.1 million new ordinary shares by way of a bonus issue in lieu of payment of a cash interim dividend. In 2019, the Group received dividends from Reach plc of £1.6 million.

The fair value of the shares at the Balance Sheet date was £38.7 million (2019: £35.2 million). These investments have been recognised within Fixed Asset Investments: Other investments – Listed. After the reporting date, the Group sold its entire shareholding in Reach plc for a total consideration of £62.5 million (note 28).

Impairment testing:

The Group's policy is to carry out annual reviews of its investments. Based on operating results for its other investments, future forecasts, their net assets and market comparables, the directors consider that the investments' carrying amount exceeded the recoverable amount by £241,000 (2019: £400,000) and consequently has been written down by this amount. The impairment losses of £241,000 (2019: £400,000) have been recognised in administrative expenses in the profit and loss account (note 6).

THE COMPANY

	2020 £000	2019 £000
Investments in subsidiaries	**183,097**	183,097
Other investments - Listed	**38,674**	35,228
	221,771	218,325

Shares in group undertakings

	2020 £000	2019 £000
Cost:		
At 1 January	**248,829**	248,829
Disposals	**(1,779)**	-
At 31 December	**247,050**	248,829
Provision for impairment:		
At 1 January	**65,732**	37,360
Impairment losses	**-**	28,372
Disposals	**(1,779)**	-
At 31 December	**63,953**	65,732
Net book amounts:		
At 31 December	**183,097**	183,097

In 2018, LTS Contractors Limited, a subsidiary undertaking, was entered into members' voluntary liquidation and was dissolved on 17 March 2020. Accordingly, the Company's cost of investment of £1,000 and impairment provision of £1,000 was disposed of in the year.

In 2018, Portland Media Group Limited, a subsidiary undertaking, was entered into members' voluntary liquidation and was dissolved on 17 March 2020. Accordingly, the Company's cost of investment of £1.0 million and impairment provision of £1.0 million was disposed of in the year.

In 2018, Sorse DIstribution Limited, a subsidiary undertaking, was entered into members' voluntary liquidation and was dissolved on 17 March 2020. Accordingly, the Company's cost of investment of £765,000 and impairment provision of £765,000 was disposed of in the year.

14. FIXED ASSET INVESTMENTS (Continued)

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

Impairment testing:

The Company's policy is to carry out annual reviews of its investments. Based on operating results for the subsidiary undertakings, future forecasts and their net assets, the directors consider that the investments' carrying amount exceeded the recoverable amount by £nil (2019: £28.4 million) and consequently has been written down by this amount. The impairment loss has been recognised within administrative expenses in the profit and loss account (note 11).

The recoverable amount of investments has been assessed with reference to its value in use which is calculated as the net present value of future cash flows using a post-tax discount rate of 8% (2019: 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. The Group are committed to continue campaigning for the Government to increase lottery prize limits for Society Lotteries. Given the range of potential outcomes and, therefore, the different number of operational and strategic paths that the lottery division may follow, the directors have prepared discounted cash flows for a number of scenarios, including the increase of prize limits to £500,000 and £1.0 million respectively, in addition to a current base case scenario and variations on that with flexed operational, gaming and marketing strategies. The scenarios were also sensitised for variations in lottery ticket sales.

The Group is 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 any review of Society Lottery prize limits 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 assessed the range of forecasts covering each different strategy and applied probabilities against each scenario. The forecasts give a range of recoverable values but based on the available evidence and taking a balanced valuation, the directors consider that the investments' carrying amount for the lottery division exceeded the recoverable amount by £nil (2019: £28.4 million) and consequently has been written down by this amount. The impairment loss has been recognised within administrative expenses in the profit and loss account of the company (note 11).

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. The total consideration included £20.0 million of shares in Reach plc. During the year, the Company received a further 1.1 million new ordinary shares by way of a bonus issue in lieu of payment of a cash interim dividend. In 2019, the Company received dividends from Reach plc of £1.6 million.

The fair value of the shares at the Balance Sheet date was £38.7 million (2019: £35.2 million). These investments have been recognised within Fixed Asset Investments: Other investments – Listed. After the reporting date, the Group sold its entire shareholding in Reach plc for a total consideration of £62.5 million (note 28).

15. SUBSIDIARIES

At 31 December 2020, the Company held direct interests in the following subsidiary undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
LTS Rentals Limited	Ordinary	100	United Kingdom	Letting of office space
Northern & Shell Lotteries Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Properties Limited	Ordinary	100	United Kingdom	Holding company
Northern & Shell Services Limited	Ordinary	100	United Kingdom	Service Company
Northern & Shell Ventures Limited	Ordinary	100	United Kingdom	Media assets exploitation
NS Jersey Finance Limited	Ordinary	100	United Kingdom	Non-trading
Northern & Shell Group Limited	Ordinary	100	United Kingdom	Non-trading
Northern & Shell Investments Limited *	Ordinary	100	Isle of Man	Dormant

15. SUBSIDIARIES (Continued)

* Denotes the company entered into members' voluntary liquidation on 13 December 2018 and was dissolved on 9 March 2021.

The following companies were previously direct subsidiaries of Northern & Shell Plc. These companies entered into members' voluntary liquidation on 6 December 2018 and were dissolved on 17 March 2020 (note 14):

LTS Contractors Limited	Ordinary	100	United Kingdom	Dormant
Portland Media Group Limited	Ordinary	100	United Kingdom	Dormant
Sorse Distribution Limited	Ordinary	100	United Kingdom	Dormant

At 31 December 2020, the Company held indirect interests in the following subsidiary undertakings:

Company Name	Class of shares	Holding (%)	Country of incorporation	Principal Activity
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
Northern & Shell Broadcasting (CI) Limited	Ordinary	100	Jersey	Holding company
Northern & Shell Enterprises Limited	Ordinary	100	United Kingdom	Non-trading
The Health Lottery Limited	Ordinary	100	United Kingdom	Lottery management services
The New Lottery Company Holdings Limited	Ordinary	100	United Kingdom	Holding company
The New Lottery Company Limited	Ordinary	100	United Kingdom	Dormant
Westferry Developments Limited	Ordinary	100	United Kingdom	Property development

The following companies were previously indirect subsidiaries of Northern & Shell Plc. These companies entered into members' voluntary liquidation on 6 December 2018 and were dissolved on 17 March 2020:

5 Direct Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Engineering Services Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Financing No. 2 Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Music Limited	Ordinary	100	United Kingdom	Dormant
Northern & Shell Text Limited	Ordinary	100	United Kingdom	Dormant
Portland Media Group UK Limited	Ordinary	100	United Kingdom	Dormant

The following companies were previously indirect subsidiaries of Northern & Shell Plc. These companies entered into members' voluntary liquidation on 6 December 2018 and were dissolved on 1 May 2020:

Nasnet Online Limited	Ordinary	100	Jersey	Dormant

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

16. STOCKS

	2020 £000	2019 £000
Work in progress	**87,957**	**81,365**

Movements in work in progress:

	2019 £000
At 1 January	81,365
Additions	6,592
At 31 December	**87,957**

The Group's policy is to carry out an annual review of its stock. In carrying out their impairment review, the directors have prepared a range of future forecasts covering several different scenarios. The forecasts give a range of recoverable values but based on the available evidence and taking a balanced valuation, the directors consider that the stock's recoverable amount is greater than its carrying amount and consequently no impairment is considered necessary.

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

17. DEBTORS

	The Group	
	2020 £000	2019 £000
Trade debtors	**1,013**	2,062
Other debtors	**1,078**	1,417
Prepayments and accrued income	**45,215**	64,176
Deferred tax asset (note 19)	**-**	4,708
	47,306	72,363

Prepayments and accrued income include £24.1 million (2019: £ 40.1 million) expected to be recoverable during the period in more than one year.

	The Company	
	2020 £000	2019 £000
Trade debtors	**825**	1,750
Amounts owed by group undertakings	**64,192**	83,550
Other debtors	**500**	159
Prepayments and accrued income	**44,246**	63,336
	109,763	148,795

Amounts owed by group undertakings include £64.2 million (2019: £ 83.6 million) expected to be recoverable during the period in more than one year.

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

Prepayments and accrued income include £24.1 million (2019: £ 40.1 million) expected to be recoverable during the period in more than one year.

18. CURRENT ASSET INVESTMENTS

THE GROUP

The market value of current asset investments is:

	2020 £000	2019 £000
Bonds	**8,767**	9,012
Listed investments	**227,963**	161,641
Unlisted investments	**2,529**	16,787
Cash on deposit	**35,038**	-
Fair value of foreign exchange forward contract	**3,119**	2,687
	277,416	190,127

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 movement during the year in current asset investments is:

	2020 £000	2019 £000
At 1 January	**190,127**	168,956
Additions	**153,800**	112,818
Disposals	**(126,562)**	(134,136)
Gain on revaluation	**60,051**	42,489
At 31 December	**277,416**	190,127

THE COMPANY

The market value of current asset investments is:

	2020 £000	2019 £000
Cash on deposit	**30,034**	-
	30,034	-

The movement during the year in current asset investments is:

	2020 £000	2019 £000
At 1 January	**-**	-
Additions	**70,034**	-
Disposals	**(40,000)**	-
At 31 December	**30,034**	-

19. DEFERRED TAX ASSET/(LIABILITY)

THE GROUP

	£000
At 1 January 2020	**4,708**
Charged to the profit and loss account (note 10)	**(5,369)**
At 31 December 2020	**(661)**

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

Deferred tax recognised	**2020 £000**	**2019 £000**
Accelerated capital allowances	**2,630**	2,532
Other timing differences	**(12,405)**	(3,421)
Losses	**9,114**	5,597
Total deferred tax (liability)asset recognised	**(661)**	4,708
1 January	**4,708**	8,448
Deferred tax expense in profit and loss account (note 10)	**(5,369)**	(3,740)
At 31 December	**(661)**	4,708

Based on current capital investment plans, the Company and the Group expect 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.

THE COMPANY

	£000
At 1 January 2020	(1,572)
Credited to the profit and loss account	12
At 31 December 2020	**(1,560)**

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

Deferred tax recognised	**2020 £000**	**2019 £000**
Accelerated capital allowances	**214**	4
Other timing differences	**(3,548)**	(3,091)
Losses	**1,774**	1,515
Total deferred tax liability recognised	**(1,560)**	(1,572)

20. CREDITORS: amounts falling due within one year

	The Group	
	2020	2019
	£000	£000
Trade creditors	**2,069**	1,216
Other creditors	**2,667**	3,443
Taxation and social security	**97**	117
Accruals and deferred income	**9,349**	9,719
	14,182	14,495

	The Company	
	2020	2019
	£000	£000
Trade creditors	**1,405**	862
Amounts owed to group undertakings	**174,596**	129,630
Other creditors	**754**	1,061
Taxation and social security	**69**	85
Accruals and deferred income	**7,074**	6,491
	183,898	138,129

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

	2020	2020	2020
	£000	£000	£000
The Group	**Property**	**Other**	**Total**
At 1 January	**3,152**	**-**	**3,152**
Additions	**6,142**	**661**	**6,803**
Utilised or released during the year	**(1,006)**	**-**	**(1,006)**
At 31 December	**8,288**	**661**	**8,949**

Property provisions of £8.3 million relate to the provision for onerous rental commitments of £8.3 million (2019: £2.2 million) at the main business premises, Number 10 Lower Thames Street, and £nil (2019: £1.0 million) at 4 Selsdon Way, London. The remaining provisions are expected to be utilised during the period to 31 December 2033. Other provisions of £661,000 relate to the provision for a deferred tax charge of £661,000 (2019: £nil) (note 19).

	2020	2020	2020
	£000	£000	£000
The Company	**Property**	**Other**	**Total**
At 1 January	**50,092**	**1,572**	**51,664**
Additions	**6,002**	**-**	**6,002**
Utilised or released during the year	**(6,254)**	**(12)**	**(6,266)**
At 31 December	**49,840**	**1,560**	**51,400**

Property provisions of £49.8 million relate to the provision for onerous rental commitments of £8.7 million (2019: £2.7 million) and other property related commitments of £41.2 million (2019: £44.4 million) at the main business premises, Number 10 Lower Thames Street, the provision for onerous rental commitments of £nil (2019: £1.0 million) and other property related commitments of £nil (2019: £2.0 million) at 4 Selsdon Way, London. The remaining provisions are expected to be utilised during the period to 31 December 2033. Other provisions of £1.6 million relate to the provision for a deferred tax charge of £1.6 million (2019: £1.6 million) (note 19).

22. OPERATING LEASE COMMITMENTS

At 31 December 2020, the Group had total commitments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Within one year	**7,975**	8,884
Between two and five years	**34,441**	34,957
More than five years	**78,919**	88,164
	121,335	132,005

23. SHARE CAPITAL

	The Group & Company			
	Authorised		Allotted and Fully Paid	
	2020 £000	2019 £000	2020 £000	2019 £000
110,000 Ordinary shares of £1 each	**110**	110	**110**	110

24. PENSION SCHEMES

The Group 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 £82,000 (2019: £90,000). At 31 December 2020, contributions of £6,000 were outstanding (2019: £8,000). These have been paid in full after the year end.

25. GUARANTEES AND CONTINGENT LIABILITIES

In 2019, Westferry Developments Limited, a subsidiary undertaking, entered into a bank guarantee with a supplier in relation to development works. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the supplier on demand any sum or sums due under the terms of the guarantee to an amount not exceeding £168,000. Westfery Developments Limited has also pledged cash balances to an amount of £168,000 in a restricted account as security for the bank guarantee facility.

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 2020, 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 in a restricted account as security for the bank guarantee facility.

26. COMMITMENTS

In 2018, 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.

27. RELATED PARTY TRANSACTIONS

Badger Property Partners LLP, of which Mr. R.C. Desmond is a member, owns the Number 10 Lower Thames Street property which is the head office of the Northern & Shell group. The Number 10 Lower Thames Street property is leased to the Group for a period of 20 years from 10 October 2013, for an annual rental of £8.0 million and with a rent review every 5 years. The charge for the year was £8.0 million (2019: £8.0 million). No amounts were due to Badger Property Partners LLP as at 31 December 2020 (2019: £nil).

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	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
FFS Beauty Limited	-	55	-	-
	-	55	-	-

In 2018, Northern & 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, charged interest at 5.0% and was repayable by June 2019. On 3 December 2018, Emoov Limited, together with its subsidiaries Tepilo Limited and Tepilo Holdings Limited, entered into administration. Accordingly, the amounts outstanding of £2.6 million were provided against in full with an impairment charge of £2.6 million recognised in the profit and loss account (note 6).

During the year, Northern & Shell Ventures Limited received a dividend of £109,000 (2019: £12,000) from Emoov Limited and £167,000 (2019: £nil) from Tepilo Holdings Limited as part repayment of its debtor balance outstanding under the floating charge.

During the year, Northern & Shell Ventures Limited received a dividend from Tepilo Limited of £10,000 (2019: £nil) as part repayment of its prescribed debtor balance.

During the year, LTS Rentals Limited, a subsidiary undertaking, received a dividend from Tepilo Limited of £1,000 (2019: £nil) as part repayment of its prescribed debtor balance.

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

28. EVENTS AFTER THE REPORTING DATE

After the reporting date, the Group sold its entire shareholding in Reach plc for a total consideration of £62.5 million (note 14).

29. ULTIMATE CONTROLLING PARTY

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