

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

ANNUAL REPORT

31 December 2014

CONTENTS

	<u>Page</u>
Officers and Professional Advisers	2
Directors' Report	3 - 4
Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements	5
Independent Auditor's Report to the Members of Northern & Shell Investments No 2 Limited	6 - 7
Profit and Loss Account	8
Balance Sheet	9
Notes to the Financial Statements	10 - 16

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr R Sanderson
Mr M S Ellice
Mr R J Martin (appointed 10 February 2014)

SECRETARY

Mr R Sanderson

COMPANY NUMBER

08025695 (England)

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

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

NORTHERN & SHELL INVESTMENTS NO 2 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014

PRINCIPAL ACTIVITIES

The principal activity of the Company is property related businesses

RESULTS AND DIVIDENDS

The Company recorded a loss before taxation of £3.8 million (2013: £1.2 million)

The directors do not recommend the payment of a dividend (2013: £nil)

REVIEW OF THE PERIOD AND FUTURE PROSPECTS

The profit and loss account is set out on page 8

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

The risks, uncertainties and key performance indicators pertaining to the Company are consistent with those experienced by the Company's fellow subsidiaries. They are discussed in the Strategic Report of Northern & Shell Media Group Limited, the ultimate parent of the Company.

The Company's net assets were £30.3 million as at 31 December 2014 (2013: £33.8 million)

DIRECTORS

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

EMPLOYEE INVOLVEMENT

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

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include liquidity risks. The Company has mechanisms in place that seek to limit the impact of the adverse effects of these risks on the financial performance of the Company.

Liquidity risk

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

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2014

GOING CONCERN

The Company has net current liabilities. A letter of support has been received from the ultimate parent company, Northern & Shell Media Group Limited, stating that this company will provide financial support as necessary to enable the Company to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare accounts on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Mr R Sanderson
Director

Date 23 April 2015

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

NORTHERN & SHELL INVESTMENTS NO 2 LIMITED

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

For the year ended 31 December 2014

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

For the year ended 31 December 2014

We have audited the financial statements of Northern & Shell Investments No 2 Limited for the year ended 31 December 2014 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

For the year ended 31 December 2014

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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, or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

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

Date 24 April 2015

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
TURNOVER	2	56	28
Administration expenses		<u>(3,958)</u>	<u>(1,444)</u>
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	3	(3,902)	(1,416)
Interest receivable and similar income	5	607	886
Interest payable and similar charges	6	<u>(491)</u>	<u>(674)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,786)	(1,204)
Tax on loss on ordinary activities	7	<u>244</u>	<u>160</u>
LOSS FOR THE FINANCIAL YEAR	12/13	<u>(3,542)</u>	<u>(1,044)</u>

There are no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented

Losses on ordinary activities before taxation are wholly attributable to continuing operations

The notes on pages 10 to 16 form part of these financial statements

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

BALANCE SHEET as at 31 December 2014

	Notes	2014 £000	2013 £000
FIXED ASSETS			
Tangible assets	8	<u>43,690</u>	<u>25,497</u>
CURRENT ASSETS			
Debtors	9	1,272	36,955
CREDITORS amounts falling due within one year	10	<u>(14,658)</u>	<u>(28,606)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(13,386)</u>	<u>8,349</u>
NET ASSETS		<u>30,304</u>	<u>33,846</u>
CAPITAL AND RESERVES			
Called up share capital	11	35,000	35,000
Profit and loss account	12	<u>(4,696)</u>	<u>(1,154)</u>
TOTAL SHAREHOLDERS' FUNDS	13	<u>30,304</u>	<u>33,846</u>

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



Mr R Sanderson
Director

Date 23 April 2015

Company registered number 08025695

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

(b) Going concern

The Company has net current liabilities. A letter of support has been received from the ultimate parent company, Northern & Shell Media Group Limited, stating that this company will provide financial support as necessary to enable the Company to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare accounts on a going concern basis.

(c) Cash flow statement

The Company is a wholly owned subsidiary of Northern & Shell Media Group Limited and is included in the consolidated financial statements of Northern & Shell Media Group Limited. Northern & Shell Media Group Limited prepares and files consolidated financial statements which include the cash flows of the Company. The Company has therefore relied on the exemption provided by FRS1 from preparing its own cash flow statement.

(d) Revenue recognition

Turnover represents the invoiced amount of services provided (stated net of value added tax, or other applicable sales taxes) and is generated from property investment activities. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that revenue can be reliably measured.

(e) Tangible fixed assets

In accordance with SSAP 19, freehold investment properties are stated at their open market value at the balance sheet date. Investment properties are revalued regularly, with the directors reviewing annually the assumptions of the valuation. The aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit, or its reversal, is expected to be permanent in which case it is charged in the profit and loss account. No provision is made for the depreciation of freehold investment properties. This departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

Leasehold land and buildings 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 lives, as follows:

Freehold land	no depreciation
Leasehold land and buildings	50 years estimated useful life or period of the lease,
whichever is the shorter	

The Company reviews its depreciation rates regularly to take account of technological changes, intensity of use over the life of the assets and market requirements.

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Debtors

Debtors are initially stated at fair value. The carrying value of debtors is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

(g) Deferred taxation

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 board.

The deferred tax assets and liabilities are not discounted and are calculated at the standard rate of corporation tax in the UK of 20% (2013: 20%).

(h) Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. TURNOVER

The Company's turnover, losses before taxation and net assets arise principally from its property investment activities.

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

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

Loss on ordinary activities before tax is stated after charging:

	2014	2013
	£000	£000
Operating lease rentals – land and buildings	656	771

Audit Services

Auditor's remuneration of £3,000 (2013: £3,000) in respect of the audit of these financial statements for the period ended 31 December 2014 is borne by Northern & Shell Plc, a fellow group undertaking.

Fees paid to the Company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the Company are not disclosed in Northern & Shell Investments No 2 Limited's accounts since the consolidated accounts of Northern & Shell Investments No 2 Limited's ultimate parent, Northern & Shell Media Group Limited, are required to disclose other services on a consolidated basis.

NORTHERN & SHELL INVESTMENTS NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

The Company has no employees.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £000	2013 £000
Group interest receivable	<u>607</u>	<u>886</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £000	2013 £000
Group interest payable	<u>491</u>	<u>674</u>

NORTHERN & SHELL INVESTMENTS NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

7 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2014 £000	2013 £000
Current tax:		
UK corporation tax receivable from group companies in respect of group relief at 21.5% (2013: 23.25%)	(252)	(280)
Adjustment in respect of previous periods	8	120
	(244)	(160)
Tax credit on loss on ordinary activities	(244)	(160)

The tax assessed for the period differs from the rate of 21.5% (2013: 23.25%) and the differences are explained below

	2014 £000	2013 £000
Loss on ordinary activities before tax	(3,786)	(1,204)
Loss on ordinary activities multiplied by the rate of 21.5% (2013: 23.25%)	(814)	(280)
Effects of		
Adjustment in respect of previous periods	8	120
Expenses not deductible for tax purposes	562	-
	(244)	(160)
Current tax credit for the year	(244)	(160)

On 21 March 2012, the Chancellor announced a reduction in the main rate of UK corporation tax from 24% to 23% with effect from 1 April 2013. On 2 July 2013, further reductions in the UK corporation tax rate from 23% to 21%, with effect from 1 April 2014 and then from 21% to 20%, with effect from 1 April 2015, were substantively enacted.

The company has no deferred tax assets, either recognised or unrecognised (2013: £nil).

NORTHERN & SHELL INVESTMENTS NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. TANGIBLE ASSETS

	Land & Buildings £000
Cost	
At 1 January 2014	26,760
Additions	18,193
At 31 December 2014	<u>44,953</u>
Depreciation	
At 1 January 2014	1,263
Charge for year	-
At 31 December 2014	<u>1,263</u>
Net book amounts	
At 31 December 2014	<u>43,690</u>
At 31 December 2013	<u>25,497</u>

During the year, the Company purchased the remaining freehold interests on its 15 acre site in London Docklands, for a total consideration of £18.1 million and is included in land & buildings additions for the year

9. DEBTORS

	2014 £000	2013 £000
Trade debtors	6	7
Amounts owed by group undertakings	232	36,341
Amounts due from group undertakings with respect to group relief	244	353
Other debtors	718	36
Prepayments and accrued income	72	218
	<u>1,272</u>	<u>36,955</u>

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

NORTHERN & SHELL INVESTMENTS NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. CREDITORS: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	127	49
Amounts owed to group undertakings	14,438	28,528
Other creditors	17	-
Accruals	76	29
	14,658	28,606

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

11. CALLED UP SHARE CAPITAL

	2014	2013
	£000	£000
Authorised, allotted and fully paid 35,000,000 ordinary shares of £1 each	35,000	35,000

During the year, as part of group simplification the Company's entire issued share capital was transferred to Northern & Shell Properties Limited, a fellow group undertaking

12. RESERVES

	Profit and loss £000
At 1 January 2014	(1,154)
Loss for the year	(3,542)
At 31 December 2014	(4,696)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	£000	£000
Loss for the year	(3,542)	(1,044)
Decrease in shareholders' funds	(3,542)	(1,044)
Opening shareholders' funds	33,846	34,890
Closing shareholders' funds	30,304	33,846

NORTHERN & SHELL INVESTMENTS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14 GUARANTEES AND CONTINGENT LIABILITIES

The Company is part of the Northern & Shell Media Group Limited group. At 31 December 2014, certain claims in the normal course of business were pending against the Group and certain tax computations were still subject to agreement with the relevant taxation authorities. Although there is uncertainty regarding the final outcome of these matters, the directors believe, based on professional advice received, that adequate provision has been made in the financial statements for anticipated liabilities and the probable ultimate resolution of such matters will not have a material effect on the financial statements of the Company.

During the year, the Company acquired freehold interest in property for the total sum of £18.1 million, included in tangible assets land and buildings (note 8). Under the terms of the acquisition deed, further amounts may become due payable to the seller, a third party. Accordingly, as at 31 December 2014, the Company 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 sums due under the terms of the guarantee to an amount not exceeding £719,000. The Company has also pledged certain assets as security for the bank guarantee facility.

The Company previously jointly and severally guaranteed loans entered into by the ultimate parent undertaking, Northern & Shell Media Group Limited, amounting to £nil as at 31 December 2014 (2013: £29.8 million). The Company previously also jointly and severally guaranteed an overdraft facility entered into by Northern & Shell Media Group Limited, amounting to £nil as at 31 December 2014 (2013: £20.0 million). During the year, the loan amounts and the overdraft facility were repaid in full by Northern & Shell Media Group Limited.

15 RELATED PARTY TRANSACTIONS

The Company is exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Northern & Shell Media Group Limited group.

16 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Northern & Shell Properties Limited and the ultimate parent undertaking is Northern & Shell Media Group Limited. The ultimate controlling party is Richard Desmond, the Chairman of Northern & Shell Media Group Limited.

The largest and smallest groups into which these accounts are consolidated are Northern & Shell Media Group Limited. Northern & Shell Media Group Limited is registered in England. Copies of the financial statements of Northern & Shell Media Group Limited can be obtained from The Northern & Shell Building, Number 10 Lower Thames Street, London EC3R 6EN, United Kingdom.