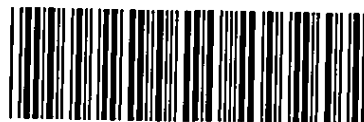


**MAINSTREAM NETWORK LIMITED**  
**REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

WEDNESDAY



\*A7ZKETAH\*

A31

26/09/2007

750

COMPANIES HOUSE

**MAINSTREAM NETWORK LIMITED**

**ANNUAL REPORT**

**31 December 2006**

**CONTENTS**

	<b><u>Page</u></b>
Officers and Professional Advisers	2
Directors' Report	3 - 4
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 12

**MAINSTREAM NETWORK LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr M S Ellice  
Dr P Ashford

**SECRETARY**

Mr M S Ellice

**COMPANY NUMBER**

2744573 (England)

**AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

**BANKERS**

Bank of Scotland  
155 Bishopsgate  
London EC2M 3YB

**REGISTERED OFFICE**

The Northern & Shell Tower  
4 Selsdon Way  
London E14 9GL

# **MAINSTREAM NETWORK LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2006**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2006

#### **PRINCIPAL ACTIVITIES**

In 2005 the Company remained dormant

The principal activity of the Company in 2006 was the building of a customer management service centre to provide services to group companies and third parties. The directors made a decision not to continue with the customer management service centre in December 2006. All costs incurred in relation to the customer management service centre have been written off in the 2006 financial statements.

#### **RESULTS AND DIVIDENDS**

The loss on ordinary activities before taxation for the year ended 31 December 2006 amounted to £1.9m (2005: £nil).

The directors do not recommend the payment of a dividend (2005: £nil).

#### **REVIEW OF THE YEAR AND FUTURE PROSPECTS**

The profit and loss account is set out on page 6.

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 "Review of the year and future prospects" section in the Directors' Report of Northern & Shell Network Limited, the ultimate operational parent of the Company.

The Company's net liabilities were £1,869,000 at 31 December 2006 (2005 net assets £46,000).

#### **DIRECTORS AND THEIR INTERESTS**

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

At the beginning and the end of the year, Mr R C Desmond was beneficially interested in the whole of the issued share capital of the Company. The interests of Mr R C Desmond, who is a director of the ultimate operational parent company, Northern & Shell Network Limited, are shown in the financial statements of that Company.

At the beginning and end of the year, the directors' beneficial interests in the issued ordinary 'B' share capital of Northern & Shell North America Limited, a fellow group undertaking, were

#### **£1 Ordinary 'B' shares**

	<b>At 1 January 2006</b>	<b>At 31 December 2006</b>
Mr M S Ellice	75,000	75,000
Dr P Ashford	37,500	37,500

#### **GOING CONCERN**

The Company has negative net assets. A letter of support has been received from the ultimate operational parent company, Northern & Shell Network Ltd, 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 it is appropriate to prepare the accounts on a going concern basis.

**MAINSTREAM NETWORK LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**PAYMENT POLICY OF CREDITORS**

The Company agrees terms and conditions individually with its suppliers. Payment is made on these terms, subject to the terms and conditions being met by the supplier.

**FINANCIAL RISK MANAGEMENT**

The Company's operations expose it to a variety of financial risks that include liquidity risk. 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.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company Law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITORS**

In accordance with Section 234ZA of the Companies Act, in the case of each of the persons who are directors at the time when this report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to accept appointment and a resolution concerning their appointment will be proposed at the annual general meeting.

Approved by the Board and signed on behalf of the Board



Mr M S Ellice  
Secretary

Date 19 April 2007

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**MAINSTREAM NETWORK LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

We have audited the financial statements of Mainstream Network Limited for year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Directors' Responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

Date 20 April 2007

**MAINSTREAM NETWORK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Total 2006 £000	Total 2005 £000
Administrative expenses		(1,902)	-
<b>Operating loss</b>	2	(1,902)	-
Interest receivable and similar income	4	3	-
Interest payable and similar charges	5	(16)	-
<b>Loss on ordinary activities before taxation</b>		(1,915)	-
Tax on loss on ordinary activities	6	-	-
<b>Retained loss for the financial year</b>	11/12	(1,915)	-

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents

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

The operating loss is wholly attributable to discontinued operations

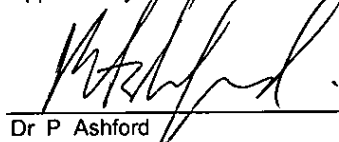
The notes on pages 8 to 12 form part of these financial statements

**MAINSTREAM NETWORK LIMITED**

**BALANCE SHEET as at 31 December 2006**

	Notes	2006 £000	2005 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>24</u>	<u>-</u>
		<u>24</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	8	49	46
<b>CREDITORS</b> amounts falling due within one year	9	(1,942)	-
		<u>(1,893)</u>	<u>46</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(1,893)</u>	<u>46</u>
<b>NET (LIABILITIES) / ASSETS</b>		<u>(1,869)</u>	<u>46</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	-	-
Profit and loss account	11	<u>(1,869)</u>	<u>46</u>
<b>TOTAL EQUITY SHAREHOLDERS' (DEFICIT) / FUNDS</b>	12	<u>(1,869)</u>	<u>46</u>

Approved by the Board of Directors

  
Dr P Ashford

Date 19 April 2007



**MAINSTREAM NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**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 1985 and applicable accounting standards. The principal accounting policies are set out below.

**( b ) Going concern**

The Company has negative net assets. A letter of support has been received from the ultimate operational parent company, Northern & Shell Network Ltd, 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 it is appropriate to prepare the accounts on a going concern basis.

**( c ) Cash flow statement**

The Company is a wholly owned subsidiary of Northern & Shell Network Limited and is included in the consolidated financial statements of Northern & Shell Network Limited, and has therefore relied on the exemption provided by FRS1 from preparing its own cash flow statement.

**( d ) 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.

Depreciation is provided on all tangible fixed assets at the rates calculated to write off the cost of each asset less any estimated residual value over their expected useful lives as follows:

Office equipment	4 years
------------------	---------

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.

Assets in the course of construction are held on the balance sheet but depreciation is not charged until the asset is brought into use.

**( e ) Debtors**

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

**( f ) 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.

**( g ) Pension costs**

The Company contributes to a defined contribution scheme for its employees. Contributions are charged in the profit and loss account to reflect amounts paid / payable under the schemes.

**MAINSTREAM NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**2 OPERATING LOSS**

**Audit services**

Auditors' remuneration of £4k for the year ended 31 December 2006 (2005 £nil) is borne by Northern & Shell Plc, a fellow subsidiary company

Fees paid to the Company's auditor, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the Company are not disclosed in Mainstream Network Limited's accounts since the consolidated accounts of Mainstream Network Limited's ultimate operational parent, Northern & Shell Network Limited, are required to disclose other services on a consolidated basis

**Termination of business**

The directors made the decision in December 2006 to terminate all developments and operations in respect of the customer management service centre. All costs in relation to the customer management service centre have been recognised in the year and are included in the operating loss.

**3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The directors received no fees or emoluments from the Company during the year ended 31 December 2006 (2005 £nil) since their duties are incidental to their main duties to other subsidiary undertakings of Northern & Shell Network Limited

**Staff costs**

	2006 £000	2005 £000
Wages and salaries	185	-
Social security costs	19	-
Pension costs	2	-
	<u>206</u>	<u>-</u>

Average number of people, including directors, employed by activity

	2006 Number	2005 Number
Administration	<u>4</u>	<u>2</u>

**4 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2006 £000	2005 £000
Group interest receivable	<u>3</u>	<u>-</u>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2006 £000	2005 £000
Group interest payable	<u>16</u>	<u>-</u>

**MAINSTREAM NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**6 TAX ON LOSS ON ORDINARY ACTIVITIES**

	<b>2006 £000</b>	<b>2005 £000</b>
Tax charge on loss on ordinary activities	<u>-</u>	<u>-</u>
The tax assessed for the year differs from the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below		
	<b>2006 £000</b>	<b>2005 £000</b>
Loss on ordinary activities before tax	<u>(1,915)</u>	<u>-</u>
Loss on ordinary activities multiplied by standard rate in the UK of 30% (2005 30%)	(575)	-
Effects of Permanent differences	<u>575</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

The Company is not aware of any factors that will materially effect future tax charges

**MAINSTREAM NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**7 TANGIBLE FIXED ASSETS**

	Office equipment £000	Assets under construction £000	Total £000
<b>Cost</b>			
At 1 January 2006	-	-	-
Additions	29	1,234	1,263
Disposals	(5)	(1,234)	(1,239)
<b>At 31 December 2006</b>	<b>24</b>	<b>-</b>	<b>24</b>
<b>Depreciation</b>			
At 1 January 2006	-	-	-
Charge for the year	-	-	-
Depreciation on disposals	-	-	-
<b>At 31 December 2006</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net book amount <b>At 31 December 2006</b>	<b>24</b>	<b>-</b>	<b>24</b>
At 31 December 2005	-	-	-

**8 DEBTORS**

	2006 £000	2005 £000
Amounts owed by group undertakings	48	46
Other debtors	1	-
	<b>49</b>	<b>46</b>

Amounts owed by group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand

**9 CREDITORS**

	2006 £000	2005 £000
Trade creditors	7	-
Amounts owed to group undertakings	820	-
Other creditors	13	-
Accruals and deferred income	1,102	-
	<b>1,942</b>	<b>-</b>

Amounts owed to group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand

**MAINSTREAM NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**10 SHARE CAPITAL**

	2006 £	2005 £
Ordinary shares of £1 each		
Authorised (1,000 shares)	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid (2 shares)	<u>2</u>	<u>2</u>

**11 PROFIT AND LOSS RESERVES**

	Profit and loss account 2006 £000
At 1 January 2006	46
Retained loss for the financial year	<u>(1,915)</u>
At 31 December 2006	<u>(1,869)</u>

**12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT) / FUNDS**

	2006 £000	2005 £000
Retained loss for the financial year	<u>(1,915)</u>	-
Net increase in shareholders' deficit	(1,915)	-
Opening shareholders' funds	<u>46</u>	<u>46</u>
Closing shareholders' (deficit) / funds	<u>(1,869)</u>	<u>46</u>

**13 GUARANTEES AND CONTINGENT LIABILITIES**

At 31 December 2006, the assets of the Company are held as security for bank loans advanced to group undertakings. After the year end, the arrangements securing these bank loans were amended (note 14).

The Company is part of the Northern & Shell Network group. At 31 December 2006, 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.

**14 POST BALANCE SHEET EVENT**

On 18 April 2007, the bank loans referred to in note 13 were restructured. As a result, the arrangements in place as at 31 December 2006 were superseded and the bank loans are no longer secured on the assets of the Company.

**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 Network group.

**16 ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Portland Media Group Limited and the ultimate parent undertaking is RCD1 Limited. RCD1 Limited acts purely as a holding company and does not participate in operations. Accordingly, Northern & Shell Network Limited acts as the ultimate operational parent of the group.

The largest and smallest groups into which these accounts are consolidated are RCD1 Limited and Northern & Shell Network Limited respectively.

Both RCD1 Limited and Northern & Shell Network Limited are registered in England. Copies of the financial statements of these companies can be obtained from The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN.