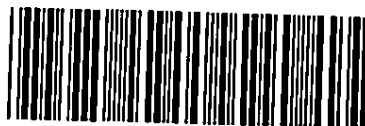


MAINSTREAM NETWORK LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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MAINSTREAM NETWORK LIMITED

ANNUAL REPORT

31 December 2007

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MAINSTREAM NETWORK LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr P Ashford
Mr M S Ellice
Mr R Sanderson

SECRETARY

Mr M S Ellice

COMPANY NUMBER

2744573 (England)

AUDITORS

KPMG LLP
20 Farringdon Street
London EC4A 4PP
United Kingdom

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 2007

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

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 2006 and 2007 financial statements.

RESULTS AND DIVIDENDS

The loss on ordinary activities before taxation for the year ended 31 December 2007 amounted to £0.1 million (2006: loss £1.9m).

The directors do not recommend the payment of a dividend (2006: £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 £1,963,000 as at 31 December 2007 (2006: net liabilities £1,869,000).

DIRECTORS AND THEIR INTERESTS

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.

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

	At 1 January 2007	At 31 December 2007
Mr M S Ellice	75,000	75,000
Dr P Ashford	37,500	37,500
Mr R Sanderson	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 2007

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.

POLITICAL AND CHARITABLE DONATIONS

There were no charitable or political contributions made during the year (2006 £nil).

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 judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable UK 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

During the year, the Company reviewed the position of its auditors and decided to put its audit out to competitive tender. As a result of the review, PricewaterhouseCoopers LLP resigned as auditors of the Company and on 18 December 2007, KPMG LLP were appointed as auditors of the Company. KPMG LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next annual general meeting.

Approved by the Board of Directors and signed on its behalf by



Mr M S Ellice
Secretary

Date 24 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MAINSTREAM NETWORK LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Mainstream Network Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members as a body in accordance with Section 235 of the Companies Act 1985. 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 auditors 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 audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 the 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 judgments 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 UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 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.

KPMG LLP
Chartered Accountants
Registered Auditor

Date 28 April 2008

MAINSTREAM NETWORK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Total 2007 £000	Total 2006 £000
Administrative expenses		(79)	(1,902)
Operating loss	2	(79)	(1,902)
Interest receivable and similar income	4	-	3
Interest payable and similar charges	5	(15)	(16)
Loss on ordinary activities before taxation		(94)	(1,915)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	13/14	(94)	(1,915)

There are no material differences between the loss on ordinary activities before taxation and the 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 2007

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible assets	7	-	24
		-	24
CURRENT ASSETS			
Debtors	8	61	49
CREDITORS amounts falling due within one year	9	(1,975)	(1,698)
NET CURRENT LIABILITIES		(1,914)	(1,649)
CREDITORS amounts falling due after more than one year	10	(49)	(244)
NET LIABILITIES		<u>(1,963)</u>	<u>(1,869)</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	<u>(1,963)</u>	<u>(1,869)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	14	<u>(1,963)</u>	<u>(1,869)</u>

Approved by the Board of Directors and signed on its behalf by


Dr P Ashford

Date 24 April 2008

MAINSTREAM NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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) 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.

(c) 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.

(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 to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life as follows:

Office equipment	4 years
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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 and are calculated at the standard rate of corporation tax in the UK of 30%, for those timing differences reversing before 1 April 2008, and 28% for those reversing after 1 April 2008.

(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 2007

2 OPERATING LOSS

Audit services

Auditors' remuneration of £2,000 (2006 £4,000) in respect of the audit of these financial statements is borne by Northern & Shell Plc, a fellow group company. No remuneration was payable to the previous auditors in respect of 2007.

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 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 2006 and 2007 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 2007 (2006 £nil) since their duties are incidental to their main duties to other subsidiary undertakings of Northern & Shell Network Limited.

Staff costs

	2007 £000	2006 £000
Wages and salaries	1	185
Social security costs	-	19
Pension costs	-	2
	<u>1</u>	<u>206</u>

Average number of people, including directors, employed by activity

	2007 Number	2006 Number
Administration	<u>3</u>	<u>4</u>

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £000	2006 £000
Group interest receivable	<u>-</u>	<u>3</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Other interest payable	15	-
Group interest payable	<u>-</u>	<u>16</u>

MAINSTREAM NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £000	2006 £000
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% (2006 30%) The differences are explained below		
	2007 £000	2006 £000
Loss on ordinary activities before tax	<u>(94)</u>	<u>(1,915)</u>
Loss on ordinary activities multiplied by standard rate in the UK of 30% (2006 30%)	(28)	(575)
Effects of Permanent differences	<u>28</u>	<u>575</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

7 TANGIBLE FIXED ASSETS

	2007 Office equipment £000
Cost	
At 1 January 2007	24
Transfers	<u>(24)</u>
At 31 December 2007	<u>-</u>
Depreciation	
At 1 January and 31 December 2007	<u>-</u>
Net book amounts	
At 31 December 2007	<u>-</u>
Net book amounts	
At 31 December 2006	<u>24</u>

During the year, tangible fixed assets were transferred to fellow group undertakings

MAINSTREAM NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

8 DEBTORS

	2007 £000	2006 £000
Amounts owed by group undertakings	61	48
Other debtors	-	1
	<u>61</u>	<u>49</u>

Amounts owed by group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand (2007: no interest charged)

9 CREDITORS amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	-	7
Amounts owed to group undertakings	1,766	820
Other creditors (note 11)	195	208
Accruals and deferred income	14	663
	<u>1,975</u>	<u>1,698</u>

Amounts owed to group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand (2007: no interest charged)

10 CREDITORS amounts falling due after more than one year

	2007 £000	2006 £000
Other creditors (note 11)	<u>49</u>	<u>244</u>

11 OTHER CREDITORS

	2007 £000	2006 £000
Financial commitments due to finance lease terminated in 2006		
Within one year	195	195
Within two and five years	<u>49</u>	<u>244</u>
	<u>244</u>	<u>439</u>

MAINSTREAM NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

12 SHARE CAPITAL

	2007 £	2006 £
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>

13 PROFIT AND LOSS RESERVES

	Profit and loss account 2007 £000
At 1 January 2007	(1,869)
Loss for the year	<u>(94)</u>
At 31 December 2007	<u>(1,963)</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	2007 £000	2006 £000
Loss for the financial year	<u>(94)</u>	<u>(1,915)</u>
Net increase in shareholders' deficit	(94)	(1,915)
Opening shareholders' (deficit) / funds	<u>(1,869)</u>	<u>46</u>
Closing shareholders' deficit	<u>(1,963)</u>	<u>(1,869)</u>

15 GUARANTEES AND CONTINGENT LIABILITIES

The Company is part of the Northern & Shell Network group. At 31 December 2007, 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.

16 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.

17 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 ultimate controlling party is Richard Desmond, the Chairman of Northern & Shell Network Limited.

The largest and smallest groups into which these accounts are consolidated are RCD1 Limited and Northern & Shell Network Limited respectively. RCD1 Limited, Northern & Shell Network Limited and Northern & Shell Media Limited are registered in England.

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