

26-Feb-99

**PORTLAND ENTERPRISES LIMITED**  
**REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**



PORTLAND ENTERPRISES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

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PORTLAND ENTERPRISES LIMITED  
OFFICERS AND PROFESSIONAL ADVISERS

Directors

Mr. M.S. Ellice  
Mr. P.M. Ashford  
Mr. S. Myerson

Secretary

Mr. S. Smith

Company Number

2729729 (England)

Auditors

PricewaterhouseCoopers  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

Bankers

National Westminster Bank Plc  
19 Shaftesbury Avenue  
London W1A 4QQ

Registered Office

11 Lanark Square  
Glengall Bridge  
London E14 9RE

# PORTLAND ENTERPRISES LIMITED

## Directors' Report

The directors submit their report and financial statements for the year ended 31 December 1998.

### Activities

The company's principal activity during the period was that of a satellite television broadcaster. It is the intention of the company to continue trading in this area for the foreseeable future.

### Results and Dividends

The trading profit before tax for the year amounted to £460,229 ( 1997 profit - £1,049,494 ).

The directors do not recommend the payment of a dividend (1997 - £nil).

The company has increased its revenue during the year through taking additional subscribers, its pricing policy and extending its distribution across available platforms.

With the development of digital satellite and terrestrial broadcasting the company believes it is well placed to extend its business activities and subscriber base during the coming year.

### Directors

The present membership of the board is set out on page 2. All directors served throughout the year.

None of the above directors had an interest in the share capital of the company or the parent company as at 31 December 1997 and 31 December 1998.

Mr. R.C. Desmond, a director of Portland Investments Limited, the holding company, has a beneficial interest in the whole of the issued share capital of the company.

### Going Concern

The board continues to adopt the going concern basis in preparing the financial statements as, after making appropriate enquiries, it considers that the company has adequate resources and plans to continue in operational existence for the foreseeable future.

### Year 2000

An analysis of significant risks has been developed to determine the impact of year 2000 on our computer and other date related systems. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business process. Priority is being given to those systems that could cause a significant financial or legal impact on the company's business if they were to fail. The plan includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on our business of year 2000 related failures by our significant suppliers and customers. In appropriate cases formal assurance is being sought from these other parties.

The board of directors is regularly updated on progress of the year 2000 issues. The costs associated with ensuring year 2000 compliance are not material.

### Euro

The company derives most of its business from within UK, therefore there will be no transactions carried out in Euros.

## PORTLAND ENTERPRISES LIMITED

### Directors' Report (continued)

#### Tangible Fixed Assets

Movements in fixed assets during the year are shown in note 7 to the accounts.

#### Policy on Payment of Creditors

The company agrees terms and conditions for their business transactions with their suppliers. Payment is made on these terms, subject to these terms and conditions being met by the supplier.

#### Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements ;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business ;

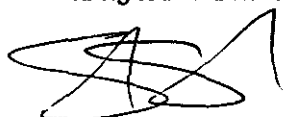
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 . The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

On 1 July 1998, Price Waterhouse merged with Coopers and Lybrand. Price Waterhouse resigned as auditors on 28 July 1998 and PricewaterhouseCoopers, the firm created as a result of this merger, was appointed by the directors to succeed as auditors.

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors have expressed their willingness to continue in office and offer themselves for re-election in accordance with Section 385 of the Companies Act 1985.

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



Mr. S. Smith  
Secretary

Dated : 26 FEBRUARY 1999

## **Auditors' report to the members of Portland Enterprises Limited**

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including, as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

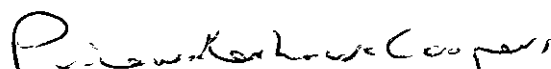
### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

26 February 1999

PORTLAND ENTERPRISES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1998

	<u>Note</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u> (as restated)
Turnover	2	11,776,601	9,803,489
Cost of sales		<u>(5,693,073)</u>	<u>(4,421,722)</u>
GROSS PROFIT		<u>6,083,528</u>	<u>5,381,767</u>
Distribution expenses		(31,563)	(27,829)
Administrative expenses		<u>(5,548,022)</u>	<u>(4,202,530)</u>
		<u>(5,579,585)</u>	<u>(4,230,359)</u>
OPERATING PROFIT		503,943	1,151,408
Interest payable and similar charges	3	<u>(43,714)</u>	<u>(101,914)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	460,229	1,049,494
Tax on Profit on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>460,229</u></u>	<u><u>1,049,494</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u> (as restated)
Profit for the financial year	<u>460,229</u>	<u>1,049,494</u>
Total recognised gains and losses relating to the year	460,229	<u>1,049,494</u>
Prior year adjustment (note 1a)	<u>(1,659)</u>	
Total gains and losses recognised since last annual report	<u><u>458,570</u></u>	

The whole of the turnover and operating profit is attributable to continuing operations .

There were no differences between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 8 to 12 form part of these accounts.

PORTLAND ENTERPRISES LIMITED

BALANCE SHEET

As at 31 December 1998

	<u>Note</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u> <u>(as restated)</u>
<b>FIXED ASSETS</b>			
Intangible assets	8	15,763	9,401
Tangible assets	7	<u>692,743</u>	<u>572,597</u>
		708,506	581,998
<b>CURRENT ASSETS</b>			
Stocks	9	119,101	102,765
Debtors	10	2,527,929	1,640,107
Cash at Bank		-	203,193
		<u>2,647,030</u>	<u>1,946,065</u>
<b>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(7,140,498)</u>	<u>(6,797,020)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(4,493,468)</u>	<u>(4,850,955)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(3,784,962)	(4,268,957)
<b>CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	(93,135)	(69,369)
		<u>(3,878,097)</u>	<u>(4,338,326)</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	14	10	10
Profit and loss account		<u>(3,878,107)</u>	<u>(4,338,336)</u>
		<u>(3,878,097)</u>	<u>(4,338,326)</u>

Approved by the Board of Directors :

  
Mr. M.S. Ellice

26 February 1999  
Dated

The notes on pages 8 to 12 form part of these accounts.



# PORTLAND ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 1. ACCOUNTING POLICIES

#### ( a ) Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis and in accordance with applicable Accounting Standards which have been applied consistently.

The prior year adjustment of £1,659 is made as a result of the change in accounting policy following the new standard FRS10 'Goodwill and Intangible Assets', which came into effect for accounting periods ended on or after 23 December 1998.

The effect of change in accounting policy on profit is not material in either the current or prior year.

#### ( b ) Turnover

Turnover represents the invoiced amount of goods sold and services provided (stated net of Value Added Tax).

#### ( c ) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Translation differences are dealt with in the profit and loss account.

#### ( d ) Tangible fixed assets

Depreciation is provided on all tangible assets at the rates calculated to write off cost or revaluation, less estimated residual value, of each asset evenly over its expected life as follows :

Leased plant and equipment	- over 5 years
Owned plant and equipment	- over 4 years
Fixtures and fittings	- over 4 years
Motor vehicles	- over 4 years

#### ( e ) Intangible fixed assets

Intangible fixed assets are wholly comprised of the cost of registering trademarks. In previous periods no amortisation was provided.

Following the new accounting standard FRS10 'Goodwill and Intangible Assets' , intangible fixed assets are amortised over 20 years.

#### ( f ) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. It is the policy of the company to write-off the whole cost of a film or programme in the month of its first transmission.

# PORTLAND ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 1998

### ( g ) Obligations under finance leases

Assets obtained under finance leases are capitalised in the balance sheet and depreciated over the estimated useful life of the asset.

Finance costs are charged to 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.

### ( h ) Deferred taxation

Deferred taxation is only provided where, in the opinion of the directors, an asset or liability is expected to crystallise.

## 2. TURNOVER

The company's turnover and profit before tax arises solely from its satellite and cable broadcasting activities and relates to continuing operations.

## 3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1998</u> £	<u>1997</u> £
Other loans	19,785	71,991
Lease finance charges	<u>23,929</u>	<u>29,923</u>
	<u><u>43,714</u></u>	<u><u>101,914</u></u>

## 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1998</u> £	<u>1997</u> £ (as restated)
Profit on ordinary activities before taxation is stated after charging :		
Auditors' remuneration	15,000	15,492
Depreciation - on owned assets	35,098	20,011
Depreciation - on leased assets	214,695	175,785
Amortisation - on intangible assets	<u>917</u>	<u>553</u>

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments of £50,546 were borne by Northern & shell Plc and recharged to the company as part of a management charge (1997 - £40,596).

	<u>1998</u> £	<u>1997</u> £
Employee costs during the period :		
Wages and salaries	395,171	272,929
Social security costs	26,030	27,349
Pension	<u>4,527</u>	<u>560</u>
	<u><u>425,728</u></u>	<u><u>300,838</u></u>
Average number of people employed :	<u>No.</u>	<u>No.</u>
Office and management (including directors)	<u>21</u>	<u>12</u>

PORTLAND ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 1998

6 TAXATION

	<u>1998</u> £	<u>1997</u> £
UK corporation tax at 31 % based on the profit for the period	-	-

7. TANGIBLE FIXED ASSETS

	<u>Fixtures, Fittings, Tools &amp; Equipment</u> £
<b>COST :</b>	
At 31 December 1997	993,583
Additions	369,939
Disposals	-
At 31 December 1998	<u>1,363,522</u>
<b>AMORTISATION</b>	
At 31 December 1997	420,986
Charge	249,793
Disposals	-
At 31 December 1998	<u>670,779</u>
<b>NET BOOK VALUE</b>	
At 31 December 1998	<u>692,743</u>
At 31 December 1997	<u>572,597</u>

Fixtures, Fittings, Tools & Equipment includes assets acquired under finance lease in respect of which as at 31 December 1998 the net book value was £474,193 (1997 : £521,220) after charging £214,695 (1997 : £175,785) depreciation for the period.

8. INTANGIBLE FIXED ASSETS

	<u>Trademarks</u> £
<b>COST</b>	
At 31 December 1997	11,060
Additions	7,279
Disposals	-
At 31 December 1998	<u>18,339</u>
<b>AMORTISATION</b>	
At 31 December 1997	-
Prior year adjustment (note 1a)	1,659
Restated at 1st January 1998	1,659
Charge for the year	917
At 31 December 1998	<u>2,576</u>
<b>NET BOOK VALUE</b>	
At 31 December 1998	<u>15,763</u>
At 31 December 1997 (as restated)	<u>9,401</u>

PORTLAND ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 1998

9. STOCKS	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Finished goods - Programme and film stock	<u>119,101</u>	<u>102,765</u>
10. DEBTORS	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Trade debtors	469,393	295,763
Other debtors	375,050	447,137
Amounts owed by group undertakings	469,603	10
Prepayments and accrued income	<u>1,213,883</u>	<u>897,197</u>
	<u>2,527,929</u>	<u>1,640,107</u>
11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Bank overdrafts	837,539	-
Trade creditors	391,709	349,549
Amounts owed to group undertakings	-	981,017
Obligations under finance leases	114,506	156,147
Other creditors	446,785	768,975
Taxation and social security	12,365	17,414
Accruals and deferred income	<u>5,337,594</u>	<u>4,523,918</u>
	<u>7,140,498</u>	<u>6,797,020</u>
12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Obligations under finance leases	<u>93,135</u>	<u>69,369</u>
13. OBLIGATIONS UNDER FINANCE LEASES	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Due within :		
1 year	114,506	156,147
1 - 5 years	<u>93,135</u>	<u>69,369</u>
	<u>207,641</u>	<u>225,516</u>

**PORTLAND ENTERPRISES LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**Year ended 31 December 1998**

**14. SHARE CAPITAL**

	<u>1998</u> £	<u>1997</u> £
Ordinary shares £ 1 each :		
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>10</u>	<u>10</u>

**15. RESERVES**

	<u>Profit and loss account</u> £
At 1 January 1998 as previously stated	(4,336,677)
Prior year adjustment (note 1a)	<u>(1,659)</u>
Restated profit and loss	(4,338,336)
Retained profit for the financial year	<u>460,229</u>
At 31 December 1998	<u>(3,878,107)</u>

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1998</u> £	<u>1997</u> £ (as restated)
Profit for the financial year	460,229	1,049,494
Opening shareholders' funds (Originally loss of £4,336,667 before deducting prior year adjustment £1,659)	<u>(4,338,326)</u>	<u>(5,387,820)</u>
Closing shareholders' funds	<u>(3,878,097)</u>	<u>(4,338,326)</u>

**17. PARENT COMPANY**

The company is a wholly owned subsidiary of Portland Investments Limited, a company incorporated in England. Copies of Portland Investments Limited financial statements can be obtained from :  
 11 Lanark Square, Glengall Bridge, London E14 9RE.  
 The company has received assurances from its parent company that it will be provided with the funds necessary to meet its liabilities as they fall due.

**18. CASH FLOW STATEMENT**

Portland Investments Limited prepares and files a consolidated cash flow statement which includes the cash flows of the company. The company has therefore relied on the exemption provided by FRS1 from preparing its own cash flow statement.

**19. RELATED PARTY TRANSACTIONS**

Portland Investments Limited discloses details of related party transactions. The company has therefore relied on the exemption provided by FRS8 from preparing the related party transactions note.