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PORTLAND ENTERPRISES LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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PORTLAND ENTERPRISES LIMITED

ANNUAL REPORT

31 December 2006

CONTENTS

	Page
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 - 15

PORTLAND ENTERPRISES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr M S Ellice
Dr P Ashford
Mr S Myerson
Mr P Dunthorne

SECRETARY

Mr R Sanderson

COMPANY NUMBER

2729729 (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

PORTLAND ENTERPRISES 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

The principal activity of the Company is unchanged from last year, and is a production facility studio and provider of transmission services, supplying production and transmission services to other group companies

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year amounted to £4.6 million (2005 profit £2.0 million)

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

REVIEW OF THE PERIOD AND FUTURE PROSPECTS

The profit and loss account is set out on page 6

The directors consider the underlying performance of the Company to be satisfactory. It is the intention of the Company to continue trading 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 "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 assets were £7.5 million at 31 December 2006 (2005 £4.0 million)

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 year.

At the beginning and 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 2006	At 31 December 2006
Mr M S Ellice	75,000	75,000
Mr S Myerson	75,000	75,000
Dr P Ashford	37,500	37,500

Mr P Dunthorne had no interest in the share capital of the Company or any other company within the Northern & Shell Network Limited group, at the beginning or end of the year.

PORTLAND ENTERPRISES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include credit, liquidity and interest rate 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.

Credit risk

The Company has implemented policies that require appropriate credit checks to be performed on potential customers before sales are made.

Liquidity risk

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

Interest rate cash flow risk

The Company has interest bearing assets. The interest bearing assets are cash balances subject to floating interest rates. The directors keep these measures under constant review.

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 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 which 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 continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

Approved by the Board and signed on behalf of the Board



Mr R Sanderson
Secretary

Date 19 April 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PORTLAND ENTERPRISES LIMITED

For the year ended 31 December 2006

We have audited the financial statements of Portland Enterprises 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 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 hand 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 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 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 profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- 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

PORTLAND ENTERPRISES LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	7,633	4,284
Cost of sales		<u>(2,932)</u>	<u>(2,405)</u>
Gross profit		<u>4,701</u>	<u>1,879</u>
Administrative expenses		<u>(370)</u>	<u>(301)</u>
Operating profit	3	4,331	1,578
Interest receivable and similar income	5	890	575
Interest payable and similar charges	6	<u>(632)</u>	<u>(166)</u>
Profit on ordinary activities before taxation		4,589	1,987
Tax on profit on ordinary activities	7	<u>(1,078)</u>	<u>(599)</u>
Retained profit for the financial year	15/16	<u>3,511</u>	<u>1,388</u>

There are no material differences between the profit on ordinary activities before taxation and the retained profit 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

Turnover and operating profit are wholly attributable to continuing operations

The notes on pages 8 to 15 form part of these financial statements

PORTLAND ENTERPRISES LIMITED

BALANCE SHEET as at 31 December 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Intangible assets	8	18	19
Tangible assets	9	774	995
Investments	10	-	-
		<u>792</u>	<u>1,014</u>
CURRENT ASSETS			
Debtors	11	10,547	13,854
Cash at bank		-	30
		<u>10,547</u>	<u>13,884</u>
CREDITORS amounts falling due within one year	12	(3,763)	(10,897)
Bank overdraft		(63)	-
		<u>(3,826)</u>	<u>(10,897)</u>
NET CURRENT ASSETS		<u>6,721</u>	<u>2,987</u>
NET ASSETS		<u>7,512</u>	<u>4,001</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account	15	7,512	4,001
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	<u>7,512</u>	<u>4,001</u>

Approved by the Board of Directors



Mr M S Ellice

Date 19 April 2007

PORTLAND ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1 PRINCIPAL ACCOUNTING POLICIES

(a) Accounting convention

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) Revenue recognition

Turnover represents amounts charged to group and non group companies for production and transmission services. Turnover is recognised as the service is provided.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets represents their 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 its expected life as follows:

Fixtures, fittings and office equipment	4 years or period of lease
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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.

(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) Intangible fixed assets

Intangible fixed assets are comprised of the cost of registering trademarks. These are amortised over 20 years which is considered to be the economic life of the trademarks.

(g) 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. 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.

(h) Fixed asset investments

Fixed asset investments are recorded at cost and adjusted for any impairment value. Any impairment is reflected in the profit and loss account when it is identified.

PORTLAND ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(1) 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.

(2) 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.

2 TURNOVER

Turnover relates to the provision of studio, production facilities and transmission services, predominantly to other group companies, arises solely in the United Kingdom and relates entirely to continuing activities.

3 OPERATING PROFIT	2006	Restated 2005
	£000	£000

Operating profit is stated after charging

Audit Services

Fees payable to the Company's auditor for the audit of the Company	14	13
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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 Portland Enterprises Limited's account since the consolidated accounts of Portland Enterprises Limited's ultimate operational parent, Northern & Shell Network Limited, are required to disclose other services on a consolidated basis.

Depreciation - owned assets	326	264
Amortisation - intangible assets	<u>1</u>	<u>2</u>

PORTLAND ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Mr M S Ellice, Dr P Ashford and Mr S Myerson 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. The emoluments of the remaining director are summarised as follows:

(a) Directors	2006 £000	2005 £000
Aggregate emoluments	<u>140</u>	<u>137</u>

(b) Staff costs (Including Directors)	2006 £000	2005 £000
Wages and salaries	1,381	1,158
Social security costs	148	126
Pension costs	<u>16</u>	<u>15</u>
	<u>1,545</u>	<u>1,299</u>

Average number of people employed	2006 Number	2005 Number
Office and management (including directors)	<u>42</u>	<u>39</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME	2006 £000	2005 £000
Group interest receivable	887	569
Bank interest	<u>3</u>	<u>6</u>
	<u>890</u>	<u>575</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES	2006 £000	2005 £000
Group interest payable	<u>632</u>	<u>166</u>
	<u>632</u>	<u>166</u>

PORTLAND ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
Current tax		
UK corporation tax at 30% payable		
to group companies in respect of group relief (2005 30%)	1,391	576
Adjustment in respect of previous periods	<u>(302)</u>	<u>(3)</u>
Total current tax	<u>1,089</u>	<u>573</u>
Deferred tax		
Origination and reversal of timing differences	(13)	22
Adjustment in respect of previous periods	<u>2</u>	<u>4</u>
Total deferred tax (credit) / charge	<u>(11)</u>	<u>26</u>
Tax on profit on ordinary activities	<u>1,078</u>	<u>599</u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK 30% (2005 30%)

The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	<u>4,589</u>	<u>1,987</u>
Profit on ordinary activities multiplied by standard rate in the UK of 30% (2005 30%)	1,377	596
Effects of		
Expenses not deductible for tax purposes	1	2
Depreciation in excess of capital allowances and and other timing differences	13	(22)
Adjustment to tax charge in respect of previous period	<u>(302)</u>	<u>(3)</u>
Current tax charge for the year	<u>1,089</u>	<u>573</u>

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

PORTLAND ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

8 INTANGIBLE FIXED ASSETS

	Trademarks £000
Cost	
At 1 January 2006 and 31 December 2006	32
Amortisation	
At 1 January 2006	13
Charge for the year	1
At 31 December 2006	14
Net book amounts	
At 31 December 2006	18
At 31 December 2005	19

9 TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £000
Cost	
At 1 January 2006	3,721
Additions	106
Disposals	(281)
At 31 December 2006	3,546
Depreciation	
At 1 January 2006	2,726
Charge for the year	326
Depreciation on disposals	(280)
At 31 December 2006	2,772
Net book amounts	
At 31 December 2006	774
At 31 December 2005	995

PORTLAND ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

10 FIXED ASSET INVESTMENTS

Investments comprise the cost of equity shares in fellow subsidiaries

	2006
	£
Shares in group undertakings	
Cost at 1 January 2006	3
Additions	-
	<hr/>
Cost at 31 December 2006	<u>3</u>

11 DEBTORS

	2006	2005
	£000	£000
Amounts falling due within one year		
Amounts owed by group undertakings	9,021	12,292
Amounts owed by related party	1,454	1,525
Trade debtors	2	-
Other debtors	7	-
Prepayments and accrued income	20	5
Deferred tax asset	43	32
	<hr/>	<hr/>
	<u>10,547</u>	<u>13,854</u>

Amounts owed by group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand. Amounts owed by dormant group undertakings, included in amounts owed by group undertakings, are non interest bearing.

12 CREDITORS amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	58	53
Amounts owed to group undertakings	1,087	9,247
Other creditors	49	71
Amounts owed to group undertakings with respect to group relief	2,496	1,407
Corporation tax payable	10	10
Accruals and deferred income	63	109
	<hr/>	<hr/>
	<u>3,763</u>	<u>10,897</u>

Amounts owed to group undertakings carry interest between 2.0% and 2.5% above base rate, are unsecured and repayable on demand. Amounts owed to dormant group undertakings, included in amounts owed to group undertakings, and amounts owed to group undertakings with respect to group relief are non interest bearing.

13 DEFERRED TAX ASSET

Deferred tax comprises

	2006	2005
	£000	£000
Accelerated capital allowances	43	32
	<hr/>	<hr/>
	<u>43</u>	<u>32</u>

PORTLAND ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

14. SHARE CAPITAL

	2006	2005
	£	£
Ordinary shares of £1 each		
Authorised (1000 shares)	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid (10 shares)	<u>10</u>	<u>10</u>

15 RESERVES

	Profit and loss account
	£000
At 1 January 2006	4,001
Retained profit for the financial year	<u>3,511</u>
At 31 December 2006	<u>7,512</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£000	£000
Profit for the financial year	3,511	1,388
Net addition to shareholders' funds	<u>3,511</u>	<u>1,388</u>
Opening shareholders' funds	<u>4,001</u>	<u>2,613</u>
Closing shareholders' funds	<u>7,512</u>	<u>4,001</u>

17 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 18)

The Company is part of the Northern & Shell Network Limited 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.

18 POST BALANCE SHEET EVENT

On 18 April 2007, the bank loans referred to in note 17 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.

19 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 Limited group.

The ultimate operational parent company participates in a joint venture with N Brown Group Plc under which it holds a 50% shareholding in the company Express Shopping Channel Limited. At 31 December 2006, Express Shopping Channel Limited owed the Company £1.5 million (2005: £1.5 million) for payroll services provided. This is shown under Debtors - amounts owed by related parties. Express Shopping Channel Limited ceased to trade on 30 November 2005.

PORTLAND ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

20 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.

RCD1 Limited and Northern & Shell Network 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.