

**REGISTRAR OF
COMPANIES**

Spectrum Radio Limited

Report and Financial Statements

Year Ended

30 September 2002



BDO Stoy Hayward
Chartered Accountants

Spectrum Radio Limited

Report and financial statements for the year ended 30 September 2002

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Directors

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Directors

T R Aldrich
R J Bullock

Secretary and registered office

Philip Austin, 7-10 Chandos Street, Cavendish Square, London, W1G 9DQ.

Company number

2388187

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

Spectrum Radio Limited

Report of the directors for the year ended 30 September 2002

The directors present their annual report together with the audited financial statements for the year ended 30 September 2002.

Principal activities

The principal activity of the company is radio broadcasting.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

No dividend is recommended by the directors.

The directors believe that the company's trading performance will continue to improve during 2003, and that strategic and commercial development during the year will be demonstrated.

Directors

The directors of the company during the year were:

W Bucci (resigned 3 January 2002)

T R Aldrich

R J Bullock

No director had any direct interest in the share capital of the company.

Messrs T R Aldrich and R J Bullock are also directors of the ultimate parent company, Spectrum Radio (Holdings) Limited, and their interests in the share capital of that company are shown in its financial statements.

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. 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; 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 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. 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.

Spectrum Radio Limited

Report of the directors for the year ended 30 September 2002 (Continued)

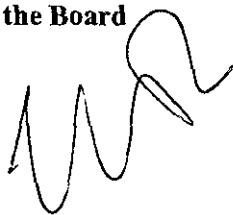
Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board

T R Aldrich

A handwritten signature in black ink, consisting of several loops and a final upward stroke, positioned to the right of the name T R Aldrich.

Director

Date

17 October 2003

Spectrum Radio Limited

Report of the independent auditors

To the shareholders of Spectrum Radio Limited

We have audited the financial statements of Spectrum Radio Limited for the year ended 30 September 2002 on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 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 with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Spectrum Radio Limited

Report of the independent auditors (*Continued*)

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 20 of the financial statements concerning the uncertainty as to the continuing support of the company's parent company and the company's future profitability. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

BDO Stoy Hayward

17 October 2003

Spectrum Radio Limited**Profit and loss account for the year ended 30 September 2002**

	Note	2002 £	2001 As restated £
Turnover	2	890,339	779,405
Cost of sales		(141,882)	(121,779)
Gross profit		748,457	657,626
Administrative expenses		(825,953)	(749,921)
Other operating income	3	171,791	166,369
Operating profit		94,295	74,074
Interest receivable		5,696	2,437
Interest payable	4	(30,290)	(10,718)
Profit on ordinary activities before taxation	5	69,701	65,793
Taxation	8	-	-
Profit on ordinary activities after taxation and retained for the year		69,701	65,793

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 14 form part of these financial statements

Spectrum Radio Limited

Balance sheet at 30 September 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Intangible assets	9		56,892		2,451
Tangible assets	10		1,460,864		1,501,925
			<hr/>		<hr/>
			1,517,756		1,504,376
Current assets					
Debtors	11	267,684		174,571	
Cash at bank and in hand		3,398		124,936	
		<hr/>		<hr/>	
		271,082		299,507	
Creditors: amounts falling due within one year	12	611,279		589,233	
		<hr/>		<hr/>	
Net current liabilities			(340,197)		(289,726)
			<hr/>		<hr/>
Total assets less current liabilities			1,177,559		1,214,650
Creditors: amounts falling due after more than one year	13		258,846		365,638
			<hr/>		<hr/>
			918,713		849,012
			<hr/>		<hr/>
Capital and reserves					
Share capital	14		3,000,000		3,000,000
Share premium account			45,159		45,159
Profit and loss account	15		(2,126,446)		(2,196,147)
			<hr/>		<hr/>
			918,713		849,012
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 17 October 2003

T R Aldrich
Director

The notes on pages 7 to 14 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting policies. There have been no changes in accounting policies during the year. The following accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amount, excluding value added tax.

Depreciation

Depreciation of tangible fixed assets is provided in equal annual instalments over the estimated useful lives of the assets except for the investment property where no depreciation is charged. The rates of depreciation are as follows:

Leasehold property	-	over the term of the lease
Fixtures, fittings and studio equipment	-	20% per annum

Tangible fixed assets

These are stated at cost less depreciation other than the leasehold investment property which is stated at cost.

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of investment properties. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. These properties are not held for use by the company but for investment and the directors consider that to depreciate them would not give a true and fair view.

Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the financial statements giving a true and fair view.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest on a straight-line basis over the term of the lease. The interest is charged to the profit and loss account. The capital part reduces the amounts payable to the lessor.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Spectrum Radio Limited

Notes forming part of the financial statements for the year ended 30 September 2002 (Continued)

1 Accounting policies (Continued)

Intangible assets

The costs incurred in obtaining a licence or applying for its renewal from The Independent Broadcasting Authority are capitalised. These amounts are amortised over the period of the licence.

2 Turnover

The turnover is wholly attributable to the company's principal activity and arose from sales as follows:

	2002 £	2001 As restated £
United Kingdom	890,339	778,465
Rest of the World	-	940
	<u>890,339</u>	<u>779,405</u>

3 Other operating income

	2002 £	2001 £
Rental income	71,791	56,791
Building service charge	100,000	108,750
Programme Appeal Fund and donations	-	828
	<u>171,791</u>	<u>166,369</u>

4 Interest payable

	2002 £	2001 £
Bank overdraft	10,215	8,393
Loans	20,075	2,325
	<u>30,290</u>	<u>10,718</u>

Spectrum Radio Limited

Notes forming part of the financial statements for the year ended 30 September 2002 (Continued)

5 Profit on ordinary activities before taxation

	2002 £	2001 £
This is arrived at after charging:		
Depreciation of tangible assets	47,882	51,251
Amortisation of intangible assets	5,892	1,760
Auditors' remuneration	11,230	10,200
Rent payable on land and buildings	8,652	12,556
Hire of plant and machinery – operating leases	21,978	17,315

6 Employees

	2002 £	2001 £
Staff costs (including directors) consist of:		
Wages and salaries	204,840	237,686
Social security costs	18,632	22,582
	<u>223,472</u>	<u>260,268</u>

The average number of employees during the year, excluding directors, was 10 (2001 - 14).

7 Directors' emoluments

	2002 £	2001 £
Remuneration for services, including programme presenting	<u>23,200</u>	<u>27,000</u>

8 Taxation

There is no corporation tax charge for the year due to the availability of group relief and tax losses brought forward.

At 30 September 2002 the company had tax losses available for relief against future trading profits.

Spectrum Radio Limited

Notes forming part of the financial statements for the year ended 30 September 2002 (*Continued*)

9 Intangible fixed assets

	Licence application costs £
<i>Cost</i>	
At beginning of year	48,818
Additions	60,333
	<hr/>
At end of year	109,151
	<hr/>
<i>Amortisation</i>	
At beginning of year	46,367
Provided for the year	5,892
	<hr/>
At end of year	52,259
	<hr/>
<i>Net book value</i>	
At 30 September 2002	56,892
	<hr/>
At 30 September 2001	2,451
	<hr/>

Spectrum Radio Limited

Notes forming part of the financial statements for the year ended 30 September 2002 (*Continued*)

10 Tangible fixed assets

	Leasehold investment property £	Leasehold property £	Fixtures, fittings and studio equipment £	Assets under construction £	Total £
<i>Cost or valuation</i>					
At beginning of year	1,003,416	517,087	426,196	22,750	1,969,449
Additions	-	-	6,427	394	6,821
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,003,416	517,087	432,623	23,144	1,976,270
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	-	91,122	376,402	-	467,524
Provided for the year	-	20,684	27,198	-	47,882
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	111,806	403,600	-	515,406
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 September 2002	1,003,416	405,281	29,023	23,144	1,460,864
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2001	1,003,416	425,965	49,794	22,750	1,501,925
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

In the opinion of the directors the market value of the leasehold investment property at 30 September 2002 is not significantly different from its net book value at that date.

11 Debtors

	2002 £	2001 £
Trade debtors	155,573	57,478
Prepayments	83,141	97,001
Other debtors	28,970	20,092
	<hr/>	<hr/>
	267,684	174,571
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

Spectrum Radio Limited

Notes forming part of the financial statements for the year ended 30 September 2002 (*Continued*)

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft (secured)	286,539	129,145
Trade creditors	122,200	154,467
Taxation and social security	5,272	7,674
Other creditors	180,367	4,821
Accruals and deferred income	16,901	143,126
Loan	-	150,000
	<u>611,279</u>	<u>589,233</u>

The overdraft facility is secured on the leasehold investment property.

13 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Amount due to parent company	258,846	365,638
	<u>258,846</u>	<u>365,638</u>

14 Share capital

	Ordinary shares of £1 each	
	2002 £	2001 £
<i>Authorised</i>	3,000,000	3,000,000
<i>Allotted, called up and fully paid</i>	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>

15 Profit and loss reserve

	£
Balance at 1 October 2001	(2,196,147)
Retained profit for the year	69,701
	<u>69,701</u>
Retained loss carried forward	(2,126,446)
	<u>(2,126,446)</u>

Spectrum Radio Limited

Notes forming part of the financial statements for the year ended 30 September 2002 (Continued)

16 Commitments under operating leases

In respect of plant and machinery as at 30 September 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002 £	2001 £
Operating leases which expire:		
Within one year	4,953	234
Within two to five years	8,499	16,560
	<u>13,452</u>	<u>16,794</u>

17 Cash flow statement

No cash flow statement has been prepared in accordance with Financial Reporting Standard 1 'Cash Flow Statements' since the directors are of the opinion that the company qualifies as a 'small' company.

18 Ultimate parent company

The ultimate parent company is Spectrum Radio (Holdings) Limited, a company registered in England.

Spectrum Radio (Holdings) Limited is wholly owned by Mr T R Aldrich, a director of the company, who is the ultimate controlling party.

19 Related party transactions

Spectrum Radio Limited and MBCFM Limited share a common director and a key member of management, Mr T R Aldrich.

During the year MBCFM Limited paid amounts to Spectrum Radio Limited in respect of rent for part of 204/206 Queenstown Road. At 30 September 2002 there was an amount of £31,114 (2001 - £1,265) due from MBCFM Limited to Spectrum Radio Limited.

At 30 September 2002 there was an amount of £258,846 (2001 - £365,638) due to Spectrum Radio (Holdings) Limited.

Mr T R Aldrich and Mr R J Bullock are directors of both Spectrum Radio Limited and Gulf Polo Cup Limited. In the year Gulf Polo Cup Limited ceased to trade. At 30 September 2002, Spectrum Radio Limited held £2,972 on their behalf.

20 Going concern

The financial statements have been prepared on the going concern basis which may not be appropriate because the company had net current liabilities of £340,197 at 30 September 2002.

The continuation of the company's activities is dependent upon the continuing support of its parent company and the success of management in further identifying profitable new business opportunities. The directors consider that the continuing support of the parent company will be available for the foreseeable future and that this, together with continuing improvements in trading, will be sufficient to meet the company's working capital requirements.

The directors are therefore of the opinion that the financial statements should be prepared on a going concern basis.

Should the company be unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets as current assets.

21 Restatement of prior year figures

During the current year the income recognition policy of the company was reviewed.

Previously a notional income charge from external programme sponsors was recognised in turnover and cost of sales which it is no longer deemed appropriate to reflect.

To ensure consistency between periods the turnover and cost of sales figures for the year ended 30 September 2001 have been decreased by £176,667. This restatement does not impact profit for the year.