

COMPANY REGISTRATION NUMBER 2388187

**REGISTRAR
OF COMPANIES**

**SPECTRUM RADIO LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2005**



MacIntyre Hudson

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SPECTRUM RADIO LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

T R Aldrich
R J Bullock

Company secretary

T R Aldrich

Registered office

New Bridge Street House
30-34 New Bridge Street
London
EC4V 8BJ

Auditors

MacIntyre Hudson LLP
Chartered Accountants
& Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

SPECTRUM RADIO LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2005

The directors present their report and the financial statements of the company for the year ended 30 September 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was radio broadcasting.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

| | Ordinary Shares of £1 each | |
|-------------|----------------------------|----------------------|
| | At 30 September 2005 | At 1 October 2004 |
| T R Aldrich | - | - |
| R J Bullock | - | - |
| | <hr/> | <hr/> |

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 year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 that 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.

SPECTRUM RADIO LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2005

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
New Bridge Street House
30-34 New Bridge Street
London
EC4V 8BJ

Signed on behalf of the directors


T R Aldrich
Director

Approved by the directors on 30 OCTOBER 2006

SPECTRUM RADIO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPECTRUM RADIO LIMITED

YEAR ENDED 30 SEPTEMBER 2005

We have audited the financial statements of Spectrum Radio Limited for the year ended 30 September 2005 on pages 6 to 15 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 8 to 9.

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 our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPECTRUM RADIO LIMITED *(continued)*

YEAR ENDED 30 SEPTEMBER 2005

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 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

6 October 2006

SPECTRUM RADIO LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2005**

| | Note | 2005 £ | 2004 £ |
|--|------|--------------------|--------------------|
| TURNOVER | | 980,573 | 1,003,692 |
| Cost of sales | | (356,640) | (332,879) |
| GROSS PROFIT | | 623,933 | 670,813 |
| Administrative expenses | | (588,832) | (621,873) |
| Other operating income | 2 | 12,897 | 38,961 |
| OPERATING PROFIT | 3 | 47,998 | 87,901 |
| Interest receivable | | 1 | 1 |
| Interest payable and similar charges | | (24,252) | (26,184) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 23,747 | 61,718 |
| Tax on profit on ordinary activities | 5 | — | — |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | 23,747 | 61,718 |
| Balance brought forward | | (1,939,158) | (2,000,876) |
| Balance carried forward | | (1,915,411) | (1,939,158) |

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

SPECTRUM RADIO LIMITED

BALANCE SHEET

30 SEPTEMBER 2005

| | Note | 2005 £ | 2004 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 6 | 22,502 | 26,607 |
| Tangible assets | 7 | 1,453,033 | 1,470,924 |
| | | <u>1,475,535</u> | <u>1,497,531</u> |
| CURRENT ASSETS | | | |
| Debtors | 8 | 356,504 | 358,408 |
| Cash at bank and in hand | | 1,593 | 1,181 |
| | | <u>358,097</u> | <u>359,589</u> |
| CREDITORS: Amounts falling due within one year | | | |
| | 9 | <u>548,884</u> | <u>593,119</u> |
| NET CURRENT LIABILITIES | | <u>(190,787)</u> | <u>(233,530)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,284,748</u> | <u>1,264,001</u> |
| CREDITORS: Amounts falling due after more than one year | | | |
| | 10 | <u>155,000</u> | <u>158,000</u> |
| | | <u>1,129,748</u> | <u>1,106,001</u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 13 | 3,000,000 | 3,000,000 |
| Share premium account | 14 | 45,159 | 45,159 |
| Profit and loss account | | <u>(1,915,411)</u> | <u>(1,939,158)</u> |
| SHAREHOLDERS' FUNDS | | <u>1,129,748</u> | <u>1,106,001</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 30th September 2005 and are signed on their behalf by:


T R Aldrich
Director

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

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements have been prepared in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Radio Licence - write off over period of licence

Fixed assets

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

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---------------------|-------------------------------|
| Leasehold Property | - 2% straight line per annum |
| Fixtures & Fittings | - 20% straight line per annum |

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with the FRSSSE which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. OTHER OPERATING INCOME

| | 2005 £ | 2004 £ |
|---------------------------|---------------|---------------|
| Rent receivable | 12,897 | 22,333 |
| Service charge receivable | — | 16,628 |
| | <u>12,897</u> | <u>38,961</u> |

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

| | 2005 | 2004 |
|---|------------|--------------|
| | £ | £ |
| Staff pension contributions | 6,626 | 6,876 |
| Amortisation | 4,105 | 4,105 |
| Depreciation of owned fixed assets | 23,941 | 21,428 |
| Auditors' fees | 6,000 | 5,750 |
| Net loss/(profit) on foreign currency translation | <u>283</u> | <u>(401)</u> |

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

| | 2005 | 2004 |
|--|---------------|---------------|
| | £ | £ |
| Aggregate emoluments | 20,150 | 20,480 |
| Value of company pension contributions to money purchase schemes | <u>1,802</u> | <u>1,024</u> |
| | <u>21,952</u> | <u>21,504</u> |

The number of directors who accrued benefits under company pension schemes was as follows:

| | 2005 | 2004 |
|------------------------|----------|----------|
| | No | No |
| Money purchase schemes | <u>1</u> | <u>1</u> |

5. TAXATION ON ORDINARY ACTIVITIES

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

At 30 September 2005 the company had tax losses for relief against future trading profits. The total deferred tax asset in relation to those losses was £375,680 (2004: £386,975)

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

5. TAXATION ON ORDINARY ACTIVITIES *(continued)*

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

| | 2005 £ | 2004 £ |
|---|-----------------|-----------------|
| Profit on ordinary activities before taxation | <u>23,747</u> | <u>61,718</u> |
| Profit/(loss) on ordinary activities by rate of tax | 7,124 | 18,515 |
| Expenses not deductible for tax purposes | 1,831 | 5,465 |
| Capital allowances for period in excess of depreciation | 2,339 | (3,621) |
| Utilisation of tax losses | <u>(11,294)</u> | <u>(20,359)</u> |
| Total current tax | <u>-</u> | <u>-</u> |

6. INTANGIBLE FIXED ASSETS

| | Licence application costs £ |
|---|-----------------------------------|
| COST | |
| At 1 October 2004 and 30 September 2005 | <u>86,234</u> |
| AMORTISATION | |
| At 1 October 2004 | 59,627 |
| Charge for the year | <u>4,105</u> |
| At 30 September 2005 | <u>63,732</u> |
| NET BOOK VALUE | |
| At 30 September 2005 | <u>22,502</u> |
| At 30 September 2004 | <u>26,607</u> |

7. TANGIBLE FIXED ASSETS

| | Brought forward 1 Oct 04 £ | Additions £ | Disposals £ | Carried forward 30 Sep 05 £ |
|-------------------------------|-------------------------------------|----------------|----------------|--------------------------------------|
| COST | | | | |
| Leasehold investment property | 1,003,416 | - | - | 1,003,416 |
| Fixtures & Fittings | 483,219 | 11,925 | - | 495,144 |
| Leasehold Property | 517,087 | - | - | 517,087 |
| Assets under construction | 32,832 | - | (5,875) | 26,957 |
| | <u>2,036,554</u> | <u>11,925</u> | <u>(5,875)</u> | <u>2,042,604</u> |

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

7. TANGIBLE FIXED ASSETS *(continued)*

| | Brought forward 1 Oct 04 £ | Charges £ | Carried forward 30 Sep 05 £ |
|-------------------------------|-------------------------------------|-----------------|--------------------------------------|
| DEPRECIATION | | | |
| Leasehold investment property | — | — | — |
| Fixtures & Fittings | (437,277) | (15,667) | (452,944) |
| Leasehold Property | (128,353) | (8,274) | (136,627) |
| Assets under construction | — | — | — |
| | <u>(565,630)</u> | <u>(23,941)</u> | <u>(589,571)</u> |

| | Brought forward 1 Oct 04 £ | Carried forward 30 Sep 05 £ |
|-------------------------------|-------------------------------------|--------------------------------------|
| NET BOOK VALUE | | |
| Leasehold investment property | 1,003,416 | 1,003,416 |
| Fixtures & Fittings | 45,942 | 42,200 |
| Leasehold Property | 388,734 | 380,460 |
| Assets under construction | 32,832 | 26,957 |
| | <u>1,470,924</u> | <u>1,453,033</u> |

In the opinion of the directors the market value of the leasehold investment property at 30 September 2005 is not significantly different from its net book value at that date.

The disposal from assets under construction relates to a finance charge for a loan facility. The terms for the uptake of the facility have now lapsed and therefore the bank charges have been written off to the profit and loss account.

8. DEBTORS

| | 2005 £ | 2004 £ |
|------------------------------------|----------------|----------------|
| Trade debtors | 57,527 | 188,268 |
| Amounts owed by group undertakings | 222,446 | 79,245 |
| Other debtors | 76,531 | 90,895 |
| | <u>356,504</u> | <u>358,408</u> |

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

9. CREDITORS: Amounts falling due within one year

| | 2005 £ | 2004 £ |
|------------------------------------|----------------|----------------|
| Bank loans and overdrafts | 242,223 | 242,748 |
| Trade creditors | 99,391 | 81,448 |
| Other taxation and social security | 17,984 | 18,545 |
| Other creditors | 189,286 | 250,378 |
| | <u>548,884</u> | <u>593,119</u> |

Bank loans and overdrafts are secured on the company's leasehold investment property, leasehold property and a charge over credit balances.

10. CREDITORS: Amounts falling due after more than one year

| | 2005 £ | 2004 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | 130,000 | 158,000 |
| Other creditors | 25,000 | — |
| | <u>155,000</u> | <u>158,000</u> |

11. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2005 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

| | 2005 £ | 2004 £ |
|--------------------------------|---------------|---------------|
| Operating leases which expire: | | |
| Within 1 year | 8,746 | 2,574 |
| Within 2 to 5 years | 21,677 | 37,909 |
| After more than 5 years | 1,441 | 1,441 |
| | <u>31,864</u> | <u>41,924</u> |

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

12. RELATED PARTY TRANSACTIONS

Spectrum Radio Limited and MBC FM Limited shared a common director and a key member of management Mr T R Aldrich. MBC FM Limited was dissolved on 5 April 2005. During the year MBC FM Limited paid £nil (2004: £18,542) to Spectrum Radio Limited in respect of rent for part of 204/206 Queenstown Road.

At 30 September 2005 Spectrum Radio Limited was due an amount of £222,466 from Spectrum Radio (Holdings) Limited (2004: £79,245). The directors of Spectrum Radio Limited are also directors and shareholders of Spectrum Radio (Holdings) Limited.

Mr T R Aldrich is a director of both Spectrum Radio Limited and Gulf Polo Cup Limited. In the year ended 30 September 2002 Gulf Polo Cup ceased to trade. At 30 September 2005 Spectrum Radio held £888 (2004: £918) on behalf of Gulf Polo Cup.

Spectrum Radio Limited entered into the following transactions with Diamond Advertising LLP (a partnership in which Spectrum Radio (Holdings) Limited owns a one third capital share):

- the partnership was charged £6,489 (2004: £3,427) by Spectrum Radio Limited in respect of IT equipment rentals.
- the partnership was also charged £2,710 (2004: £4,599) for amenities and general expenses paid by Spectrum Radio Limited.
- at the period end, the partnership owed Spectrum Radio Limited £619 (2004: £634). This amount is included within trade debtors.
- at the period end, the partnership was owed £922 (2004: £nil) by Spectrum Radio Limited. The amount is included within trade creditors.

All of these transactions were conducted at arms length.

13. SHARE CAPITAL

Authorised share capital:

| | 2005 £ | 2004 £ |
|--------------------------------------|------------------|------------------|
| 3,000,000 Ordinary shares of £1 each | <u>3,000,000</u> | <u>3,000,000</u> |

Allotted, called up and fully paid:

| | 2005 | | 2004 | |
|----------------------------|------------------|------------------|------------------|------------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>3,000,000</u> | <u>3,000,000</u> | <u>3,000,000</u> | <u>3,000,000</u> |

14. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year.

SPECTRUM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

15. ULTIMATE PARENT COMPANY

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

A copy of the parent company's accounts can be obtained from its registered office: New Bridge Street House, 30 - 34 New Bridge Street, London, EC4V 6BJ.

16. GOING CONCERN

The directors consider that the Company's trading activities and the arrangements entered into with its bankers will be sufficient to meet its working capital requirements.