Registered Number: 4447039

KIDDERMINSTER RADIO LIMITED

(FORMERLY ACE FM LIMITED)

ANNUAL REPORT AND ACCOUNTS FOR THE 52 WEEKS ENDED 31st DECEMBER 2005

KIDDERMINSTER RADIO LIMITED
(FORMERLY ACE FM LIMITED)

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2005

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KIDDERMINSTER RADIO LIMITED
(FORMERLY ACE FM LIMITED)

DIRECTORS' REPORT

The Directors present their report and the accounts for the year (52 weeks) ended 31st December 2005.

ACTIVITIES AND BUSINESS REVIEW

The company was awarded the radio licence for Kidderminster, Stourport and Bewdley in February 2005 and commercial broadcasting commenced in September 2005. Following the award of the radio licence, the company changed its name to Kidderminster Radio Limited on 20th July 2005. With effect from 2nd January 2005, the company became a wholly owned subsidiary undertaking of The Midland News Association Limited.

The results for the year are considered satisfactory as are future prospects.

RESULTS

The retained loss for the year amounted to £130,074 (2004 – profit £28,409).

The directors do not propose a dividend and the loss for the year has been transferred to reserves.

FIXED ASSETS

During the year the company spent £106,604 (2004 - £nil) on tangible fixed assets.

BOARD OF DIRECTORS

The members of the Board who held office during the year were Messrs. D. J. Hughes, K. J. Parker, R. Ison, P. G. Wagstaff, K. Harrison, Mrs. J. Fair, Mrs. M. Moon and Mrs. S. Potts. Mr K. Harrison and Mrs. S. Potts were appointed to the board on the 8th June 2005. Mrs. M. Moon resigned from the board on the 9th February 2006.

DIRECTORS' INTERESTS

The Directors' interests in the shares of its parent company at the dates shown were as follows:

	5p A Ordinary	
	31/12/05	01/01/05 Or date of appointment if later
K. J. Parker	28,832	28,832
R. Ison	-	-
P. G. Wagstaff	-	-
K. Harrison	2,000	2,000
Mrs. J. Fair	-	-
Mrs. M. Moon	-	-
Mrs. S. Potts	1,000	1,000

Mr. D. J. Hughes is a director of the parent company and his interest in the share capital are shown in the Directors' report of that company.

KIDDERMINSTER RADIO LIMITED
(FORMERLY ACE FM LIMITED)

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the accounts 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 enable them to ensure that the accounts 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.

AUDITORS

During the year Ernst & Young LLP replaced Saint & Co as auditors of the company.

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

D. J. HUGHES
Secretary

Registered Office:
Queen Street,
Wolverhampton.

5th September 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIDDERMINSTER RADIO LIMITED (formerly Ace FM Limited)

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 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 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

5th September 2006

KIDDERMINSTER RADIO LIMITED
(FORMERLY ACE FM LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2005.

	Notes	2005 £	2004 £
Turnover	2	65,125	-
Net operating (expenses) / income	3	(199,055)	28,409
(Loss) / profit on ordinary activities before taxation		(133,930)	28,409
Taxation	6	3,856	-
Retained (loss) / profit for the year	12	(130,074)	28,409

All activities of the company are continuing.

The company has no recognised gains or losses other than those included in the losses above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

KIDDERMINSTER RADIO LIMITED
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BALANCE SHEET AT 31st DECEMBER 2005

	Notes	2005 £	2004 £
Fixed Assets			
Tangible fixed assets	7	93,750	-
Current Assets			
Debtors	8	43,728	-
Cash at bank and in hand		30,662	50
Creditors: amounts falling due within one year	9	(300,378)	(2,214)
Net current liabilities		(225,988)	(2,164)
Total assets less current liabilities		(132,238)	(2,164)
Capital and reserves			
Called up share capital	11	175	175
Profit and loss account	12	(132,413)	(2,339)
Equity Shareholders' Deficit	13	(132,238)	(2,164)

The accounts on pages 5 to 12 were approved by the Board on the 5th September 2006 and the following was authorised to sign the accounts on behalf of the Board:

K. J. Parker
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2005

1. ACCOUNTING POLICIES

A summary of the more important accounting policies, which have been applied consistently throughout the year, unless otherwise stated, is set out below.

a) Fundamental accounting concept

The company is party to group banking facilities. These facilities are made available to the company, if and when required, to enable the company to continue operating and to meet its liabilities as they fall due. The accounts have been prepared on the going concern basis as the directors have obtained an undertaking from an intermediate parent company, Claverley Group Limited, that sufficient finance will be available to meet any obligations as they fall due. The Directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

b) Basis of accounting

The company prepares its accounts on the historical cost basis of accounting, in accordance with applicable accounting standards in the United Kingdom. They incorporate the results of the company for the 52 weeks ended 31st December 2005. (2004 – 52 weeks ended 1st January 2005).

c) Turnover

Turnover represents amounts receivable (excluding VAT) for goods and services.

d) Depreciation

The depreciation charge is calculated on cost at annual rates estimated to write off the acquisition cost of tangible assets over their working lives as follows

Fittings and Equipment - 20% - 33% per annum

The carrying values of tangible fixed assests are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

e) Deferred Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax 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 or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

NOTES TO THE ACCOUNTS (Continued)

1. Accounting Policies (Continued)

e) Deferred Taxation (Continued)

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

  However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold; and

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. TURNOVER

Turnover arises from commercial radio advertising carried out wholly within the United Kingdom.

3. NET OPERATING EXPENSES / (INCOME)

	2005	2004
	£	£
Staff Costs (note 4)	55,244	3,650
Depriciation of tangible fixed assets	12,854	-
Auditors' Remuneration		
- audit services	2,000	770
- non-audit services	2,825	-
Other operating charges	126,132	17,047
Other operating income – loans waived by loanholders	-	(49,876)
	199,055	(28,409)

NOTES TO THE ACCOUNTS (Continued)

4. EMPLOYEES

The aggregate staff costs during the year were:

	2005	2004
	£	£
Wages and salaries	50,449	3,650
Social Security costs	4,795	-
	55,244	3,650

The monthly average number of employees throughout the year was:

	Number	Number
Full time	3	-

5. DIRECTORS' REMUNERATION

The renumeration in respect of directors' amounts to £6,012 (2004 - £3,650).

NOTES TO THE ACCOUNTS (Continued)

6. TAXATION

	2005	2004
	£	£
UK Current Tax:		
UK Corporation Tax on (losses) / profit of the year	-	-
Total current tax charge (see below)	-	-
UK Deferred Tax (Note 10)		
Depreciation in advance of capital allowance	(3,856)	-
	(3,856)	-

Factors affecting the tax charge for the year
The tax credit on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2005	2004
(Loss) / profit on ordinary activities before tax	(133,930)	28,409
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	(40,179)	8,523
Effects of:		
Expenses not deductible for tax purposes	1,596	-
Non taxable income	-	(14,963)
Depreciation in excess of capital allowance	3,856	-
Unrelieved tax losses carried forward	34,727	6,440
Current tax charge for the year (see above)	-	-

The directors have not recognised a deferred tax asset arising on tax losses of £115,755 (2004 - £21,467) due to the uncertainty of the timing of future taxable profits.

7. TANGIBLE FIXED ASSETS

	Fittings and Equipment
	£
At Cost:	
At 1st January 2005	-
Additions	106,604
At 31st December 2005	106,604
Depreciation:	
At 1st January 2005	-
Amounts charged during the year	12,854
At 31st December 2005	12,854
Net book value at 31st December 2005	93,750
Net book value at 1st January 2005	-

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NOTES TO THE ACCOUNTS (Continued)

8. DEBTORS: Amounts due within one year

	2005	2004
	£	£
Trade debtors	12,860	-
Amounts due from fellow subsidiary undertaking	50	-
Prepayments and accrued income	26,663	-
VAT receivable	299	-
Deferred tax (note 10)	3,856	-
	43,728	-

9. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	7,704	-
Other creditors	8,358	1,001
Amounts due to fellow subsidiary undertaking	280,616	-
Other taxation and social security costs	-	1,213
Accruals and deferred income	3,700	-
	300,378	2,214

10. DEFERRED TAXATION

The movement in deferred taxation during the current year is as follows

	£
At 1st January 2005	-
Deferred tax credit for the year (note 6)	(3,856)
Deferred tax asset as at 31st December 2005 (note 8)	(3,856)

	2005	2004
	£	£
The deferred taxation consists of :		
Accelerated capital allowances	(3,856)	-

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NOTES TO THE ACCOUNTS (Continued)

11. SHARE CAPITAL

	Authorised	Alloted called up and fully paid
	£	£
Ordinary shares of £1 each at 31st December 2005 and 1st January 2005	100,000	175

12. PROFIT AND LOSS ACCOUNT

	2005	2004
	£	£
Retained losses at 1st January 2005	(2,339)	(30,748)
Retained (loss) / profit for the year	(130,074)	28,409
Retained loss at 31st December 2005	(132,413)	(2,339)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2005	2004
	£	£
Opening Shareholders' deficit	(2,164)	(30,573)
Retained (loss) / profit for the year	(130,074)	28,409
Closing Shareholders' deficit	(132,238)	(2,164)

14. CONTINGENT LIABILITY

The company is party to group banking arrangements under which subsidiaries of Claverley Group Limited cross guarantee their net overdraft facilities of £63 million.

15. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption in FRS8 as a wholly owned subsidiary not to disclose details of related party transactions required by the standard.

16. PARENT COMPANY

The company is a wholly owned subsidiary undertaking of The Midland News Association Limited, a company registered in England & Wales. It has included the company in its group accounts. The ultimate parent undertaking is Claverley Company, also registered in England & Wales.