

Registered number: 1717321

RADIO MERCURY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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RADIO MERCURY LIMITED

COMPANY INFORMATION

DIRECTORS	MD Connole SG Miron RFJ Park
COMPANY SECRETARY	CR Potterell
COMPANY NUMBER	1717321
REGISTERED OFFICE	30 Leicester Square London WC2H 7LA
AUDITOR	KPMG LLP Statutory auditor & Chartered accountants 15 Canada Square London E14 5GL

RADIO MERCURY LIMITED

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RADIO MERCURY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

The Directors present their report and the financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Company, a subsidiary of Global Radio UK Limited (the Group), is unchanged from last year and is the operation in the Crawley and Reigate areas of the independent radio licence for Mercury FM, rebranded as Heart 97.5 and 102.7 during the year

Turnover for the year ended 31 March 2011 amounted to £1,241,000 (2010 £1,308,000) and the Company made a profit for the year before tax of £210,000 (2010 £321,000)

Turnover has fallen year on year due to a weak advertising market

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £146,000 (2010 - £226,000)

There were no dividends paid or proposed during the year (2010 £nil)

DIRECTORS

The Directors who served during the year were

MD Connole
SG Miron
RFJ Park

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable donations or incurred any political expenditure during the year (2010 £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

Market conditions

The key risk to the business is that an advertising slowdown may put pressure on traditional revenues. The risks are monitored and managed through parent and local management.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Directors benefit from qualifying third party indemnity provisions in place

RADIO MERCURY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

AUDITOR

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 22 August 2011 and signed on its behalf



MD Connole
Director

30 Leicester Square
London
WC2H 7LA

RADIO MERCURY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2011

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RADIO MERCURY LIMITED

We have audited the financial statements of Radio Mercury Limited for the year ended 31 March 2011, set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 AUDITOR

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Mike Harper

Mike Harper (Senior Statutory Auditor)

for and on behalf of

KPMG LLP

Statutory auditor

Chartered accountants

15 Canada Square

London

E14 5GL

23 August 2011

RADIO MERCURY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £000	2010 £000
TURNOVER	1,2	1,241	1,308
Administrative expenses		(1,133)	(1,075)
OPERATING PROFIT	4	108	233
Interest receivable and similar income	7	102	88
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		210	321
Tax on profit on ordinary activities	8	(64)	(95)
PROFIT FOR THE FINANCIAL YEAR	13	146	226

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 7 to 13 form part of these financial statements

RADIO MERCURY LIMITED
REGISTERED NUMBER 1717321

BALANCE SHEET
AS AT 31 MARCH 2011

	Note	2011 £000	2010 £000
FIXED ASSETS			
Tangible assets	9	15	16
CURRENT ASSETS			
Debtors	10	1,740	1,593
NET ASSETS		<u>1,755</u>	<u>1,609</u>
CAPITAL AND RESERVES			
Called up share capital	12	630	630
Share premium account	13	57	57
Profit and loss account	13	1,068	922
SHAREHOLDERS' FUNDS	14	<u>1,755</u>	<u>1,609</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 August 2011



MD Connole
Director

The notes on pages 7 to 13 form part of these financial statements

RADIO MERCURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Cash flow

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

Radio airtime revenue is recognised on the date of broadcast and this is considered to be the only material class of business for the Company in the United Kingdom

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Long-Term Leasehold Property	-	over 50 years or, if shorter, the period of the lease
Fixtures & fittings	-	10% - 33% straight-line per annum

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

RADIO MERCURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

1.7 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 1. The Company participates in the group centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Global Radio group has prepared detailed forecasts of expected future cash flows for the three years ending 31 March 2014 ("the forecast"). The Board considers the forecast has been prepared on a prudent basis taking into account current consensus forecasts of the radio advertising market. However, the group has also prepared a worse than expected downside scenario. Even under this sensitised scenario, the forecasts indicate that the Company can continue to trade for the foreseeable future and operate within its new facility and the associated financial covenants.

2. TURNOVER

The whole of the turnover is attributable to the operation in the Crawley and Reigate areas of the independent radio licence for Mercury FM, rebranded as Heart 97.5 and 102.7 during the year.

All turnover arose within the United Kingdom.

3. AGENCY AGREEMENT

Global Radio Services Limited provided personnel and other services to the Company. The amounts included in 'operating charges' contain a charge for these services of £200,129 (2010: £260,713).

4. OPERATING PROFIT

The operating profit is stated after charging

	2011 £000	2010 £000
Depreciation of tangible fixed assets		
- owned by the Company	1	1
Operating lease rentals		
- other operating leases	21	25
	<u>21</u>	<u>25</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed, as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Global Radio UK Limited.

The audit fee in respect of the Company was £1,000 (2010: £1,000).

RADIO MERCURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

5. STAFF COSTS

The Company does not directly employ any staff (2010 nil)

6. DIRECTORS' REMUNERATION

During the year ended 31 March 2011 MD Connole, RFJ Park and SG Miron received remuneration from Global Radio Services Limited and the majority of their time was spent on services to Global Radio UK Limited, the ultimate parent company. Details of their remuneration as directors of Global Radio UK Limited are disclosed in that company's accounts.

None of the Directors received remuneration in respect of qualifying services to this Company (2010 £nil)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£000	£000
Interest receivable from group undertakings	102	88

8. TAXATION

	2011	2010
	£000	£000
Analysis of tax charge in the year		
Current tax (see below)		
UK corporation tax charge on profit for the year	56	92
Adjustments in respect of prior periods	4	6
Total current tax	60	98
Deferred tax		
Origination and reversal of timing differences	4	1
Adjustment in respect of prior years	-	(4)
Total deferred tax (see note 11)	4	(3)
Tax on profit on ordinary activities	64	95

RADIO MERCURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

8. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - *higher than*) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	210	321
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	59	90
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	2
Capital allowances for year in excess of depreciation	(3)	-
Adjustments to tax charge in respect of prior periods	4	6
Current tax charge for the year (see above)	60	98

Factors that may affect future tax charges

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above. The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date, however it is estimated that this will not have a material effect on the Company.

RADIO MERCURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

9. TANGIBLE FIXED ASSETS

	Long-Term Leasehold Property £000	Fixtures & fittings £000	Total £000
Cost			
At 1 April 2010 and 31 March 2011	34	358	392
Depreciation			
At 1 April 2010	18	358	376
Charge for the year	1	-	1
At 31 March 2011	19	358	377
Net book value			
At 31 March 2011	15	-	15
At 31 March 2010	16	-	16

10. DEBTORS

	2011 £000	2010 £000
Amounts owed by group undertakings	1,725	1,574
Deferred tax asset (see note 11)	15	19
	<u>1,740</u>	<u>1,593</u>

11. DEFERRED TAX ASSET

	2011 £000	2010 £000
At beginning of year	19	16
Charge for the year	(4)	(1)
Adjustment relating to prior year	-	4
At end of year	<u>15</u>	<u>19</u>

The deferred tax asset is made up as follows

	2011 £000	2010 £000
Accelerated capital allowances	<u>15</u>	<u>19</u>

The Company forecasts suitable profits against which the deferred tax asset can be recovered

RADIO MERCURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

12. SHARE CAPITAL

	2011 £000	2010 £000
Allotted, called up and fully paid		
630,000 Ordinary shares shares of £1 each	630	630

13. RESERVES

	Share premium account £000	Profit and loss account £000
At 1 April 2010	57	922
Profit for the year	-	146
At 31 March 2011	57	1,068

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Opening shareholders' funds	1,609	1,383
Profit for the year	146	226
Closing shareholders' funds	1,755	1,609

15. CONTINGENT LIABILITIES

As at the date of the financial statements, contingent liabilities were as follows

- a) Various inter-group cross guarantees held by Bank of Scotland, Bank of Ireland and Allied Irish bank
- b) The Company is a member of a group for VAT purposes, resulting in a joint and several liabilities for amounts owing by other group companies for unpaid VAT

RADIO MERCURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

16. OPERATING LEASE COMMITMENTS

At 31 March 2011 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£000	£000
Expiry date:		
Between 2 and 5 years	-	25

17. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Global Radio UK Limited (the ultimate parent company) the Company has taken advantage of the exemption contained within FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Global Radio UK Limited (the ultimate parent company), within which this Company is included, can be obtained from the address given below. There were no other related party transactions during the year.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Directors regard Global Radio UK Limited, a company incorporated in Great Britain and registered in England and Wales, as the Company's ultimate parent undertaking. The Directors consider that Global Radio Group Limited, a company incorporated in Jersey, is the ultimate controlling party of the Company.

The largest and smallest group in which the results of the Company are consolidated is that headed by Global Radio UK Limited, the ultimate parent company which is incorporated in Great Britain. The consolidated financial statements of this company are available to the public and may be obtained from 30 Leicester Square, London WC2H 7LA.