

Beat 106 Limited

Directors' report and financial statements

Year Ended 30 September 2004
Registered number: SC168821



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Company Information

Directors

PJ Harris
PR Davies
G Frier (appointed 1 October 2004)
H Murray
J O'Hara (resigned 22 April 2005)
JL Graham (resigned 1 October 2004)

Company Secretary

C Fluet (appointed 10 August 2004)
N Schwarz (resigned 10 August 2004)

Registered Office

The Four Winds Pavilion
Pacific Quay
GLASGOW
G51 1EB
SCOTLAND

Bankers

Bank of Scotland
38 Threadneedle Street
LONDON
EC2P 2EH

Auditors

KPMG Audit Plc
8 Salisbury Square
LONDON
EC4Y 8BB

Directors' Report

The directors present their report, together with the audited financial statements of the company for the year ended 30 September 2004.

Business Review

The principal activity of the company is that of an independent local radio contractor broadcasting in accordance with a licence granted by the Radio Authority.

Results

The company's loss for the period after taxation was £113,000 (2003: £196,000). Details are set out in the Profit and Loss Account on page 6. A letter of support has been obtained from the parent company.

Dividends

The directors are unable to recommend payment of a dividend (2003: £nil).

Directors

The directors who held office during the year are listed on page 1. Details of any interests in shares and share options of the ultimate parent company are shown below. The interests of PR Davies and PJ Harris in shares of the ultimate parent company, Capital Radio plc, are shown in that company's financial statements. None of the directors had any interest in shares of the company.

	Class of share	Ordinary Shares of £1 each 30 September 2004	Ordinary Shares of £1 each 30 September 2003
JL Graham – (resigned 1 October 2004)	Ordinary	150,191	150,191

The directors have the following interests in share options:

	Number of shares At 30 September 2004	Number of shares At 1 October 2003	Exercise price	Date exercisable	Expiry date
H Murray	2,302	2,302	£4.28	February 2008	July 2008
	1,770	-	£3.58	February 2009	July 2009
	10,509	10,509	£7.65	May 2004	May 2011
	17,265	17,265	£8.15	November 2004	November 2011
	3,470	3,470	£7.725	May 2005	May 2012
	6,269	6,269	£4.275	May 2006	May 2013
J O'Hara	31,970	31,970	£5.025	November 2005	November 2012
	23,359	-	£4.585	November 2006	November 2013

No options were exercised during the year.

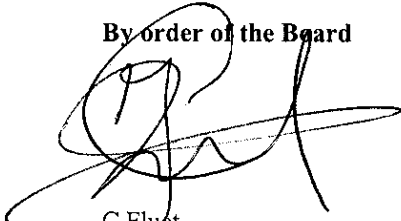
None of the directors are required to retire by rotation.

Directors' Report (Continued)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



C Fluet
Company Secretary

Date 6/5/05,

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. The directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 accounts; 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors' to the members of Beat 106 Limited

We have audited the financial statements on pages 6 to 14.

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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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.

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date *6 May 2005*

Profit and Loss Account

For the year ended 30 September 2004

	Notes	2004 £000	2003 £000
Turnover	2	2,351	1,992
Staff costs	3	(283)	(375)
Depreciation	5	(156)	(147)
Other operating charges		(2,053)	(1,768)
Operating loss		<u>(141)</u>	<u>(298)</u>
Interest payable and similar charges	6	-	(1)
Loss on ordinary activities before taxation	2-5	<u>(141)</u>	<u>(299)</u>
Taxation on loss on ordinary activities	7	28	103
Retained Loss for the year	12	<u><u>(113)</u></u>	<u><u>(196)</u></u>

The company has no recognised gains or losses other than those disclosed above.

There is no difference in the loss on a historical cost basis and that disclosed in the profit and loss account.

All disclosures relate only to continuing operations.

Movements in reserves are set out in note 12.

Balance Sheet

As at 30 September 2004

	Notes	2004	2004	2003	2003
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		786		895
Current assets					
Debtors	9	93		44	
Creditors : amounts falling due within one year	10	(1,974)		(1,921)	
Net current liabilities			(1,881)		(1,877)
Net liabilities			<u>(1,095)</u>		<u>(982)</u>
Capital and reserves					
Called up share capital	11		200		200
Share premium account	12		1,810		1,810
Profit and loss account	12		(3,105)		(2,992)
Deficit on equity shareholders' funds	13		<u>(1,095)</u>		<u>(982)</u>

These financial statements were approved by the Board of directors on its behalf by:



P J Harris
Director

6/5/05

and were signed on

Notes to the financial statements

1. Accounting Policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the company's financial statements:

1.1 Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. In the general interests of the company, it was unanimously agreed that Capital Radio plc should continue to provide financial and other support to Beat 106 Limited at least for the next twelve months and thereafter for the foreseeable future to enable it to meet its liabilities as they fall due.

1.2 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Long Leasehold Premises	4% per annum
Office and Studio Equipment	10% - 20% per annum
Computer Equipment	33% per annum
Motor Vehicles	25% per annum

1.3 Deferred Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by FRS 19, deferred tax is recognised without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date.

1.4 Operating Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis.

1.5 Cash Flow

In accordance with Financial Reporting Standard 1 (revised 1996), the company does not prepare a cash flow statement as it is a wholly owned subsidiary undertaking of a UK parent company. Cash flows of the company are shown in the published consolidated financial statements of the ultimate parent company, Capital Radio plc.

1.6 Financial Reporting Standard 8 (FRS 8)

As the company is a wholly owned subsidiary of Capital Radio plc, the company has taken advantage of the exemption contained in FRS 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Capital Radio Plc, within which this company is included, may be obtained from 30 Leicester Square, London, WC2H 7LA.

1.7 Licences

Expenditure incurred on the purchase of licences and successful applications and re-applications for licences is written off to the profit and loss account as it is incurred.

Notes (Continued)

2. Turnover

Turnover comprises income from the sale of advertising airtime, sponsorship and promotions (net of agency commissions) and income from advertising on the internet. Turnover is stated excluding VAT, trade discounts, and intra group transactions and derives from goods and services provided in the normal course of business.

Airtime revenue is recognised on the date of broadcast. Sponsorship revenue and internet advertising revenue are recognised over the life of the contract.

3. Staff Costs

The average number of persons employed by the company (including executive directors) during the year was as follows:

	2004 No.	2003 No.
Programming and news	9	7
Engineering	1	1
Sales and marketing	1	1
Administration	2	4
Total employees	<u>13</u>	<u>13</u>

The aggregate payroll costs of these persons were as follows

	2004 £000	2003 £000
Wages and salaries	252	334
Social security costs	28	36
Pension costs (see note 17)	3	5
	<u>283</u>	<u>375</u>

4. Remuneration of Directors

	2004 £000	2003 £000
Fees	12	12
Directors' emoluments	-	80
Company contributions to money purchase pension schemes	-	4
	<u>12</u>	<u>96</u>

PR Davies, PJ Harris, H Murray and J O'Hara were employed and paid by Capital Radio plc and received no remuneration for services in respect of the company.

Notes (Continued)

5. *Loss on ordinary activities before taxation*

Loss on ordinary activities before taxation is stated after charging:

	2004	2003
	£000	£000
Depreciation on tangible fixed assets:		
Owned	156	103
Leased	-	44
Payments under operating lease rentals:		
Hire of plant & equipment	24	29
Other operating lease charges	14	-
	<u> </u>	<u> </u>

In the years to 30 September 2004 and 2003 the auditors' remuneration was paid by the ultimate parent company, Capital Radio plc.

6. *Interest payable and similar charges*

	2004	2003
	£000	£000
Finance charges payable in respect of hire purchase contracts	-	1
	<u> </u>	<u> </u>
	-	1
	<u> </u>	<u> </u>

Notes (Continued)

7. Taxation

Analysis of credit in year:	2004	2003
	£000	£000
Corporation tax credit at 30% (2003: 30%)	(27)	(89)
Adjustment relating to prior years	(1)	(14)
Total current tax	<u>(28)</u>	<u>(103)</u>

There is no deferred tax charge in the year. No account has been taken of UK tax losses to the extent that they exceed any deferred tax liability, as they are not expected to be utilised in the foreseeable future. The total amount unprovided in respect of these losses is £391,738 (2003: £389,181).

Factors affecting the tax credit for the year:

The current tax credit for the year is lower (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below.

	2004	2003
	£000	£000
Current tax reconciliation:		
Loss on ordinary activities before tax	(141)	(299)
Current tax at 30% (2003 : 30%)	<u>(42)</u>	<u>(90)</u>
Effects of:		
Expenses not deductible for tax purposes	6	(13)
Depreciation for period in excess of capital allowances	9	14
Adjustments to tax charge in respect of prior periods	(1)	(14)
Total current tax credit (see above)	<u>(28)</u>	<u>(103)</u>

Notes (Continued)

8. Tangible Fixed Assets

	Long leasehold premises	Office, studio and computer equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost:				
At 1 October 2003	699	700	17	1,416
Additions	-	47	-	47
At 30 September 2004	<u>699</u>	<u>747</u>	<u>17</u>	<u>1,463</u>
Depreciation:				
At 1 October 2003	115	397	9	521
Charged in the year	27	125	4	156
At 30 September 2004	<u>142</u>	<u>522</u>	<u>13</u>	<u>677</u>
Net book value:				
At 30 September 2004	<u>557</u>	<u>225</u>	<u>4</u>	<u>786</u>
At 30 September 2003	<u>584</u>	<u>303</u>	<u>8</u>	<u>895</u>

9. Debtors

	2004 £000	2003 £000
Amounts owed by group undertakings	55	-
Other debtors	7	5
Prepayments and accrued income	31	39
	<u>93</u>	<u>44</u>

10. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to group undertakings	1,800	1,726
Other creditors	28	29
Accruals and deferred income	146	166
	<u>1,974</u>	<u>1,921</u>

Notes (Continued)

11. Called up share capital

	2004	2003
	£000	£000
<i>Equity Share Capital</i>		
Authorised:		
200,000 ordinary shares of £1 each	200	200
Allotted, called up and fully paid :		
200,000 ordinary shares of £1 each	200	200

12. Share premium and reserves

	Profit and loss account	Share premium account
	£000	£000
At 1 October 2003	(2,992)	1,810
Retained loss for the year	(113)	-
At 30 September 2004	(3,105)	1,810

13. Reconciliation of movement in shareholders' deficit

	2004	2003
	£000	£000
Opening shareholders' deficit	(982)	(786)
Retained loss for the year	(113)	(196)
Closing shareholders' deficit	(1,095)	(982)

14. Commitments

The company has £nil contractual capital commitments for which no provision has been made (2003: £nil).

The annual commitments under non-cancellable operating leases are as follows:

	2004	2004	2003	2003
	Property	Other	Property	Other
	£000	£000	£000	£000
On leases expiring:				
Within one year	-	-	-	5
Between one and two years	-	9	-	-
Over five years	23	-	31	-
	23	9	31	5

Notes (Continued)

15. Contingent Liabilities

The company has given its bankers a cross guarantee to secure the bank borrowings of the other group undertakings. This guarantee is unsecured.

The directors do not anticipate that any liability will fall on the company in respect of this guarantee.

16. Ultimate Parent Company

The company's ultimate parent company is Capital Radio plc, which is incorporated in Great Britain and registered in England and Wales. The largest group in which the results of the company are consolidated is that headed by Capital Radio plc. The consolidated financial statements of Capital Radio plc are available to the public and may be obtained from 30 Leicester Square, London, WC2H 7LA.

17. Pension Funds

The company participates in the Capital Radio Group Personal Pension Plan. The scheme is a contributory defined contribution arrangement and the company makes age-related contributions to the scheme for participating staff. The pension cost charge to the company for the year was £2,529 (2003:£4,900). There are nil contributions outstanding at 30 September 2004 (2003:£nil).

18. Related Parties

The company has trading relationships with Independent Radio News Limited ("IRN") and the Radio Advertising Bureau Limited ("RAB")

IRN supplies the UK radio industry with a news service in return for airtime adjacent to news bulletins. This airtime is sold as the "Newslink" national advertising product by Capital Advertising, as agent for IRN. An element of the profits of IRN are repaid to participating stations as a payment for airtime given. During the year the company received £16,000 (2003: £22,000) of income from IRN, representing airtime rebate. At 30 September 2004 there was an outstanding debtor from IRN of £7,000 (2003: £9,000).

The RAB is a trade body promoting commercial radio with advertisers. The RAB is funded by levies paid by the commercial radio industry in the UK based on volumes of advertising. During the year the company paid £15,000 (2003: £14,000) in levies to the RAB and at 30 September 2004 had an outstanding debtor of £nil (2003: £nil).