

SAGA DIGITAL RADIO LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 JANUARY 2002

Company Registration Number: 972880



SAGA DIGITAL RADIO LIMITED

Directors' report

Directors: R M De Haan (Chairman)
T B Bull
R J Coles
R J Fraser
S M Howard

Secretary: R J Fraser

Registered Office: The Saga Building, Enbrook Park, Folkestone, Kent CT20 3SE

The directors present their report for the year ended 31 January 2002.

Principal activities and review of business

The company's principal activity is the broadcasting of digital radio services. The directors consider the results for the year to be satisfactory and anticipate further development of the business in the coming year.

Accounts and dividends

The loss before taxation for the year amounted to £1,269,170. After taxation, an amount of £897,295 has been transferred to reserves. The company's parent, Saga Group Limited, has agreed to provide the company with the financial support necessary to enable it to meet its liabilities as they fall due.

Directors

The directors of the company during the year ended 31 January 2002 were those listed above.

Directors' interests

Mr R M De Haan is a director of the ultimate parent undertaking Saga Leisure Limited, and his interest in shares is set out in the accounts of that company. No other director holds any shares in the company or the ultimate parent undertaking.

SAGA DIGITAL RADIO LIMITED

Directors' report continued

Auditors

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law 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 for the year.

The Directors confirm that the accounting policies are appropriate to the company's business and have been applied consistently. In preparing the accounts for the year, the Directors have made reasonable and prudent judgements, have ensured that applicable accounting standards have been followed and confirm that it is appropriate to prepare the accounts on a going concern basis.

The Directors are responsible for maintaining proper accounting records, for safeguarding the Company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



R J Fraser

Secretary

17 April 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGA DIGITAL RADIO LIMITED

We have audited the company's financial statements for the year ended 31 January 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 United Kingdom law and 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

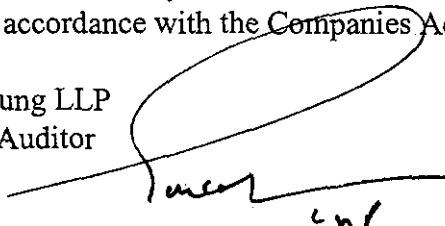
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London



17 April 2002

SAGA DIGITAL RADIO LIMITED
Profit and loss account
For the year ended 31 January 2002

	Note	2002 £	2001 £
Turnover	2	23,167	7,877
Staff costs	6	(189,632)	(122,112)
Depreciation of fixed assets	4	(55,539)	(24,796)
Other operating charges		<u>(990,844)</u>	<u>(774,576)</u>
Operating loss		(1,212,848)	(913,607)
Net interest payable	3	(56,322)	(23,623)
Loss on ordinary activities before taxation	4	<u>(1,269,170)</u>	<u>(937,230)</u>
Taxation	8	371,875	276,960
Retained loss for the year	13	<u><u>(897,295)</u></u>	<u><u>(660,270)</u></u>


There were no recognised gains or losses other than the amounts included above.

SAGA DIGITAL RADIO LIMITED
Balance sheet as at 31 January 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	9	<u>100,389</u>	<u>139,977</u>
Current assets			
Debtors	10	158,034	37,449
Creditors			
- amounts falling due within one year	11	(1,815,888)	(837,596)
Net current liabilities		<u>(1,657,854)</u>	<u>(800,147)</u>
Total assets less current liabilities		<u>(1,557,465)</u>	<u>(660,170)</u>
Capital and reserves			
Called-up share capital	12	100	100
Profit and loss account	13	(1,557,565)	(660,270)
Equity shareholders' funds	14	<u>(1,557,465)</u>	<u>(660,170)</u>

S M Howard

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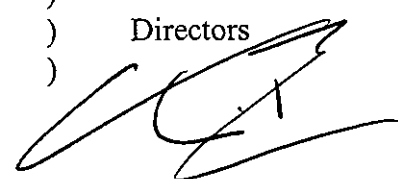


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Directors

T B Bull

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17 April 2002

SAGA DIGITAL RADIO LIMITED

Notes to the accounts

1 Accounting policies

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Fixed assets

Fixed assets are stated at cost less depreciation. The cost of fixed assets is depreciated in equal instalments over the following periods.

Plant, machinery and equipment	various up to a maximum of 10 years
Fixtures and fittings	various up to a maximum of 5 years
Computers	various up to a maximum of 3 years

c) Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive, more tax.

Deferred tax is measured on an undiscounted 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.

d) Pension benefits

The company contributes to a funded scheme administered by the immediate parent undertaking. Pension benefits are funded over the employee's period of service. The company's contributions are based on the most recent actuarial valuation of the fund.

2 Turnover

Turnover, which all arises from continuing business, represents the invoiced amount of services supplied stated net of value added tax.

3 Net interest payable

	2002	2001
	£	£
Inter-company interest	<u>56,322</u>	<u>23,623</u>

4 Loss on ordinary activities before taxation is stated

	2002	2001
	£	£
After charging:		
Audit fees	1,000	4,500
Depreciation	<u>55,539</u>	<u>24,796</u>

SAGA DIGITAL RADIO LIMITED
Notes to the accounts continued

5 Emoluments of directors

The emoluments of the directors of the company were:

	2002	2001
	£	£
Emoluments	<u>92,998</u>	<u>93,271</u>
Members of defined benefit pension scheme	<u>5</u>	<u>5</u>

6 Staff costs

	2002	2001
	£	£
Wages and salaries	158,523	101,939
Social security costs	19,258	11,432
Other pension costs	<u>11,851</u>	<u>8,741</u>
	<u>189,632</u>	<u>122,112</u>
Average number of employees	<u>9</u>	<u>6</u>

7 Pension benefits

The company is a member of the Saga Group Limited Pension and Life Assurance Scheme which is a defined benefit pension scheme. Contributions to the Scheme are based on pension costs across the group as a whole. Details of the Scheme can be found in the accounts of Saga Group Limited.

8 Taxation

	2002	2001
	£	£
Group relief @ 30%	<u>(371,875)</u>	<u>(276,960)</u>

SAGA DIGITAL RADIO LIMITED
Notes to the accounts continued

9 Tangible fixed assets

	Fixtures Fittings & Equipment £	Total £
Cost		
At 31 January 2001	164,773	164,773
Additions	15,951	15,951
Disposals		
At 31 January 2002	<u>180,724</u>	<u>180,724</u>
Depreciation		
At 31 January 2001	24,796	24,796
Charge for period	55,539	55,539
Disposals		
At 31 January 2002	<u>80,335</u>	<u>80,335</u>
Net book amounts		
At 31 January 2002	100,389	100,389
At 31 January 2001	<u>139,997</u>	<u>139,977</u>

10 Debtors

	2002 £	2001 £
Other debtors	56,701	2,539
Prepayments	101,333	34,910
	<u>158,034</u>	<u>37,449</u>

11 Creditors

- amounts falling due within one year	2002 £	2001 £
Trade creditors	21,154	-
Bank overdraft	53,837	-
Amount due to group undertakings	1,680,429	734,529
Accruals	60,468	103,067
	<u>1,815,888</u>	<u>837,596</u>

SAGA DIGITAL RADIO LIMITED**Notes to the accounts continued****12 Called up share capital**

	2002 £	2001 £
Authorised 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 Profit and loss account

	2002 £	2001 £
At 31 January 2001	(660,270)	-
Loss for year	<u>(897,295)</u>	<u>(660,270)</u>
At 31 January 2002	<u>(1,557,565)</u>	<u>(660,270)</u>

14 Reconciliation of movement in shareholders' funds

	2002 £	2001 £
At 31 January 2001	(660,170)	100
Loss for year	<u>(897,295)</u>	<u>(660,270)</u>
At 31 January 2002	<u>(1,557,465)</u>	<u>(660,170)</u>

15 Related party transactions

The company has taken advantage of the exemption afforded by FRS8 in not disclosing transactions with other entities in the Saga group of companies.

16 Ultimate parent undertaking

The accounts of the company have been consolidated in the group accounts of Saga Leisure Limited (the ultimate parent undertaking) and Saga Group Limited, both of which are registered in England.