

SAGA DIGITAL RADIO LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 JANUARY 2004



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 submit their report together with the audited accounts for the year ended 31 January 2004.

Principal activities and review of business

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

Results and dividends

The loss before taxation for the year amounted to £2,031,000. A loss after taxation of £1,389,000 has been transferred to reserves. No dividends have been paid or proposed in the year. 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 2004 were those listed above.

Directors' interests

Mr R M De Haan is a director of the ultimate parent undertaking Saga 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.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

SAGA DIGITAL RADIO LIMITED
Directors' report continued

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 keeping 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 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.

By order of the board

A handwritten signature in dark ink, appearing to be 'R J Fraser', written over a horizontal line.

R J Fraser
Secretary
22 April 2004

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 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 15. These financial statements have been prepared on the basis of 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

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

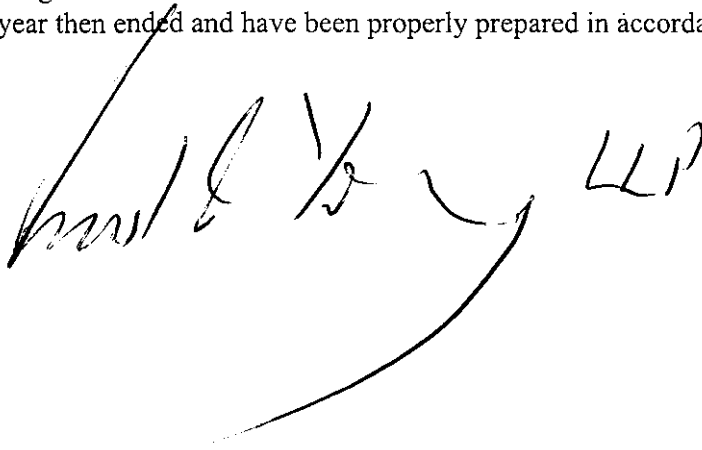
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2004 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
28 May 2004



SAGA DIGITAL RADIO LIMITED**Profit and loss account for the year ended 31 January 2004**

	Note	2004 £'000	2003 £'000
Turnover	2	26	28
Staff costs	6	(276)	(305)
Depreciation of fixed assets		(44)	(64)
Other operating charges		<u>(1,688)</u>	<u>(1,398)</u>
Operating loss	3	(1,982)	(1,739)
Interest payable and similar charges	4	(49)	(98)
Loss on ordinary activities before taxation		<u>(2,031)</u>	<u>(1,837)</u>
Taxation	8	642	555
Retained loss for the year	13	<u><u>(1,389)</u></u>	<u><u>(1,282)</u></u>

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

Reconciliation of movement in shareholders' funds

	2004 £'000	2003 £'000
Total recognised gains and losses relating to the year	(1,389)	(1,282)
Issue of ordinary share capital	-	2,500
Net movement in shareholders' funds	<u>(1,389)</u>	<u>1,218</u>
Shareholders' funds brought forward	(340)	(1,558)
Shareholders' funds carried forward	<u><u>(1,729)</u></u>	<u><u>(340)</u></u>

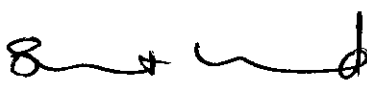
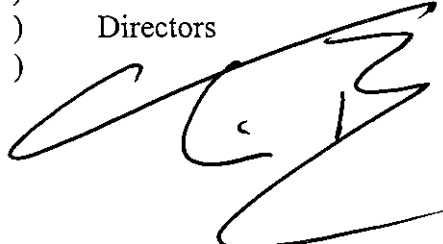
SAGA DIGITAL RADIO LIMITED
Balance sheet as at 31 January 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	9	<u>17</u>	<u>61</u>
Current assets			
Debtors	10	238	229
Creditors			
- amounts falling due within one year	11	(1,984)	(630)
Net current liabilities		<u>(1,746)</u>	<u>(401)</u>
Net liabilities		<u>(1,729)</u>	<u>(340)</u>
Capital and reserves			
Called-up share capital	12	2,500	2,500
Profit and loss account	13	(4,229)	(2,840)
Equity shareholders' deficit	14	<u>(1,729)</u>	<u>(340)</u>

S M Howard

T B Bull

22 April 2004

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) Directors
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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. 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.

b) Fixed assets

Tangible fixed assets are stated at cost less amounts written off. The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows:

Fixtures, fittings and equipment 3 – 5 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 a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

d) Pension benefits

Annual contributions are made to the UK defined benefit pension scheme on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement. The costs of providing these benefits are charged to the profit and loss account on a regular basis.

e) Cash flow statement

The directors have taken advantage of the exemption available under FRS 1 from the requirement to prepare a cash flow statement on the basis that a consolidated cash flow statement has been presented in the financial statements of the ultimate parent company, Saga Limited.

2 Turnover

Turnover, which all arises from continuing business, represents the invoiced amount of services supplied stated net of value added tax. Turnover includes £23,000 relating to barter transactions for advertising (2003 - £22,000).

3 Operating loss

	2004	2003
	£'000	£'000
Operating loss is stated after charging:-		
Depreciation	44	64
Audit fees	1	1

SAGA DIGITAL RADIO LIMITED**Notes to the accounts continued**

4	Interest payable and similar charges	2004	2003
		£'000	£'000
	Investment income	1	2
	Inter-company interest	(50)	(100)
		<u>(49)</u>	<u>(98)</u>

5 Emoluments of directors

The emoluments of the directors of the company were:

	2004	2003
	£'000	£'000
Emoluments	<u>148</u>	<u>123</u>
Members of defined benefit pension scheme	<u>5</u>	<u>5</u>

6	Staff costs	2004	2003
		£'000	£'000
	Wages and salaries	231	259
	Social security costs	24	24
	Other pension costs	21	22
		<u>276</u>	<u>305</u>

	2004	2003
The monthly average number of employees (*) during the year was as follows:-	No.	No.
Operations	1	1
Sales & marketing	-	2
Administration and management	7	7
	<u>8</u>	<u>10</u>

* - Including directors not remunerated by the company.

7 Pension benefits

The Company is a member of the Saga Group Limited Pension and Life Assurance Scheme which has defined benefit and defined contribution sections.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company is accounting for its pension expense on a defined contribution basis in accordance with paragraph 9 of FRS 17.

Further details of the Scheme can be found in the accounts of Saga Group Limited.

SAGA DIGITAL RADIO LIMITED

Notes to the accounts continued

8 Tax on profit on ordinary activities

	2004	2003
	£'000	£'000
Group relief @ 30%	(614)	(534)
Current tax	(614)	(534)
Prior year tax	(29)	-
Deferred tax – current year	5	(16)
Deferred tax – prior years	(4)	(5)
	<u>(642)</u>	<u>(555)</u>

Reconciliation of Current Tax Charge:

	2004	2003
	£'000	£'000
Pre-tax losses at 30%	(610)	(551)
Depreciation in excess of capital allowances	5	10
Permanent differences	1	1
Other timing differences	(10)	6
	<u>(614)</u>	<u>(534)</u>

9 Tangible fixed assets

	Fixtures Fittings & Equipment	Total
	£'000	£'000
Cost		
At 1 February 2003	206	206
At 31 January 2004	<u>206</u>	<u>206</u>
Depreciation		
At 1 February 2003	145	145
Charge for year	44	44
At 31 January 2004	<u>189</u>	<u>189</u>
Net book amounts		
At 31 January 2004	17	17
At 1 February 2003	<u>61</u>	<u>61</u>

SAGA DIGITAL RADIO LIMITED
Notes to the accounts continued

10 Debtors	2004	2003
	£'000	£'000
Trade debtors	1	2
Other debtors	92	79
Prepayments	125	127
Deferred tax	20	21
	<u>238</u>	<u>229</u>

Deferred taxation comprises of an excess of depreciation over capital allowances of £20,000 (2003 - £15,000) and other short-term timing differences of £nil (2003 - £6,000). The directors anticipate that there will be sufficient future profits against which deferred tax can be recovered, either in the company or by the surrender of group relief to other Saga companies.

11 Creditors	2004	2003
	£'000	£'000
- amounts falling due within one year		
Bank overdraft	133	155
Trade creditors	69	83
Amount due to group undertakings	1,684	283
Accruals	98	109
	<u>1,984</u>	<u>630</u>

12 Called up share capital	2004	2003
Authorised	£'000	£'000
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid		
2,500,000 Ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>

13 Profit and loss account	2004	2003
	£,000	£'000
At 1 February 2003	(2,840)	(1,558)
Loss for year	(1,389)	(1,282)
At 31 January 2004	<u>(4,229)</u>	<u>(2,840)</u>

14 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.

15 Ultimate parent undertaking

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