

Radio Investments Ltd

Report and Financial Statements

For the 18 months ended 31 March 2004



RADIO INVESTMENTS LTD

REPORT AND FINANCIAL STATEMENTS 2004

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RADIO INVESTMENTS LTD

REPORT AND FINANCIAL STATEMENTS 2004

DIRECTORS AND OFFICERS

DIRECTORS:

Sir David Kinloch Bt (resigned 1 March 2004)
J Sanderson (Chief Executive)
R W Phillis (resigned 24 May 2004)
R M Bernard (resigned 24 May 2004)
J F Myers (resigned 24 May 2004)
H A Lloyd (resigned 24 May 2004)
N Castro (alternate to R W Phillis) (resigned 24 May 2004)
W M Pallot (alternate to R M Bernard) (resigned 24 May 2004)
J M May (alternate to Sir David Kinloch) (resigned 24 May 2004)
A Mackenzie (appointed 10 May 2004)

SECRETARY:

L A Wells

REGISTERED OFFICE:

11 Duke Street
High Wycombe
Bucks
HP13 6EE

REGISTERED NUMBER:

1038766

AUDITORS:

Nexia Audit Limited
Notebeme House
84 High Street
Southampton
Hampshire
SO14 2NT

TAX ADVISERS:

Smith & Williamson Limited
Notebeme House
84 High Street
Southampton
Hampshire
SO14 2NT

RADIO INVESTMENTS LTD

DIRECTORS' REPORT

The directors have pleasure in presenting the annual report and the audited financial statements for the 18 months ended 31 March 2004.

ACTIVITIES

The principal activity of the group is the operation of local radio stations and a national radio advertising sales agency.

REVIEW OF DEVELOPMENTS

During December 2002 the company acquired all of the issued share capital of Radio Sales Limited (now First Radio Sales Limited).

POST BALANCE SHEET EVENTS

On 24th May 2004 the entire share capital of Radio Investments Ltd was acquired by The Local Radio Company plc, a company listed on the Alternative Investment Market.

RESULTS AND DIVIDENDS

The operating loss for the period amounted to £8,125,201 (2002: loss £4,400,217).

The loss on ordinary activities before taxation was £8,400,997 (2002: £4,455,457).

The loss after taxation and minority interests was £8,519,807 (2002: £3,795,963).

The directors do not recommend the payment of a dividend for the period.

FUTURE PROSPECTS

The company intends to continue to grow its business further through organic growth and also by acquisition and winning new licences.

DIRECTORS

On 14 January 2004 J M May was appointed as an alternate director to Sir David Kinloch. The directors who served during the year and their interests in the company's ordinary share capital were as follows:

	Ordinary shares		Options over ordinary shares		Exercise price per share
	At 31 March 2004	At 30 September 2002	At 31 March 2004	At 30 September 2002	
Sir David Kinloch Bt (Chairman)	-	-	-	-	-
J Sanderson (Chief Executive)	-	-	22,726	-	£14.06
R W Phillis	-	-	-	-	-
R M Bernard	-	-	-	-	-
J F Myers	-	-	-	22,726	£28.50
H A Lloyd	-	-	7,575	7,575	£14.06
N Castro (alternate to R W Phillis)	-	-	-	-	-
W M Pallot (alternate to R M Bernard)	-	-	-	-	-
J M May (alternate to Sir David Kinloch)	-	-	-	-	-

RADIO INVESTMENTS LTD

DIRECTORS' REPORT

The options granted to J Sanderson and HA Lloyd were exercised on 24 May 2004. The options granted to JF Myers were cancelled during the period.

Sir David Kinloch Bt is a director of Caledonia Investments plc, which owned 747,034 (39.45%, fully diluted holding 35.73%) of the company's ordinary shares at 31 March 2004. J M May (alternate to Sir David Kinloch) is also a director of Caledonia Investments plc.

R W Phillis is the chief executive of Guardian Media Group plc. J F Myers is an employee of Guardian Media Group plc. GMG Radio Holdings Limited, a wholly owned subsidiary of Guardian Media Group plc, owned 747,034 (39.45%, fully diluted holding 35.73%) of the company's ordinary shares at 31 March 2004. N Castro (alternate to R W Phillis) is also a director of Guardian Media Group plc.

R M Bernard is the chairman of GWR Group plc, which owned 378,736 (20.00%) of the company's ordinary shares and £6,206,343 convertible loan stock (fully diluted holding 27.55%) at 31 March 2004. W M Pallot (alternate to R M Bernard) is also a director of GWR Group plc. The loan stock was converted into ordinary shares on 24 May 2004.

Approved by the Board of Directors and signed on behalf of the Board:



J Sanderson
Chairman

Dated: 14 December 2004

RADIO INVESTMENTS LTD

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 the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing those financial statements, 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and enable them to ensure that the financial statements comply with the Companies Act. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RADIO INVESTMENTS LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RADIO INVESTMENTS LTD

We have audited the accounts of Radio Investments Ltd for the period ended 31 March 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 28. These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the group are not disclosed.

We read other information contained in the financial statements and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing.

Opinion

In our opinion the accounts give a true and fair view of the state of the group's and the company's affairs as at 31 March 2004 and of the group loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Ltd

Nexia Audit Limited
Chartered Accountants
Registered Auditors
Notebeme House
84 High Street
Southampton
Hampshire
SO14 2NT

Dated: 14 December 2004

RADIO INVESTMENTS LTD

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period ended 31 March 2004

	Note	18 months to 31 March 2004 £	Year to 30 September 2002 £
TURNOVER	2	22,732,808	11,993,687
COST OF SALES	3	<u>(4,762,666)</u>	<u>(2,796,623)</u>
GROSS PROFIT	3	17,970,142	9,197,064
ADMINISTRATIVE EXPENSES	3	<u>(26,095,343)</u>	<u>(13,597,281)</u>
OPERATING LOSS		(8,125,201)	(4,400,217)
Loss on the disposal of investments	4	(134,918)	-
Share of associate company profits		96,668	18,647
Interest receivable and similar income		15,398	26,115
Interest payable	5	<u>(252,944)</u>	<u>(100,002)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(8,400,997)	(4,455,457)
Tax on loss on ordinary activities	8	<u>(56,888)</u>	<u>599,926</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(8,457,885)	(3,855,531)
Equity minority interests		<u>(61,922)</u>	<u>59,568</u>
RETAINED LOSS FOR THE PERIOD TRANSFERRED TO RESERVES		<u>£(8,519,807)</u>	<u>£(3,795,963)</u>

There were no recognised gains and losses other than those included in the above profit and loss account.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

RADIO INVESTMENTS LTD

CONSOLIDATED BALANCE SHEET as at 31 March 2004

	Note	31 March 2004 £	30 September 2002 £
FIXED ASSETS			
Intangible assets	9	26,254,522	34,125,566
Tangible assets	10	1,910,270	2,090,850
Investments	11	<u>662,662</u>	<u>432,407</u>
		28,827,454	36,648,823
CURRENT ASSETS			
Debtors	12	3,290,702	2,944,662
Cash at bank and in hand		<u>383,886</u>	<u>189,143</u>
		3,674,588	3,133,805
CREDITORS: Amounts falling due within one year	13	<u>(5,651,885)</u>	<u>(4,478,082)</u>
NET CURRENT ASSETS		<u>(1,977,297)</u>	<u>(1,344,277)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,850,157	35,304,546
CREDITORS: Amounts falling due after more than one year (including convertible debt)	14	(6,274,420)	(6,326,032)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(27,798)</u>	<u>(12,690)</u>
NET ASSETS		<u>£20,547,939</u>	<u>£28,965,824</u>
CAPITAL AND RESERVES			
Called up share capital	17	189,368	189,368
Share premium account	18	15,730,117	15,730,117
Capital redemption reserve	18	3,002	3,002
Profit and loss account	18	<u>4,541,551</u>	<u>13,061,358</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	20,464,038	28,983,845
Minority interest – equity		<u>83,901</u>	<u>(18,021)</u>
		<u>£20,547,939</u>	<u>£28,965,824</u>

These financial statements were approved by the Board of Directors on 14 December 2004

Signed on behalf of the Board of Directors



J Sanderson
Chairman

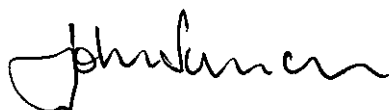
RADIO INVESTMENTS LTD

COMPANY BALANCE SHEET as at 31 March 2004

	Note	31 March 2004 £	30 September 2002 £
FIXED ASSETS			
Investments	11	36,199,422	38,018,084
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	-	155,303
Debtors: amounts falling due after more than one year	12	7,027,664	6,752,264
Cash at bank and in hand		<u>-</u>	<u>1,232</u>
		7,027,664	6,908,799
CREDITORS: Amounts falling due within one year (including convertible debt)	13	<u>(1,998,086)</u>	<u>(1,787,642)</u>
NET CURRENT ASSETS		<u>5,029,578</u>	<u>5,121,157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		41,229,000	43,139,241
CREDITORS: Amounts falling due after more than one year (including convertible debt)	14	<u>(6,206,343)</u>	<u>(6,206,343)</u>
NET ASSETS		<u>£35,022,657</u>	<u>£36,932,898</u>
CAPITAL AND RESERVES			
Called up share capital	17	189,368	189,368
Share premium account	18	15,730,117	15,730,117
Other reserve	18	230,915	-
Profit and loss account	18	<u>18,872,257</u>	<u>21,013,413</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	<u>£35,022,657</u>	<u>£36,932,898</u>

These financial statements were approved by the Board of Directors on 14 December 2004

Signed on behalf of the Board of Directors



J Sanderson
Chairman

RADIO INVESTMENTS LTD

CONSOLIDATED CASH FLOW STATEMENT for the period ended 31 March 2004

	Note	18 months to 31 March 2004 £	Year to 30 September 2002 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	25	1,304,403	(1,633,053)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(252,066)	(93,286)
Interest and other investment income received		15,398	26,115
Dividends received from Associate		22,324	-
Interest element of finance lease payments		<u>(878)</u>	<u>(6,716)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(215,222)	(73,887)
TAXATION			
UK corporation tax paid		269,594	(591,074)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(924,222)	(684,688)
Sale of tangible fixed assets		159,390	77,089
Purchase of fixed asset investments		-	(90)
Sale of fixed asset investments		<u>-</u>	<u>259,739</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(764,832)	(347,950)
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS	26	<u>(470,840)</u>	<u>(268,930)</u>
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		123,103	(2,914,894)
FINANCING			
Issue of shares in subsidiary to minorities		40,000	69,691
Net movement in short term borrowings		(114,709)	(35,640)
Net movement in long term borrowings		(48,755)	(398,650)
Capital element of finance leases		<u>(2,556)</u>	<u>(22,858)</u>
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		<u>(126,020)</u>	<u>(387,457)</u>
DECREASE IN CASH	27/28	<u>(2,917)</u>	<u>(3,302,351)</u>

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

1. ACCOUNTING POLICIES

These financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments.

The Group has in place sufficient bank facilities to meet its operational needs for the foreseeable future.

On the above basis the directors consider that it is appropriate to prepare the accounts on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the results of Radio Investments Ltd (RIL) and its subsidiaries.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the pre-tax profits and attributable taxation of the associated undertakings based on audited financial statements and/or management accounts.

In the consolidated balance sheet, the investment in associated undertakings is shown as the group's share of the net assets of the associated undertakings.

Turnover

Turnover represents the total invoiced value, excluding value added tax and trade discounts, of services rendered during the period.

Turnover relates entirely to the principal activities of the group.

Investments

Unlisted investments are valued at cost less provision for any permanent impairment in value.

Goodwill

Goodwill on acquisitions is written off in equal annual instalments over its estimated useful life. The directors estimate the useful life to be 20 years. Prior to the introduction of Financial Reporting Standard 10, goodwill on acquisitions was written off directly to reserves. Any impairment in the carrying value of goodwill is calculated by comparing the carrying value of goodwill with the net realisable value of the underlying business.

Tangible fixed assets

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Transmitter equipment	12.5%
Studio equipment	20%
Computer equipment	33% - 50%
Leasehold improvements	Over the period of the lease
Office equipment	20%
Motor vehicles	25%
Freehold land is not depreciated	

RADIO INVESTMENTS LTD
NOTES TO THE ACCOUNTS
for the period ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Capital instruments

Capital instruments are accounted for and classified as equity or non-equity share capital, equity or non-equity minority interests and debt according to their form. Convertible debt is separately disclosed and regarded as debt unless conversion actually occurs.

Deferred tax

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit is uncertain. Any assets or liabilities recognised have not been discounted.

Pensions

Some subsidiary companies participate in a defined contribution pension scheme. Contributions charged to the profit and loss account represent the contributions payable by the company during the period.

2. TURNOVER

Turnover arises from the principal activities of the group, being the operation of local radio stations and radio advertising brokerage.

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

3. OPERATING LOSS

Included in administrative expenses are the following:

	18 months to 31 March 2004	Year to 30 September 2002
	£	£
Amortisation of goodwill	2,851,032	1,928,277
Provision for impairment of goodwill of subsidiary undertakings	4,927,347	169,975
Costs of applying for new radio licences	27,674	179,368
Termination payments to former employees	<u>132,950</u>	<u>-</u>

4. LOSS ON THE DISPOSAL OF FIXED ASSET INVESTMENTS

	18 months to 31 March 2004	Year to 30 September 2002
	£	£
Loss on sale of subsidiaries	<u>134,918</u>	<u>-</u>
Total loss on sale of investments	<u>134,918</u>	<u>-</u>
Taxation	<u>-</u>	<u>-</u>

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

5. INTEREST PAYABLE

	18 months to 31 March 2004 £	Year to 30 September 2002 £
Bank loans and overdrafts	135,249	32,806
Hire purchase and finance lease agreements	878	6,716
Interest on other loans	<u>116,817</u>	<u>60,480</u>
	<u>252,944</u>	<u>100,002</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	18 months to 31 March 2004 £	Year to 30 September 2002 £
Loss on ordinary activities before taxation is after charging:		
Remuneration paid to the group's auditors for:		
- audit services - current period (company £31,625; 2001 - £27,835)	69,750	153,272
Paid to related company of auditors	69,450	32,300
Depreciation	987,593	816,296
Amortisation of goodwill	2,851,032	1,925,556
Rentals under operating leases	1,408,305	567,510

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	18 months to 31 March 2004 Number	Year to 30 September 2002 Number
The average number of persons employed by the group (including executive directors) during the period was as follows:		
Management and administration	68	66
Sales	116	93
Programming	<u>112</u>	<u>82</u>
	<u>296</u>	<u>241</u>
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	9,042,704	4,452,697
Social security costs	895,570	458,345
Pension costs (defined contribution)	<u>192,308</u>	<u>136,490</u>
	<u>10,130,582</u>	<u>5,047,532</u>

Emoluments of the directors - emoluments	354,930	239,398
- pension contributions	21,883	8,000

The emoluments of the highest paid director were £170,842 including pension contributions of £9,883.

There are 2 directors with retirement benefits accruing under money purchase pension schemes.

Included in Directors' emoluments is £9,000 paid to Caledonia Group Services Limited for the services of Sir David Kinloch Bt and J M May, £18,000 paid to Guardian Media Group plc for the services of R W Phillis and J F Myers and £9,000 paid to GWR Group plc for the services of R M Bernard.

The group participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions payable to the fund are noted above and there were contributions of £13,369 payable at 31 March 2004.

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	18 months to 31 March 2004 £	Year to 30 September 2002 £
Domestic current year tax		
Adjustment for prior years	29,662	(232,010)
Receivable from the sale of consortium relief losses	<u>-</u>	<u>(359,332)</u>
	29,662	(591,342)
Deferred tax		
Deferred tax charge/(credit) current year	15,108	(8,584)
Share of associate's tax	<u>12,118</u>	<u>-</u>
Current tax charge	<u>56,888</u>	<u>(599,926)</u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax	(2,520,299)	(846,537)
Effects of:		
Non deductible expenses	197,594	45,946
Depreciation in excess of capital allowances	10,256	24,353
Goodwill arising on consolidation	2,337,582	365,856
Losses carried forward/utilised in year	4,327	188,447
Adjustments to previous period	29,662	(232,010)
Chargeable disposals	-	(2,330)
Tax losses utilised for consortium relief	-	(131,755)
Investment income from associate	(7,553)	-
Income from associate	(22,303)	(3,543)
Other tax adjustments	<u>396</u>	<u>231</u>
	<u>2,549,961</u>	<u>255,195</u>
Current tax charge	<u>29,662</u>	<u>(591,342)</u>

9. INTANGIBLE FIXED ASSETS - GROUP

	Goodwill £
COST OR VALUATION	
At 1 October 2002	38,512,855
Additions	19,668
Disposal	(112,333)
Provision for impairment	<u>(4,927,347)</u>
At 31 March 2004	<u>33,492,843</u>
AMORTISATION:	
At 1 October 2002	4,387,289
Charge for year	<u>2,851,032</u>
At 31 March 2004	<u>7,238,321</u>
NET BOOK VALUE:	
At 31 March 2004	<u>26,254,522</u>
At 30 September 2002	<u>34,125,566</u>

Goodwill totalling £4,467,470 remains eliminated to reserves for the period prior to the introduction of Financial Reporting Standard 10. This goodwill will be credited to the profit and loss account should the investments to which it relates be sold or otherwise realised.

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

10. TANGIBLE FIXED ASSETS

	Improvements to leasehold property £	Freehold land and buildings £	Operating assets £	Total £
THE GROUP				
COST				
At 1 October 2002	814,681	400,842	4,881,573	6,097,096
Additions	25,493	-	900,333	925,826
Reclassifications	(28,023)	-	28,023	-
Disposals	(19,181)	(84,841)	(401,432)	(505,454)
At 31 March 2004	<u>792,970</u>	<u>316,001</u>	<u>5,408,497</u>	<u>6,517,468</u>
DEPRECIATION				
At 1 October 2002	442,048	88,376	3,475,822	4,006,246
Charge for the year	137,868	24,757	824,968	987,593
Reclassifications	(12,752)	-	12,752	-
Disposals	(14,210)	(29,249)	(343,182)	(386,641)
At 31 March 2004	<u>552,954</u>	<u>83,884</u>	<u>3,970,360</u>	<u>4,607,198</u>
NET BOOK VALUE				
At 31 March 2004	<u>240,016</u>	<u>232,117</u>	<u>1,438,137</u>	<u>1,910,270</u>
At 30 September 2002	<u>372,633</u>	<u>312,466</u>	<u>1,405,751</u>	<u>2,090,854</u>

The net book value of amounts included within fixed assets includes £4,276 (2002 - £22,138) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge in respect of these assets was £3,012 (2002 - £8,865).

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

11. INVESTMENTS

THE GROUP

COST OR VALUATION	Associated undertaking	Other investments Unlisted	Total
	£	£	£
At 1 October 2002	72,699	234,711	307,410
Additions	261,590	-	261,590
Provision for impairment	-	(80,000)	(80,000)
Amortisation of goodwill	(13,561)	-	(13,561)
As at 31 March 2004	<u>320,728</u>	<u>154,711</u>	<u>475,439</u>
SHARE OF RETAINED PROFITS			
At 1 October 2002	18,647	106,350	124,997
Additions	<u>62,226</u>	-	<u>62,226</u>
At 31 March 2004	<u>80,873</u>	<u>106,350</u>	<u>187,223</u>
NET BOOK VALUE			
At 31 March 2004	<u>401,601</u>	<u>261,061</u>	<u>662,662</u>
At 30 September 2002	<u>91,346</u>	<u>341,061</u>	<u>432,407</u>

Included within the net book value of the associated undertaking is goodwill of £249,211.

THE COMPANY

COST OR VALUATION	Shares in subsidiary undertakings	Other investments Unlisted	Total
	£	£	£
At 1 October 2002	37,938,084	80,000	38,018,084
Additions	19,671	-	19,671
Disposal	(112,333)	-	(112,333)
Provision for impairment	<u>(1,646,000)</u>	<u>(80,000)</u>	<u>(1,726,000)</u>
At 31 March 2004	<u>36,199,422</u>	<u>-</u>	<u>36,199,422</u>

RADIO INVESTMENTS LTD
NOTES TO THE ACCOUNTS
for the period ended 31 March 2004

INVESTMENTS

	Description of shares held	Proportion of voting rights and ordinary share capital attributable to the group at 31 March 2004	
Subsidiary undertakings		Group %	Company %
Alpha Radio Limited	Ordinary £1	100	100
Bucks Broadcasting Limited	Ordinary £1	100	100
Central FM Limited	Ordinary £1	64	64
Conqueror Broadcasting Limited	Ordinary £1	100	100
Minster Sound Radio Limited (MSR)	Ordinary £1	100	100
+ Bridlington Radio Limited	Ordinary £1	100	
+ Huddersfield FM Limited	Ordinary £1	100	
+ Minster Sound Radio (York) Limited	Ordinary £1	100	
+ Yorkshire Coast Radio Limited	Ordinary £1	100	
Mix 107 FM Limited (formerly Swan FM Limited)	Ordinary £1	100	100
Radio Services Limited (RSL)	Ordinary £1 "A" & £1 "B"	100	100
Sovereign Radio Limited	Ordinary 1p	100	100
Silk FM Limited	Ordinary £1	100	100
Stray FM Limited	Ordinary £1	100	100
Sun FM Limited	Ordinary £1	100	100
West Country Radio Holdings Limited (formerly The Local Radio Company Limited) (WCRH)	Ordinary £1	100	100
* Fire Media Limited	Ordinary 10p	80	
* Isle of Wight Radio Limited	Ordinary £1	100	
* Winchester Independent Radio Limited	Ordinary £1	100	
* Spire FM Limited	Ordinary £1	100	
** 3TR FM Limited	Ordinary £1	100	
* The Quay Radio Limited	Ordinary £1	100	
* Vale FM Limited	Ordinary £1	100	
* Wessex Broadcasting Limited	Ordinary £1	100	
First Radio Sales Limited	Ordinary £1	100	100
Associate undertaking			
+ Two Boroughs Radio Ltd	Ordinary £1	32.5	

- + RIL's interest in these companies is held by MSR.
- * RIL's interest in these companies is held by WCRH.
- ** RIL's interest in this company is held by Spire FM Limited.

The principal activity of the above companies at the year end is that of operating local radio licences, save that WCRH, RSL and MSR are radio management and holding companies and First Radio Sales is a national sales house. All of the above investments are included within the consolidated financial statements.

The investment in Two Boroughs Radio Limited is accounted for as an associate undertaking as the the group is able to exercise significant influence via its representative on the board of directors of that company. The accounting reference date of Two Boroughs Radio Limited is 31 December and the calculation of the group's share of that company's retained profits has therefore been based on management accounts.

All the companies are registered in England and Wales, except Central FM Limited, which is registered in Scotland.

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

Additional information regarding principal investments where RIL owns 10% or more of the nominal value of the issued share capital is as follows:

Name of company	Attributable percentage %	Status
Fresh Radio Limited	12.3	Unlisted
* SouthCity FM Limited	20.0	Unlisted
# South West Sussex Radio Limited	47.2	Unlisted

All the companies are registered in England and Wales.

The above investments are treated as simple investments and not associated on the basis that the company is not able to exert significant influence.

- * RIL's interest in these companies is held by WCRH.
- # RIL's interest in this company is held by Wessex Broadcasting Limited.

The aggregate amount of capital and reserves and the results for the last relevant financial year of principal investments where the group's holding is 20% or greater were as follows:

	Capital and reserves £	Profit for the year £
South West Sussex Radio Limited	<u>155,248</u>	<u>20,421</u>

12. DEBTORS

	Group 2004 £	Company 2004 £	Group 2002 £	Company 2002 £
Trade debtors	2,310,523	-	2,180,998	4,788
Amounts owed by subsidiary undertakings	-	7,027,664	-	6,752,264
Other debtors	843,929	-	423,586	150,515
Prepayments and accrued income	<u>136,250</u>	<u>-</u>	<u>340,078</u>	<u>-</u>
	<u>3,290,702</u>	<u>7,027,664</u>	<u>2,944,662</u>	<u>6,907,567</u>

The amounts owed to the company by subsidiary undertakings are due after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £	Company 2004 £	Group 2002 £	Company 2002 £
Bank loans and overdrafts	1,151,786	148,957	954,126	106,471
Other loans	1,710,000	1,710,000	1,000,000	1,000,000
Trade creditors	613,137	4,342	585,437	10,985
Corporation tax payable	35,216	-	-	-
Other taxation and social security	670,692	-	468,103	10,154
Other creditors	409,840	-	768,251	606,000
Accruals and deferred income	1,060,214	134,787	701,466	54,032
Hire purchase and finance leases (see note 15)	<u>1,000</u>	<u>-</u>	<u>699</u>	<u>-</u>
	<u>5,651,885</u>	<u>1,998,086</u>	<u>4,478,082</u>	<u>1,787,642</u>

RADIO INVESTMENTS LTD
NOTES TO THE ACCOUNTS
for the period ended 31 March 2004

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2004 £	Company 2004 £	Group 2002 £	Company 2002 £
Variable rate convertible loan notes 2020	6,206,343	6,206,343	6,206,343	6,206,343
Bank loans – due within 2 to 5 years- within two to five years	64,046	-	92,863	-
- after five years	-	-	19,938	-
Hire purchase and finance leases (see note 15)	4,031	-	6,888	-
	<u>6,274,420</u>	<u>6,206,343</u>	<u>6,326,032</u>	<u>6,206,343</u>

The variable rate convertible loan notes 2020 were issued by the company to GWR Group plc in connection with the acquisition of the minority holdings in Minster Sound Radio Limited, Stray FM Limited and West Country Radio Holdings Limited and are convertible, at the option of the holders, at any time until 31 December 2020 into ordinary shares in the company at the rate of £31.45 of notes per ordinary share. Any notes still outstanding at 31 December 2020 will be converted into ordinary shares at that rate. The note holders are entitled to receive interest on the notes equal to any dividends which they would have received if the notes had been converted at the relevant dividend record date. If this interest remains unpaid past the due date, interest shall accrue at a rate of 4% above Barclays Bank PLC base rate.

Of the bank loans, £56,962 is secured on a freehold property.

15. HIRE PURCHASE AND FINANCE LEASE OBLIGATIONS

THE GROUP

	2004 £	2002 £
Net obligations due:		
- within one year	1,000	699
- in two to five years	4,031	6,888
	<u>5,031</u>	<u>7,587</u>

These leases are secured on the assets to which they relate.

16. PROVISIONS FOR LIABILITIES AND CHARGES

THE GROUP

Deferred taxation

	2004 £	2002 £
Balance at 1 October 2002	12,690	21,274
Profit and loss account	15,108	(8,584)
Balance at 31 March 2004	<u>27,798</u>	<u>12,690</u>
Accelerated capital allowances	<u>27,798</u>	<u>12,690</u>

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

17. CALLED UP SHARE CAPITAL

	2004		2002	
	Number	£	Number	£
Authorised:				
Ordinary shares of 10p each	<u>10,000,000</u>	<u>1,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:				
Ordinary shares of 10p each	<u>1,893,680</u>	<u>189,368</u>	<u>1,893,680</u>	<u>189,368</u>

18. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium	Capital redemption reserve	Profit and loss account
	£	£	£
THE GROUP			
Balance at 1 October 2002	15,730,117	3,002	13,061,358
Loss for the period	-	-	(8,519,807)
Balance at 31 March 2004	<u>15,730,117</u>	<u>3,002</u>	<u>4,541,551</u>

	Share premium	Other reserve	Profit and loss account
	£	£	£
THE COMPANY			
Balance at 1 October 2002	15,730,117	-	21,013,413
Increase in year (created on the acquisition of First Radio)	-	230,915	-
Loss for the year	-	-	(2,141,156)
Balance at 31 March 2004	<u>15,730,117</u>	<u>230,915</u>	<u>18,872,257</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2004	Company 2004	Group 2002	Company 2002
	£	£	£	£
Loss for the year	(8,519,807)	(2,141,156)	(3,795,963)	(1,548,747)
Movement in other reserve	-	230,915	-	-
Net (reduction)/addition in shareholders' funds	<u>(8,519,807)</u>	<u>(1,910,241)</u>	<u>(3,795,963)</u>	<u>(1,548,747)</u>
Opening shareholders' funds	<u>28,983,845</u>	<u>36,932,898</u>	<u>32,779,808</u>	<u>38,481,645</u>
Closing shareholders' funds	<u>20,464,038</u>	<u>35,022,657</u>	<u>28,983,845</u>	<u>36,932,898</u>

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

20. PROFIT OF RADIO INVESTMENTS LTD

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The holding company made a loss after tax of £2,141,156 (2002 - £1,548,747).

21. OPERATING LEASE COMMITMENTS

At 31 March 2004 the group had annual commitments under non-cancellable operating leases as follows:

	2004		2002	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Leases which expire:				
Within one year	4,875	53,851	63,702	48,702
Within two to five years	156,939	420,261	60,176	164,004
After five years	<u>308,233</u>	<u>129,367</u>	<u>364,276</u>	<u>33,966</u>
	<u>470,047</u>	<u>603,479</u>	<u>488,154</u>	<u>246,672</u>

22. RELATED PARTY TRANSACTIONS

Guardian Media Group plc (GMG) had a 39.45% shareholding in the company at 31 March 2004 and during the period the group acquired First Radio Sales Limited from a subsidiary of GMG. GMG loaned First Radio Sales Limited £824,709 as working capital. There was no balance due under these arrangements to any member of the GMG group at 31 March 2004.

Included within other loans in note 15 are amounts due to certain shareholders: £636,283 due to Caledonia Investments plc, £636,283 due to GMG and £437,435 due to GWR Group plc.

23. POST BALANCE SHEET EVENTS

In May 2004 the entire share capital of the company was acquired by The Local Radio Company plc.

24. CONTINGENT LIABILITIES

The company and its wholly owned trading subsidiaries are joint guarantors to the group's bank overdraft facility with National Westminster Bank Plc. The company therefore has a contingent liability equal to the amount due by the group to National Westminster Bank Plc at the year end.

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

25. RECONCILIATION OF TOTAL OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2002
	£	£
Loss on ordinary activities	(8,125,201)	(4,400,217)
Depreciation of tangible fixed assets	987,593	816,296
Amortisation of intangible fixed assets	2,864,593	1,928,277
Provision against fixed asset investments	80,000	-
Provision against goodwill in subsidiaries	4,927,347	169,975
Profit on sale of tangible fixed assets	(72,756)	(8,440)
Decrease in debtors	220,497	118,956
Decrease in creditors	<u>422,330</u>	<u>(257,900)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>1,304,403</u>	<u>(1,633,053)</u>

26. ACQUISITIONS AND DISPOSALS

	2004	2002
	£	£
Purchase of subsidiaries	(19,671)	-
Net cash acquired in subsidiaries	73,173	-
Refund relating to acquisition	230,915	-
Payment of deferred consideration	(493,667)	-
Purchase of additional shares in existing subsidiaries	-	(265,000)
Purchase of additional shares in existing associate	<u>(261,590)</u>	<u>(3,930)</u>
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS	<u>(470,840)</u>	<u>(268,930)</u>

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004	2002
	£	£
Decrease in cash	(2,917)	(3,302,351)
Cash outflow from decrease in net debt	<u>166,020</u>	<u>457,148</u>
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	163,103	(2,845,203)
Other non-cash items:		
Loan acquired on acquisition of subsidiary	(824,709)	-
Minority shareholding of loan stock in subsidiary converted to equity	<u>-</u>	<u>27,000</u>
Movement in net debt	(661,606)	(2,818,203)
Net debt brought forward	<u>(8,091,714)</u>	<u>(5,273,511)</u>
Net debt carried forward	<u>(8,753,320)</u>	<u>(8,091,714)</u>

RADIO INVESTMENTS LTD

NOTES TO THE ACCOUNTS for the period ended 31 March 2004

28. ANALYSIS OF NET DEBT

	At 1 October 2002 £	Cash flow £	Acquisitions/ disposals £	At 31 March 2004 £
Cash at bank and in hand	189,143	194,743	-	383,886
Bank overdrafts	<u>(954,126)</u>	<u>(197,660)</u>	-	<u>(1,151,786)</u>
	(764,983)	(2,917)	-	(767,900)
Debt due after one year	(6,319,144)	48,755	-	(6,270,389)
Debt due within one year	(1,000,000)	114,709	(824,709)	(1,710,000)
Finance leases	<u>(7,587)</u>	<u>2,556</u>	-	<u>(5,031)</u>
	<u>(8,091,714)</u>	<u>163,103</u>	<u>(824,709)</u>	<u>(8,753,320)</u>

RADIO INVESTMENTS LTD

PROFIT AND LOSS ACCOUNT
for the period ended 31 March 2004

	2004 £	2002 £
OPERATING COSTS	<u>(293,341)</u>	<u>(841,907)</u>
OPERATING (LOSS)/PROFIT	(293,341)	(841,907)
Provision for losses on investments	(1,646,000)	(922,055)
Interest receivable and similar income	58	26,115
Interest payable	<u>(202,482)</u>	<u>(72,963)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(2,141,765)	(1,810,810)
Tax on loss on ordinary activities	<u>609</u>	<u>262,063</u>
RETAINED LOSS FOR THE YEAR TRANSFERRED TO RESERVES	<u>£(2,141,156)</u>	<u>£(1,548,747)</u>

Approved by the Board of Directors on

Signed on behalf of the Board of Directors:



J Sanderson
Chairman

The information given on this page does not form part of the audited accounts.