

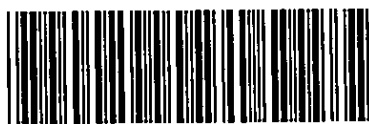
Bauer Digital Radio Limited

Report and Accounts

For the year ended 31 December 2010

Company Registration No. 1875591

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Bauer Digital Radio Limited
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For the year ended 31 December 2010

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Bauer Digital Radio Limited

Directors, officers and auditor

Directors	D Ford G White
Company secretary	Bauer Group Secretariat Limited
Auditor	Grant Thornton UK LLP Registered Auditor Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP
Registered office	1 Lincoln Court Lincoln Road Peterborough PE1 2RF
Company number	1875591

Bauer Digital Radio Limited

Directors' Report

For the year ended 31 December 2010

The directors submit their report and the accounts for the year ended 31 December 2010

Principal activities and future developments

Bauer Digital Radio Limited ("the Company") is engaged in the operation of local digital radio multiplexes under licence from Ofcom in Humberside, South Yorkshire, Tyne and Wear, Liverpool, Leeds, Teeside and Central Lancashire

No change in the nature of the Company's activities is anticipated to occur in the future

Review of the business

The Company is satisfied with its audience and revenue in the period, despite challenging economic circumstances

The results for the Company show a pre-tax profit for the year of £2,218,000 (2009 £557,000) and turnover of £12,287,000 (2009 £11,406,000) The directors do not recommend the payment of a dividend (2009 £nil)

Post balance sheet events

On 1 April 2011, the Company brought its company secretariat in house, and changed its registered office to 1 Lincoln Court, Lincoln Road, Peterborough PE1 2RF

Principal risks and uncertainties

The Company, along with other businesses in the advertising sector, is exposed to any fluctuations in the advertising market as a part of any wider economic downturn Other key risks include the loss of multiplex licences, a loss of key personnel and increased competition in the marketplace

The Company's credit risk is primarily attributable to its trade debtors Credit risk is managed by obtaining prepayments from new customers, and running credit checks on existing customers Liquidity and cashflow risks are managed through support from the Company's parent

The Company is required to comply with the terms of its broadcast licence The Company mitigates the risk of non-compliance through the work of a compliance officer and by regular training of on and off-air personnel

Key performance indicators ("KPIs")

The Company uses a range of performance measures to monitor and manage the business effectively These are both financial and non-financial Key financial performance indicators are turnover (as shown above) and EBITDA on continuing operations The key non-financial performance indicators include the number of staff employed by the Company (note 4) and measurements of audience, as published by RAJAR on a quarterly basis

One of the key financial performance indicators is set out below

	2010	2009
	<u>£'000</u>	<u>£'000</u>
EBITDA	1,860	589

Directors

The current directors are shown on page 1 The directors who held office during the year are given below

D Ford
G White

Bauer Digital Radio Limited

Directors' Report

For the year ended 31 December 2010

Insurance of directors

Directors' and Officers' liability insurance has been maintained by Bauer Radio (Holdings) Limited for the year

Employees

The directors attach great importance to keeping staff fully informed of the Company's financial progress to involve them as much as possible in the activities of the Company. Information is communicated through Bauer's Intranet - Planet Bauer - and periodic discussions take place to keep people informed and seek out their ideas and opinions.

Statement of directors' responsibilities

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 judgements and accounting 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.

In so far as the directors are aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

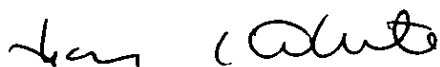
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

BDO LLP resigned as auditors of the Company during the year and Grant Thornton UK LLP, were appointed as auditors by the directors to fill a vacancy in accordance with section 485 of the Companies Act 2006.

Grant Thornton UK LLP, have indicated their willingness to continue in office. The Company has elected under section 487 of the Companies Act 2006 not to re-appoint auditors annually. Therefore the auditors, Grant Thornton UK LLP, are deemed to be re-appointed for the next financial year.

Approved by the board of directors on 30 June, 2011



G White
Director

Bauer Digital Radio Limited
Independent Auditor's Report
For the year ended 31 December 2010

Independent auditor's report to the members of Bauer Digital Radio Limited

We have audited the financial statements of Bauer Digital Radio Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. 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 auditors

As explained more fully in the directors' responsibilities statement, 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 (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 APB'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 December 2010 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 matters 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

Grant Thornton UK LLP

Richard Hagley
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

30 June 2011

Bauer Digital Radio Limited
Profit and Loss Account
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	12,287	11,406
Cost of sales		(455)	(402)
Gross profit		11,832	11,004
Administrative expenses		(10,092)	(10,544)
Operating profit	3	1,740	460
Income from shares in associate undertakings	17	491	-
Income from fixed asset investments	8	-	80
Interest receivable		16	21
Interest payable	5	(29)	(4)
Profit on ordinary activities before taxation		2,218	557
Tax on profit on ordinary activities	6	(663)	(132)
Profit for the year	14, 15	1,555	425

The above results relate to continuing operations

The Company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the reported profits and historical cost profits on ordinary activities before taxation for both years being reported

The notes on pages 7 to 14 form part of these accounts

Bauer Digital Radio Limited

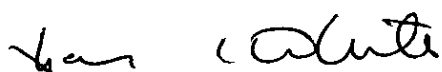
Balance Sheet

At 31 December 2010

Company Registration No. 1875591

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	7	269	420
Current assets			
Debtors	9	5,385	3,724
Cash at bank and in hand		1,177	1,243
		6,562	4,967
Creditors: amounts falling due within one year	10	(1,670)	(1,647)
Net current assets		4,892	3,320
Total assets less current liabilities		5,161	3,740
Creditors: amounts falling due after one year	11	(1,595)	(1,712)
Provision for liabilities	12	(2)	(19)
Net assets		3,564	2,009
Capital and reserves			
Called up share capital	13	3,200	3,200
Profit and loss account	14	364	(1,191)
Total shareholders' funds	15	3,564	2,009

The financial statements were approved by the Board of Directors and authorised for issue on 30 June, 2011



G White
Director

The notes on pages 7 to 14 form part of these accounts

Bauer Digital Radio Limited

Notes to the accounts

For the year ended 31 December 2010

1 Accounting policies

Basis of accounting

These accounts have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The directors, in accordance with the Financial Reporting Standard 18, "Accounting Policies" ("FRS 18"), confirm that the accounting policies used by the Company are the most appropriate, consistently applied and adequately disclosed.

Investments

Fixed asset investments are stated at cost less provisions for impairment.

Impairment of investments

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and its value in use.

Depreciation

The cost of tangible fixed assets less estimated residual value on disposal is written down evenly over their expected useful lives as follows:

Office equipment and vehicles	- 3 to 5 years
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Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Leasing

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Pensions

The Bauer group, of which the Company is a subsidiary, operates a defined contribution pension scheme provided by Scottish Widows known as Bauer Consumer Media Pension scheme for all eligible staff across the Group. The costs of this pension scheme are charged to the profit and loss account as they become payable.

Cashflow statement and related party disclosures

The Company is a wholly owned subsidiary of Heinrich Bauer Verlag Beteiligungs GmbH and is included in the consolidated financial statements of Heinrich Bauer Verlag Beteiligungs GmbH, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 "Cash Flow Statements" (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 "Related Party Transactions" from disclosing related party transactions with entities that are part of the Heinrich Bauer Verlag Beteiligungs GmbH group as it is a wholly owned subsidiary and included within the consolidated accounts of Heinrich Bauer Verlag Beteiligungs GmbH, which are publicly available.

Bauer Digital Radio Limited

Notes to the accounts

For the year ended 31 December 2010

2 Turnover

Revenue is recognised when the significant risks and rewards of ownership have been transferred to a third party, or for services provided, at the point when it is probable that the economic benefits will flow to the Company and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration and represents amounts receivable for services and goods provided in the normal course of business, net of discounts, custom duties and sales taxes.

Radio advertising revenue is recognised on the date of broadcast. Revenue generated from the operation of local digital multiplexes is recognised over the life of the contract.

The Company takes part in barter advertising deals the value of which are included in both turnover and cost of sales. The value of these transactions in the year amounted to £nil (2009 £5,244).

All turnover is derived from within the United Kingdom.

3 Operating profit

(a) This is stated after charging

	2010 £'000	2009 £'000
Depreciation of owned tangible fixed assets	120	129
Operating lease rentals - plant and machinery	4	4

Fees for the audit of the Company were borne by a fellow group undertaking, Bauer Radio Limited, for both years and have not been recharged.

There were no fees paid to the Company's auditor, Grant Thornton UK LLP, for any non audit services to the Company (2009 BDO LLP £nil).

(b) Directors' emoluments

None of the directors received any payment for their services as directors of the Company (2009 £nil).

4 Staff costs

(a) Costs

	2010 £'000	2009 £'000
Wages and salaries	219	484
Social security costs	20	47
Other pension costs	22	35
	261	566

(b) Pension costs

Defined contribution plan

The Company participates in a defined contribution pension scheme, the Bauer Consumer Media Pension Scheme operated by Scottish Widows. The pension charge represents contributions due from the employer and during the year it amounted to £21,538 (2009 £34,626).

(c) Employees

The average monthly number of persons employed by the Company in the UK during the year was 4 (2009 10).

Bauer Digital Radio Limited
Notes to the accounts
For the year ended 31 December 2010

5 Interest payable

	2010 £'000	2009 £'000
Other interest	29	4

6 Taxation

	2010 £'000	2009 £'000
Corporation tax at 28%	675	148
Corporation tax prior year adjustments	5	(3)
Total current tax	680	145
Deferred tax - current year	(9)	(10)
Deferred tax - prior year adjustment	(8)	(3)
Tax on profit on ordinary activities	663	132

The tax charge assessed for the year is higher (2009 lower) than the standard rate of corporation tax in the UK
The difference between tax as per the financial statements and tax at the UK nominal rate is explained below

	2010 £'000	2009 £'000
Profit before tax	2,218	557
Tax charge at 28%	621	156
Non taxable income	-	(18)
Expenses not eligible for tax deduction	47	-
Corporation tax prior year adjustments	5	(3)
Depreciation in excess of capital allowances	15	10
Short term timing differences	(8)	-
Current tax charge for the year	680	145

A number of changes to the UK Corporation Tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, included legislation reducing the main rate of corporation tax from 28% to 27% with effect from 1 April 2011. Following the March 2011 Budget Statement, a resolution was passed by Parliament on 29 March 2011 that has now reduced the main rate of corporation tax to 26% from 1 April 2011. The Finance (No 2) Act 2010 was substantively enacted at the balance sheet date and therefore the deferred tax balances have been remeasured at the 27% tax rate. The Finance Act in 2011 is expected to include legislation that will reduce the main rate of corporation tax by 1% per year to 23% for financial year beginning 1 April 2014. These changes are expected to be enacted separately each year. The Act is also expected to include measures to reduce the rate of writing down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012. There is no material effect resulting from the proposed changes, if applied to the Company's deferred tax balance at 31 December 2010.

Bauer Digital Radio Limited

Notes to the accounts

For the year ended 31 December 2010

7 Tangible fixed assets

Office
equipment
and vehicles
£'000

Cost

At 1 January 2010	1,647
Transfers to other Group undertakings	(62)
Disposals	(434)

At 31 December 2010	1,151
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Depreciation

At 1 January 2010	1,227
Charge for the year	120
Transfers to other Group undertakings	(31)
Disposals	(434)

At 31 December 2010	882
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Net book value

At 31 December 2010	269
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At 31 December 2009	420
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8 Investments

Unlisted
investment
£'000

Cost

At 1 January 2010	300
Disposals	(300)

At 31 December 2010	-
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Provisions

At 1 January 2010	300
Disposals	(300)

At 31 December 2010	-
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Net book value

At 31 December 2010 and 31 December 2009	-
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The Company held a 10% holding in 4 Digital Group Ltd, a consortium that won the licence from Ofcom to run the second national DAB multiplex. During 2009, 4 Digital Group Ltd was placed into liquidation and the Company received £79,667 following a cash distribution from the Liquidators. 4 Digital Group Ltd was dissolved on 21 April 2010.

Bauer Digital Radio Limited

Notes to the accounts

For the year ended 31 December 2010

8 Investments (continued)

Associates

At 31 December 2010 the Company had the following associated undertakings

	Country of registration	Class of shares held	Percentage held	Nature of business
UTV-Bauer Digital Limited	UK	Ordinary	30%	Radio Broadcasting
UTV-Bauer Digital (B&H) Limited	UK	Ordinary	20%	Radio Broadcasting

The Company's shares of the net assets and profit of its interests in associated undertakings are shown below

	2010 £'000	2009 £'000
UTV-Bauer Digital Limited		
Profit after tax	119	105
Net assets	236	483
UTV-Bauer Digital (B&H) Limited		
Profit after tax	42	37
Net assets	89	191

Joint Ventures

The Company owns 51% of the share capital of EG Digital Limited, a joint venture company registered in England and Wales. This investment is valued at £nil in the accounts (2009 £nil)

9 Debtors

	2010 £'000	2009 £'000
Trade debtors	1,048	1,434
Amounts owed by Group undertakings	3,570	1,441
Other debtors	73	168
Prepayments and accrued income	464	451
	5,155	3,494
Debtors amounts falling due after more than one year Other debtors	230	230
	5,385	3,724

Amounts owed by other Group undertakings are unsecured, bore interest at the SONIA rate and at 0.44% for the year (2009 SONIA rate and at 1.54%) and have no fixed date of repayment

Bauer Digital Radio Limited
Notes to the accounts
For the year ended 31 December 2010

10 Creditors amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	178	323
Corporation tax	510	-
Other taxation and social security	-	1
Other creditors	84	155
Accruals and deferred income	898	1,168
	1,670	1,647

11 Creditors amounts falling due after one year

	2010 £'000	2009 £'000
Other creditors	1,595	1,712

12 Provision for liabilities

The movement on deferred tax is

**Deferred tax
£'000**

At 1 January 2010	19
Transferred from profit and loss account	(17)
At 31 December 2010	2

The deferred taxation provision has been recognised in the accounts as follows

	2010 £'000	2009 £'000
Accelerated capital allowances	2	19

There is no unprovided deferred taxation (2009 £nil)

13 Called up share capital

	2010 £'000	2009 £'000
Allotted, called up and fully paid		
3,200,100 ordinary shares of £1 each	3,200	3,200

Bauer Digital Radio Limited
Notes to the accounts
For the year ended 31 December 2010

14 Profit and loss account

**Profit and
loss account
£'000**

At 1 January 2010	(1,191)
Profit for the year	1,555
At 31 December 2010	364

15 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Opening shareholders' funds	2,009	1,584
Profit for the year	1,555	425
Closing shareholders' funds	3,564	2,009

16 Immediate and ultimate controlling parties

The immediate parent undertaking is Bauer Radio Limited

The only parent undertaking for which Group accounts are drawn up is Heinrich Bauer Verlag Beteiligungs GmbH, registered in Germany. Copies of Heinrich Bauer Verlag Beteiligungs GmbH accounts are publicly available.

Heinrich Bauer Verlag KG, established in Germany, is regarded by the directors as the Company's ultimate controlling party as it is the controlling party of Heinrich Bauer Verlag Beteiligungs GmbH.

17 Related party transactions

The Company owns 51% of the share capital of EG Digital Limited, a joint venture Company registered in England and Wales. During the year, the Company entered into the following related party transactions with EG Digital Limited:

Transactions relating to licences fees of £375,644 (2009: £375,211) have been processed through the Bauer Digital Radio Limited accounting system and recharged to EG Digital Limited.

The amount owed by EG Digital Limited at the year end was £64,899 (2009: £192,815).

Bauer Radio Limited, the Company's immediate parent undertaking, owns 50% of the share capital of CE Digital Limited, a joint venture Company registered in England and Wales.

During the year, the Company entered into the following related party transactions with CE Digital Limited:

Transactions relating to external carriage of £1,142,056 (2009: £1,170,699) have been processed through the CE Digital Limited accounting system and recharged to the Company, and a management charge of £145,000 (2009: £145,000) was invoiced by the Company to CE Digital Limited. The amount owed to CE Digital Limited at the year end was £14,810 (2009: £5,315).

Bauer Digital Radio Limited
Notes to the accounts
For the year ended 31 December 2010

17 Related party transactions (continued)

The Company incurred charges relating to external carriage during the year from the following related parties

	2010	2009
	£'000	£'000
UTV-Bauer Digital Limited	319	327
UTV-Bauer Digital (B&H) Limited	159	159

The Company received a dividend of £351,000 (2009 £nil) from UTV-Bauer Digital Limited and a dividend of £140,000 (2009 £nil) from UTV-Bauer Digital (B&H) Limited

Balances outstanding with other Related Parties at 31 December were as follows

	2010	2009
	£'000	£'000
Included in creditors		
UTV-Bauer Digital Limited	55	26
UTV-Bauer Digital (B&H) Limited	86	13

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with wholly owned group undertakings

18 Post balance sheet events

On 1 April 2011, the Company brought its company secretariat in house, and changed its registered office to 1 Lincoln Court, Lincoln Road, Peterborough PE1 2RF