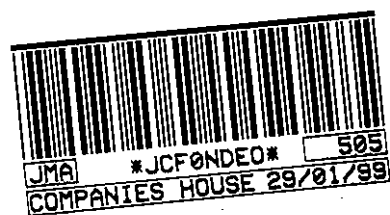


KISS FM RADIO LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998**

REGISTERED NUMBER: 2378790



KISS FM RADIO LIMITED

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KISS FM RADIO LIMITED

DIRECTORS AND ADVISERS

Directors

M Boase * (Chairman)
M A Cox
F L Driver
J Fashanu *
T R Schoonmaker
P J Seddon
A Turner

Secretary

D K Walmsley

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

Barclays Bank Plc
1 Church Street
Peterborough
PE1 1XE

Solicitors

Field Fisher Waterhouse
41 Vine Street
London
EC3N 2AA

Registered office

Kiss House
80 Holloway Road
London
N7 8JG

* Non-Executive

KISS FM RADIO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998

The directors present their report and the financial statements of the company for the year ended 31 March 1998.

RESULTS AND DIVIDENDS

In the year to 31 March 1998, the company made a profit after tax of £864,000 (1997 - £1,016,000) which has been transferred to reserves. The transfer to reserves is shown in Note 14.

The directors do not recommend the payment of a dividend (1997 - £Nil).

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of a radio station, broadcasting on 100FM to 10 million people in and around London. The directors aim to consolidate their position in the London market and look for new opportunities as they might arise.

DIRECTORS AND THEIR INTERESTS

The directors are listed on page 1. All directors served during the entire year, with the exception of:

M T Story	(Appointed 4 January 1999)
A K Roberts	(Appointed 4 January 1999)
M Matthews	(Appointed 24 September 1997, resigned 4 January 1999)
C Sedgwick	(Appointed 28 July 1997, resigned 9 April 1998)
M Soutar	(Appointed 30 June 1997, resigned 2 December 1998)
P J Seddon	(Appointed 9 May 1997)
A Turner	(Appointed 14 April 1997)
L Clarke	(Resigned 9 September 1997)
G Drummond	(Resigned 30 June 1997)
G A McNamee	(Resigned 21 November 1997)

No directors during the financial year held an interest in the share capital of the company.

M Boase is also a director of EMAP plc, the ultimate parent company, and his interests are disclosed in that company's financial statements. The interests of the other directors, inclusive of their spouses and infant children, in the share capital of the ultimate parent company, EMAP plc, at the beginning of the year, or subsequent date of appointment*, and at the end of the year were as follows:

	Ordinary shares in issue		Ordinary shares under Option			Executive Share Plan Under trust		
	At 1 April 1997 or at date of appointment*	At 31 March 1998	At 1 April 1997 or at date of appointment*	Granted in year	Exercised in Year	At 31 March 1998	At 1 April 1997 or at date of appointment*	At 31 March 1998
M.A. Cox	230	4,377	6,841	-	(2,218)	4,623	3,000	5,00
T.R.	23,194	24,981	49,320	961	(3,909)	46,372	-	-
Schoonmaker								
F.L. Driver	317	385	3,211	-	-	3,211	-	-
P.J.Seddon*	146	214	5,453	-	-	5,453	3,000	3,00

T R Schoonmaker exercised options on 3 April 1997 at £7.74 per share.

The market price of the shares at 31 March 1998 was £11.25 and the range during the year was £7.19 to £11.25.

KISS FM RADIO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

DIRECTORS AND THEIR INTERESTS (CONTINUED)

The ultimate parent company, EMAP plc, operates for its eligible staff an approved Profit Sharing Scheme, an approved Savings Related Share Option Scheme and, by invitation only, an Executive Share Plan which replaced the Executive Share Option Scheme.

Since 1985, options have been granted annually in the Savings Related Share Option Scheme at prices between 81.5p and 603.7p. The normal earliest exercise date for these options extends to 2003.

Between 1986 and 1994, options were granted annually, with the exception of 1990, in the Executive Share Option Scheme at prices between 109.8p and 394.8p. The normal exercise dates for these options extend to 2005.

Under the Executive Share Plan, staff who are chosen to participate are provisionally allocated a number of shares. These shares are then held in the EMAP Staff Share Trust for three years, at the end of which time they can be distributed to the staff to whom they were provisionally allocated provide they continue to be employed by a group company.

YEAR 2000

The company has recognised the need to review its business systems to establish the potential exposure to Year 2000 non-compliance. The company has completed a review of its business critical operations and has a programme in place to rectify the areas of identified non-compliance. The costs of rectification have not been separately identified and will be covered as part of normal replacement and upgrading of systems.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each year which 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 year. 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, 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 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.

KISS FM RADIO LIMITED

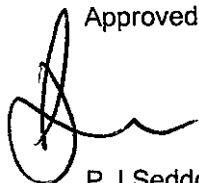
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

AUDITORS

From 1 July 1998, the company's auditors, Price Waterhouse merged with Coopers & Lybrand. Price Waterhouse resigned as auditors on 3 August 1998, and the Directors have appointed the new firm created as a result of the merger, PricewaterhouseCoopers, to fill the casual vacancy thus arising.

The company has elected under Section 386 of the Companies Act 1985 not to re-appoint auditors annually. Therefore the auditors, PricewaterhouseCoopers, are deemed to be re-appointed for the next financial year.

Approved by the Board of Directors on 15 January 1999 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P J Seddon', written over a circular stamp or seal.

P J Seddon
Director

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW
Telephone +44 (0) 161 245 2000
Facsimile +44 (0) 161 245 2911
Direct fax 0161 245 2904

REPORT OF THE AUDITORS TO THE MEMBERS OF KISS FM RADIO LIMITED

We have audited the financial statements on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
Manchester

15 January 1999

KISS FM RADIO LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1998

	<u>1998</u> £'000	<u>1997</u> £'000
TURNOVER (Note 2)	6,788	6,762
Cost of sales	<u>(2,133)</u>	<u>(2,209)</u>
GROSS PROFIT	4,655	4,553
Administration expenses	<u>(3,420)</u>	<u>(3,226)</u>
OPERATING PROFIT (Note 3)	1,235	1,327
Interest receivable (Note 6)	<u>-</u>	<u>215</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,235	1,542
Taxation (Note 7)	<u>(371)</u>	<u>(526)</u>
PROFIT FOR THE FINANCIAL YEAR (Note 14)	<u>864</u>	<u>1,016</u>

A statement of total recognised gains and losses has not been presented as the company has no recognised gains or losses in either the current or preceding year other than the profit for the year.

All turnover relates to continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

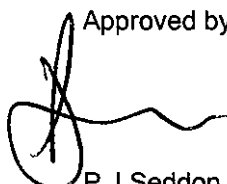
KISS FM RADIO LIMITED

BALANCE SHEET AT 31 MARCH 1998

	<u>1998</u> £'000	<u>1997</u> £'000
FIXED ASSETS		
Tangible assets (Note 8)	301	278
CURRENT ASSETS		
Stocks (Note 9)	4	5
Debtors (Note 10)	1,735	1,328
Cash at bank and in hand	<u>4,377</u>	<u>3,000</u>
	6,116	4,333
CREDITORS: amounts falling due within one year (Note 11)	<u>(2,684)</u>	<u>(1,742)</u>
NET CURRENT ASSETS	<u>3,432</u>	<u>2,591</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,733</u>	<u>2,869</u>
CAPITAL AND RESERVES		
Called up share capital (Note 13)	740	740
Share premium account (Note 14)	1,133	1,133
Profit and loss account (Note 14)	<u>1,860</u>	<u>996</u>
EQUITY SHAREHOLDERS' FUNDS (Note 14)	<u>3,733</u>	<u>2,869</u>

The notes on pages 8 to 13 form part of these financial statements.

Approved by the Board of Directors on 15 January 1999 and signed on its behalf:


P J Seddon
DIRECTOR

KISS FM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are drawn up in accordance with the historical cost convention and applicable accounting standards in the United Kingdom.

Turnover

Turnover represents income received from the sale of advertising time together with sponsorship, club activities and other associated services, and is net of value added tax.

Tangible fixed assets

Depreciation is provided on the following fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Short leasehold premises - 10% per annum on cost, or over the period of the lease if shorter than 10 years.

Plant and machinery - 10% - 33% per annum on cost.

Stocks

Stocks are stated at the lower of purchase cost and net realisable value.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company operates a defined contribution pension scheme. EMAP plc operates a group defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Cash flow statements and Related party transactions

The company is a wholly owned subsidiary of EMAP plc and the cash flows of the company are included in the consolidated cash flow statement of EMAP plc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose related party transactions with undertakings controlled within the group.

KISS FM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

2 TURNOVER

Turnover all relates to the principal activity of the company, which is that of a radio station. All turnover is derived within the United Kingdom.

3 OPERATING PROFIT

This is stated after charging:

	<u>1998</u> £'000	<u>1997</u> £'000
Auditors' remuneration	12	12
Depreciation of owned fixed assets	105	84
Operating lease rentals - land and buildings	90	90
- other	70	66
	<u> </u>	<u> </u>

4 DIRECTORS' REMUNERATION

	<u>1998</u> £'000	<u>1997</u> £'000
Fees	14	14
Other emoluments	597	266
Pension contributions	<u>16</u>	<u>19</u>
	627	299
	<u> </u>	<u> </u>

The emoluments of the highest paid director, excluding pension contributions, were £235,197 (1997 - £96,724). One director participated in the company defined contribution pension scheme. Five other directors participate in the group defined contribution pension scheme.

5 STAFF COSTS (INCLUDING DIRECTORS)

	<u>1998</u> £'000	<u>1997</u> £'000
Wages and salaries	1,728	1,333
Social security costs	163	148
Other pension costs	<u>43</u>	<u>56</u>
	1,934	1,537
	<u> </u>	<u> </u>

The average number of employees during the year was:

	<u>1998</u> Number	<u>1997</u> Number
Administration and production	57	59
	<u> </u>	<u> </u>

KISS FM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

6 INTEREST RECEIVABLE

	<u>1998</u> £'000	<u>1997</u> £'000
Bank deposit interest	-	209
Other interest	<u>-</u>	<u>6</u>
	-	215
	<u>==</u>	<u>==</u>

7 TAXATION

	<u>1998</u> £'000	<u>1997</u> £'000
Based on the profit for the year:		
Corporation tax at 31% (1997 – 33%)	396	526
Adjustment in respect of prior years	<u>(25)</u>	<u>-</u>
	371	526
	<u>==</u>	<u>==</u>

8 TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 1997	169	828	997
Additions	<u>-</u>	<u>128</u>	<u>128</u>
At 31 March 1998	169	956	1,125
	<u>==</u>	<u>==</u>	<u>==</u>
Depreciation			
At 1 April 1997	83	636	719
Provided during the year	<u>16</u>	<u>89</u>	<u>105</u>
At 31 March 1998	99	725	824
	<u>==</u>	<u>==</u>	<u>==</u>
Net book value			
At 31 March 1998	70	231	301
	<u>==</u>	<u>==</u>	<u>==</u>
At 1 April 1997	86	192	278
	<u>==</u>	<u>==</u>	<u>==</u>

KISS FM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

9 STOCKS

	<u>1998</u> £'000	<u>1997</u> £'000
Goods for resale	4	5
	<u> </u>	<u> </u>

10 DEBTORS

	<u>1998</u> £'000	<u>1997</u> £'000
Trade debtors	1,224	940
Amounts due from group undertakings	247	135
Prepayments and accrued income	<u>264</u>	<u>253</u>
	1,735	1,328
	<u> </u>	<u> </u>

11 CREDITORS - Amounts falling due within one year

	<u>1998</u> £'000	<u>1997</u> £'000
Trade creditors	317	308
Amounts owed to group undertakings	998	101
Other taxes and social security costs	200	302
Accruals and deferred income	798	661
Corporation tax	<u>371</u>	<u>370</u>
	2,684	1,742
	<u> </u>	<u> </u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

The amount of full potential deferred tax asset not provided is as follows:

	<u>1998</u> £'000	<u>1997</u> £'000
Capital allowances in advance of depreciation	(22)	1
Other timing differences	<u>(18)</u>	<u>(15)</u>
	(40)	(14)
	<u> </u>	<u> </u>

There is no provided deferred tax.

KISS FM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

13 SHARE CAPITAL

	<u>1998</u> £'000	<u>1997</u> £'000
Authorised:		
1,600,000 Ordinary shares of 50p each	800	800
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1,480,000 Ordinary shares of 50p each	740	740
	<u> </u>	<u> </u>

14 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share capital</u> £'000	<u>Share premium account</u> £'000	<u>Profit and loss account</u> £'000	<u>Total equity shareholders' funds</u> £'000
At 1 April 1997	740	1,133	996	2,869
Retained profit for the year	<u> </u>	<u> </u>	<u>864</u>	<u>864</u>
At 31 March 1998	740	1,133	1,860	3,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15 PENSION COMMITMENTS

The company operates a defined contribution pension scheme for one of its directors. The assets of the scheme are held separately from those of the company in an independently administered fund. In addition, all other employees are entitled to join the defined contribution pension scheme operated by the ultimate parent undertaking. Details of this scheme are contained in EMAP plc financial statements.

The total pension charge for the year amounted to £43,000 (1997 - £56,000).

16 OTHER FINANCIAL COMMITMENTS

At 31 March 1998 the company had annual commitments under operating leases as set out below:

	<u>Land and buildings</u>		<u>Other</u>
	1998	1997	1997
	£'000	£'000	£'000
Operating leases which expire:			
Within one year	-	-	10
Between one and five years inclusive	-	-	54
After five years	<u>90</u>	<u>90</u>	<u>-</u>
	90	90	64
	<u> </u>	<u> </u>	<u> </u>

KISS FM RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

17 CONTINGENT LIABILITIES

The company is party to an unlimited multilateral guarantee between the subsidiaries of EMAP plc giving the company's bankers the right of set-off. The contingent liability arising at 31 March 1998 amounted to £Nil (1997: Nil).

18 SUBSIDIARY UNDERTAKINGS

The company owns the entire issued share capital of KISS TV Limited, a company incorporated in England whose principal activity is that of a television production company. The investment is valued at cost (£2). The company has not prepared consolidated financial statements under the exemptions conferred by Section 228 (1) of the Companies Act 1985.

19 ULTIMATE PARENT UNDERTAKING

The parent undertaking of the largest group for which group financial statements are drawn up and of which the company is a member is EMAP plc, registered in England and Wales. Copies of EMAP plc's financial statements can be obtained from 1 Lincoln Court, Lincoln Road, Peterborough, PE1 2RF.