

PIRATE FM LIMITED

FINANCIAL STATEMENTS

FOR

30 SEPTEMBER 2003

COMPANY REGISTRATION NUMBER 2552870



PIRATE FM LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

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PIRATE FM LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

J P S St Aubyn
G Adams
H Ashworth
J R Berry
R McCreadie
D Renwick
W J G Rogers
B Warne

COMPANY SECRETARY

Y L Clayton

REGISTERED OFFICE

Carn Brea Studios
Barncoose Industrial Estate
Redruth
Cornwall
TR15 3RQ

AUDITORS

Menzies
Chartered Accountants
& Registered Auditors
Sandringham
Guildford Road
Woking
Surrey
GU22 7QL

BANKERS

Royal Bank of Scotland
10 North Street
Guildford
Surrey
GU1 4AF

PIRATE FM LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year is the operation of an independent local radio station. The station broadcasts under the name of Pirate FM 102 to Cornwall and parts of West Devon.

The directors consider the results for the year to be satisfactory.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

J P S St Aubyn

W J G Rogers

J R Berry

B Warne

R McCreadie

D Renwick

H Ashworth

G Adams

Dame Annette Penhaligon

(Resigned 29 December 2002)

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

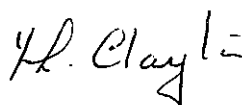
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Menzies as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Carn Brea Studios
Barncoose Industrial Estate
Redruth
Cornwall
TR15 3RQ

Signed by order of the directors



Y L Clayton
Company Secretary

Approved by the directors on 19. 4. 2004

PIRATE FM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 SEPTEMBER 2003

We have audited the financial statements on page which have been prepared under the historical cost convention and the accounting policies set out on page.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 law and United Kingdom 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.

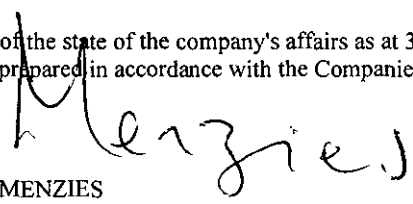
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 the company's affairs as at 30 September 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Sandringham
Guildford Road
Woking
Surrey
GU22 7QL

28 April 2004


MENZIES
Chartered Accountants
& Registered Auditors

PIRATE FM LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2003

	Note	2003 £	2002 £
TURNOVER	2	3,116,427	2,836,949
Variable costs		768,816	711,592
GROSS PROFIT		2,347,611	2,125,357
Programming and transmission costs, and licence fees		339,284	336,847
Operating expenses		1,050,992	927,173
Other operating income	3	—	(16,200)
OPERATING PROFIT	4	957,335	877,537
Interest receivable	7	96,166	60,356
Interest payable	8	(15,955)	(9,218)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,037,546	928,675
Tax on profit on ordinary activities	9	348	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,037,198	928,675
Dividends	10	—	900,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,037,198	28,675
Balance brought forward		37,917	9,242
Balance carried forward		1,075,115	37,917

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on page 4 form part of these financial statements.

PIRATE FM LIMITED

BALANCE SHEET

30 SEPTEMBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	11	409,803	435,351
Investments	12	100	100
		<u>409,903</u>	<u>435,451</u>
CURRENT ASSETS			
Debtors due within one year	13	2,117,487	564,915
Debtors due after one year	13	—	559,577
Cash at bank and in hand		109,074	51,578
		<u>2,226,561</u>	<u>1,176,070</u>
CREDITORS: Amounts falling due within one year	14	<u>541,065</u>	<u>511,531</u>
NET CURRENT ASSETS		<u>1,685,496</u>	<u>664,539</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,095,399</u>	<u>1,099,990</u>
CREDITORS: Amounts falling due after more than one year	15	<u>121,909</u>	<u>163,698</u>
		<u>1,973,490</u>	<u>936,292</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	708,500	708,500
Share premium account		189,875	189,875
Profit and loss account		1,075,115	37,917
SHAREHOLDERS' FUNDS	21	<u>1,973,490</u>	<u>936,292</u>

These financial statements were approved by the directors on the 19. 4. 2004 and are signed on their behalf

W J G Rogers

The notes on page 5 form part of these financial statements.

PIRATE FM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	- 25 years
Studio equipment	- 12.5% straight line per annum
Motor vehicles	- 25% straight line per annum
Office equipment	- 12.5% and 33% straight line per annum
Leasehold Property	- 12.5% straight line per annum

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2003 £	2002 £
United Kingdom	3,116,427	2,836,949

3. OTHER OPERATING INCOME

	2003 £	2002 £
Rent receivable	—	16,200

PIRATE FM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Depreciation of owned fixed assets	47,363	45,922
Depreciation of assets held under hire purchase agreements	35,290	18,982
Profit on disposal of fixed assets	(3,538)	(5,536)
Auditors' remuneration		
- as auditors	1,000	1,000
- for other services	2,100	2,000
Operating lease costs:		
Land and buildings	9,519	9,031

Auditors' fees

The fees charged by the auditors can be further analysed under the following headings for services rendered:

	2003 £	2002 £
Audit	1,000	1,000
Accountancy	1,500	1,500
Taxation	600	500
	3,100	3,000

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003 No	2002 No
Number of administrative staff	32	30

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	740,953	601,823
Social security costs	64,603	54,041
	805,556	655,864

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2003 £	2002 £
Emoluments receivable	98,874	117,148

7. INTEREST RECEIVABLE

	2003 £	2002 £
Bank interest receivable	2,126	—
Interest from group undertakings	94,040	60,356
	96,166	60,356

PIRATE FM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

8. INTEREST PAYABLE

	2003 £	2002 £
Interest payable on bank borrowing	7,024	7,249
Finance charges	8,931	1,969
	<u>15,955</u>	<u>9,218</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Current tax:		
Corporation tax	—	—
Over/under provision in prior year	348	—
Total current tax	<u>348</u>	<u>—</u>

10. DIVIDENDS

The following dividends have been paid in respect of the year:

	2003 £	2002 £
Dividend paid on ordinary shares	<u>—</u>	<u>900,000</u>

11. TANGIBLE FIXED ASSETS

	Property £	Studio Equipment £	Motor Vehicles £	Office Equipment £	Total £
COST					
At 1 October 2002	293,375	357,980	156,618	111,374	919,347
Additions	—	5,790	35,655	27,001	68,446
Disposals	—	—	(38,840)	—	(38,840)
At 30 September 2003	<u>293,375</u>	<u>363,770</u>	<u>153,433</u>	<u>138,375</u>	<u>948,953</u>
DEPRECIATION					
At 1 October 2002	84,876	239,554	69,624	89,942	483,996
Charge for the year	7,368	28,076	31,780	15,429	82,653
On disposals	—	—	(27,499)	—	(27,499)
At 30 September 2003	<u>92,244</u>	<u>267,630</u>	<u>73,905</u>	<u>105,371</u>	<u>539,150</u>
NET BOOK VALUE					
At 30 September 2003	<u>201,131</u>	<u>96,140</u>	<u>79,528</u>	<u>33,004</u>	<u>409,803</u>
At 30 September 2002	<u>208,499</u>	<u>118,426</u>	<u>86,994</u>	<u>21,432</u>	<u>435,351</u>

Hire purchase agreements

Included within the net book value of £409,803 is £125,688 (2002 - £136,484) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £35,290 (2002 - £18,982).

PIRATE FM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

12. INVESTMENTS

	£
COST	
At 1 October 2002 and 30 September 2003	100
NET BOOK VALUE	
At 30 September 2003	100
At 30 September 2002	100

13. DEBTORS

	2003 £	2002 £
Trade debtors	563,707	447,347
Amounts owed by group undertakings	1,427,426	646,856
Other debtors	817	1,100
Prepayments and accrued income	125,537	29,189
	<u>2,117,487</u>	<u>1,124,492</u>

The debtors above include the following amounts falling due after more than one year:

	2003 £	2002 £
Amounts owed by group undertakings	—	559,577

This amount has been advanced to the UKRD Group Limited. The boards of both companies have formally agreed terms for the loan. The loan is unsecured and interest is payable on the amount of the loan, calculated on a daily basis, at 2% over the published base rate of the company's bankers. It has been further agreed that the loan is of a long term nature and that repayment will be after 30 September 2003. Accordingly, the loan has been classified as a long term debtor.

14. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	36,502	102,823
Amounts owed to group undertakings	32,451	—
Other taxation and social security	79,926	90,557
Hire purchase agreements	48,214	38,548
Other creditors	40,124	30,038
Accruals and deferred income	303,848	249,565
	<u>541,065</u>	<u>511,531</u>

15. CREDITORS: Amounts falling due after more than one year

	2003 £	2002 £
Bank loans and overdrafts	69,221	79,495
Hire purchase agreements	52,688	84,203
	<u>121,909</u>	<u>163,698</u>

PIRATE FM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	54,242	46,007
Amounts payable between 2 to 5 years	55,133	91,050
	<u>109,375</u>	<u>137,057</u>
Less interest and finance charges relating to future periods	(8,473)	(14,306)
	<u>100,902</u>	<u>122,751</u>
Hire purchase agreements are analysed as follows:		
Current obligations	48,214	38,548
Non-current obligations	52,688	84,203
	<u>100,902</u>	<u>122,751</u>

17. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings 2003 £	2002 £
Operating leases which expire:		
Within 2 to 5 years	<u>101,621</u>	<u>113,555</u>

18. CONTINGENCIES

The company is party to a group cross guarantee covering bank facilities within the UKRD Group Limited. The directors do not consider that any liability will arise in this regard.

The company is subject to a debenture creating fixed and floating charges over the assets of the company in respect of Indebtedness arising to the Security Trustee of the Loan Notes issued by the holding company UKRD Group Limited in December 2002 and due for redemption in 2005. The directors do not consider that any liability will arise in this regard.

19. RELATED PARTY TRANSACTIONS

As permitted by Financial Reporting Standard 8, "Related Party Transactions", no disclosures have been provided in respect of transactions within the ultimate parent undertaking and those subsidiary undertakings where the group controls 90% or more of the companies' voting rights.

During the year the director B Warne purchased a car from the company at a price less than market value, that difference considered to be remuneration upon which PAYE and NIC has been applied.

20. SHARE CAPITAL

Authorised share capital:

	2003 £	2002 £
480,000 A Ordinary shares of £1 each	480,000	480,000
320,000 B Ordinary shares of £1 each	320,000	320,000
	<u>800,000</u>	<u>800,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
A Ordinary shares of £1 each	408,500	408,500	408,500	408,500
B Ordinary shares of £1 each	300,000	300,000	300,000	300,000
	<u>708,500</u>	<u>708,500</u>	<u>708,500</u>	<u>708,500</u>

PIRATE FM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

20. SHARE CAPITAL (continued)

The A Ordinary shares and B Ordinary shares rank pari passu in all respects, except for the ability to appoint directors to the Board of Directors. The shareholders of the A Ordinary shares can appoint a maximum of 5 directors and the shareholders of the B Ordinary shares can appoint a maximum of 2 directors.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	1,037,198	928,675
Dividends	—	(900,000)
	<u>1,037,198</u>	<u>28,675</u>
Opening shareholders' equity funds	936,292	907,617
Closing shareholders' equity funds	<u>1,973,490</u>	<u>936,292</u>

22. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is UKRD Group Limited, a company registered in England and Wales. There is no one controlling party of UKRD Group Limited.

Copies of the accounts of UKRD Group Limited can be obtained from the Company Secretary at Carn Brea Studios, Barncoose Industrial Estate, Redruth, Cornwall, TR15 3RQ.