Registration number: 02806093

talkSPORT Limited

Report and financial statements

for the 18 months ended 30 June 2017

talkSPORT Limited

Contents

talkSPORT Limited

Strategic Report for the 18 months ended 30 June 2017

The directors present their Strategic Report for the 18 months ended 30 June 2017.

Principal activity
The principal activity of the company is that of national and local commercial radio broadcasting and other related media activities.

Business review
During the period the Group was acquired by News Corp UK & Ireland, and management have spent time working with the News UK team to ensure that we maximise the opportunity through integration with the existing News UK newsbrands – The Sun and The Times.

The financials for the period include the costs incurred by the company prior to the sale to News Corp UK & Ireland. The remainder of the report below refers to the underlying trading performance.

talkSPORT national licence
The performance for the period benefited from the European Championships held in France. talkSPORT revenue benefits from a major international football tournament every 2 years, with the talkSPORT network broadcasting every game live for the first time due to the launch of talkSPORT2 on the D2 network. We have continued to ensure we have the best on-air talent with new faces such as Jim White joining popular presenters such as Alan Brazil ensuring the talkSPORT team stays fresh and relevant. The station's average weekly audience remained strong during the 18 months averaging 2.9 million adults (2015 - 3.1 million adults), and delivering average weekly hours of 19 million (2015 - 20 million) during the period. Other successes saw the stations highest ever online listening audience for a Manchester United vs Leicester City football match in May 2016 and the highest number of app downloads in a single day for the England vs Wales fixture during Euro 2016. During the period, and following the acquisition by News UK, management took the decision to close the Sport magazine with the last issue being published in February 2017.

D2
In March 2015, the company was awarded the UK's second national DAB multiplex licence, D2, along with its two Sound Digital consortium partners, Bauer Media and Arqiva. Since then, extensive preparations have taken place which culminated in the successful launch of three new national radio services in March 2016. These are talkRADIO, a talk-led service focused on current affairs and entertainment; Virgin Radio, a music service which brings the famous Virgin Radio brand back to the UK under a 12 year brand licence agreement with Virgin Group; and talkSPORT 2, a complementary service to talkSPORT covering live action across a broader range of sports. Following the launch of these radio stations we have been encouraged by the steady performance of these brands, with them adding average weekly hours of nearly 3 million in the period since their launch, essentially growing our advertising inventory by over 15%.

Local radio
Across the 13 local radio stations across England, Wales and Northern Ireland reach and hours held relatively steady during the period, following declines during the previous year, reaching 1.1 million individuals (2015 - 1.4 million) on average per week and weekly average hours of 9.6 million (2015 - 11.7 million). Within the portfolio there were some mixed results, although due to the survey based format of RAJAR (Radio Joint Audience Research - official body in charge of measuring radio audiences in the UK), there can be larger volatility within smaller, local stations.

Key performance indicators

The company's key financial indicators include Turnover and EBITDA. EBITDA is defined as earnings before interest, taxation, depreciation and amortisation charges.

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Turnover	73,512	49,230
Operating Profit	7,848	12,486
EBITDA	8,698	21,908
EBITDA excluding exceptional items	9,075	13,179

The key non-financial performance indicators are reach and total hours (taken from RAJAR quarterly reports). The reach is defined as the number of individuals listening to a station for at least 5 consecutive minutes in an average week and the total hours are the number of hours spent listening to a station in an average week.

Reach	31 March 2018	30 June 2017	31 December 2015
talkSPORT	3,118,000	2,622,000	3,061,000
talkSPORT 2	314,000	336,000	-
talkRADIO	316,000	275,000	-
Virgin Radio	427,000	364,000	-
Local radio	1,051,000	1,078,000	1,220,000

Total hours	31 March 2018	30 June 2017	31 December 2015
talkSPORT	20,895,000	15,351,000	18,145,000
talkSPORT 2	1,136,000	993,000	-
talkRADIO	1,872,000	1,129,000	-
Virgin Radio	1,633,000	1,120,000	-
Local radio	8,641,000	9,007,000	11,674,000

Principal risks and uncertainties

The risk factors considered to be most significant to the company's operations, and where applicable an explanation of how these are managed or mitigated, are outlined below.

Economic conditions and impact on net advertising revenue (NAR) income stream

The majority of the company's revenue stream is sourced as on-air advertising (NAR) and, being a discretionary spend product, it is sensitive to economic conditions. A serious economic downturn would significantly impact the company's revenue which would be compounded by the reliance on NAR. If this continued for a protracted period of time, it would present a major challenge to the basis and potentially the viability of the company's overall business model.

Management and mitigating factors:

- High quality programme content with strong branding and marketing will enable the Company's market-leading stations to continue to be preferable to advertisers in difficult market conditions.
- The launch of the new D2 stations which will be attractive to listeners and hence advertisers will enable the Company to grow profitable market share.
- Continued focus on growing revenue streams from digital platforms to reduce the reliance on NAR.

Performance of new national digital radio stations (D2)

There clearly are risks associated with the launch of new radio stations into a highly competitive market. Establishing an audience and being able to monetise this with advertisers can be challenging. If listenership fails to reach the forecast numbers, this could result in significantly lower than expected advertising revenues which may not be sufficient to cover the base-line operational running costs.

Management and mitigating factors:

- Specialist research and forecasting has been commissioned in the preparation of the expected audience performance figures.
- Financial forecasts are judged to include conservative audience assumptions and operating costs have been minimised through the use of existing infrastructure and staffing where possible. There has been an ongoing focus on cost control.
- The launch of the D2 stations represents a relatively small element of the Company's overall operations. The venture is not a new business activity and management have considerable experience in the establishment and operation of radio stations.

Availability of sports broadcasting rights

Securing both exclusive and non-exclusive sports rights directly influences talkSPORT's audience. The pricing of rights determines the viability of broadcasting certain sports.

Management and mitigating factors

- The sellers of sports rights recognise talkSPORT as a premium brand which they continue to wish to be associated with.
- The financial return from sports rights is subjected to considerable assessment at the time of negotiation and also at regular follow-ups.
- Other sports rights are identified as programme alternatives.

Key customers

The advertising market is dominated by a small number of global agencies. Specific large customers are critical to the stations and the loss of their business could result in a significant reduction in revenue.

Management and mitigating factors:

- Strong programme content and audience performance encourages brand owners and advertising agencies to be associated with the station.
- Considerable effort goes into developing good agency relationships which means concerns can be raised at an early stage.

Continuity of broadcast operations

If an incident or event occurred that terminated or significantly disrupted broadcast output or IT services for a sustained period of time, this would result in the immediate loss of the ability of the affected business to earn revenue.

Management and mitigating factors:

- Incident management response plans are in place at all locations to quickly recover from an event which includes substitute locations and equipment sources being identified with an IT contingency plan.
- Physical location safety and preventative measures inspections are routinely undertaken.
- Regular maintenance undertaken of essential broadcasting equipment and IT systems. Modernisation programme established for the replacement of legacy systems and equipment.

Cyber-crime attacks on systems and data

An attack could cause loss of broadcast service to the audience and consequential loss of advertising revenue.

Management and mitigating factors

- Response plans are in place to manage a sustained systems outage and related publicity consequences.
- Security policies, standards and procedures are established.
- Prevention infrastructure configurations are installed.

People

A combination of vision, leadership and innovation is essential for senior roles in the managerial team and failure to secure and retain the right people for senior and business critical roles, or plan for the natural succession for these positions, could lead to untimely loss of critical knowledge, experience and competitive advantage. The appeal of our broadcasting talent supported by skilled and creative staff is a fundamental component of our business and failure to secure and retain talented people for these roles could impact the ability to maintain audience volume, performance and deliver growth.

Management and mitigating factors

- The company continues to review the business to create a fit for purpose organisation.
- The company remains committed to the recruitment, engagement, retention and reward of experienced, quality management and talent.

Financial Instruments

The company's principal financial instruments comprise funding from group undertakings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the company's financial instruments are credit and liquidity risk. The company has minimal transactions in foreign currencies and is not therefore exposed to foreign currency risk. Interest rate risks arising from financial instruments are managed by the company's ultimate parent company on a group basis.

Credit risk

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Other financial assets of the company comprise cash and cash equivalents which are subject to minimal credit risk given the wider group's treasury policy of only investing funds with financial institutions with a high credit rating. Since the company trades only with recognised third parties there is no requirement for collateral.

talkSPORT Limited

Strategic Report for the 18 months ended 30 June 2017 (continued)

Liquidity risk and going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out above. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, intercompany funding and operating leases. Funding is reviewed in line with operational cash flow requirements. The company's liquidity risk is managed as part of the wider group's treasury function.

The financial statements have been prepared on the going concern basis which assumes that the company will be able to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. In preparing the financial statements, the directors have taken into account both the company's future trading and cash flows and support from its parent undertaking and believe that it is appropriate to prepare the financial statements on the going concern basis.

Future developments

During the period the Group was acquired by News Corp UK & Ireland, and our short–term focus is on maximising the potential from the new combined group. This will involve re-locating the back office function from Birchwood, Warrington to Peterborough as well as unlocking cross-promotion, talent and content sharing across the media brands.

Looking ahead, we expect the three new stations on D2 to continue to grow whilst we refine the output. All three stations will continue to be supported by existing infrastructure and will benefit from cross promotion, thereby helping to keep costs as low as possible.

Approved by the Board on 11 July 2018 and signed on its behalf by:

C. Longcroft
Director

talkSPORT Limited

Directors' Report for the 18 months ended 30 June 2017

The directors present their report and the financial statements for the period from 1 January 2016 to 30 June 2017.

Directors
The directors, who held office during the period and at the date of this report, were as follows:

C. Longcroft (appointed 30 November 2016)

S. Taunton

A. Tompkins (resigned 30 September 2017)

J. McCann (resigned 12 May 2016)

N. McKeown (resigned 30 April 2017)

Change of accounting reference date
During the period, the Company changed its accounting reference date from 31 December to 30 June. The change is to align the year end of talkSPORT Limited with the year end of News Corporation, which is 30 June. As a result, the financial statements of the Company are prepared for the 18 month period ending 30 June 2017. The comparatives are for the year ended 31 December 2015.

Results and dividends
The profit for the period, after taxation, amounted to £7,734,000 (2015 - £19,112,000).

The directors do not recommend the payment of a dividend (2015 - £Nil).

Financial instruments and future developments
Details of financial instruments and future developments are provided in the strategic report.

Going concern
The financial statements have been prepared on the going concern basis which assumes that the company will be able to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. In preparing the financial statements, the directors have taken into account both the company's future trading and cash flows and support from its parent undertaking and believe that it is appropriate to prepare the financial statements on the going concern basis.

Employee policies
The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the factors affecting the performance of the company. This is achieved through formal and informal meetings.

It is the company's policy to give full and fair consideration to the employment of disabled persons, the continuing employment of employees becoming disabled, and to the full development of the careers of disabled employees, having regard to their particular abilities.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

talkSPORT Limited

Directors' Report for the 18 months ended 30 June 2017 (continued)

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

Approved by the Board on 11 July 2018 and signed on its behalf by:

C. Longcroft
Director

talkSPORT Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Strategic Report, 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

talkSPORT Limited

Independent Auditor's Report to the Members of talkSPORT Limited

We have audited the financial statements of talkSPORT Limited for the period ended 30 June 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes and related notes 1 to 22. 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), including FRS 101 'Reduced Disclosure Framework'.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the period 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 matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Independent Auditor's Report to the Members of talkSPORT Limited (continued)

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

Ernst & Young LLP

Michael Kidd (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 11 July 2018

talkSPORT Limited

Profit and Loss Account for the 18 months ended 30 June 2017

	Note	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Turnover	3	73,512	49,230
Operating expenses		(65,664)	(36,744)
Operating profit	4	7,848	12,486
Exceptional items	8	(377)	8,729
Total profit before interest and taxation		7,471	21,215
Interest receivable	9	4	10
Profit before tax		7,475	21,225
Tax on profit on ordinary activities	10	259	(2,113)
Profit for the period		7,734	19,112

The above results were derived from continuing operations.

Statement of Comprehensive Income for the 18 months ended 30 June 2017

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Profit for the period	7,734	19,112
Total comprehensive income for the period	7,734	19,112

The notes on pages 14 to 27 form an integral part of these financial statements.

talkSPORT Limited

(Registration number: 02806093)
Balance Sheet as at 30 June 2017

	Note	30 June 2017 £ 000	31 December 2015 £ 000
Fixed assets			
Intangible fixed assets	11	191	191
Tangible fixed assets	12	2,167	2,284
		2,358	2,475
Current assets			
Debtors	13	58,907	46,083
Cash at bank and in hand	15	538	2,021
		59,445	48,104
Creditors: Amounts falling due within one year	16	(26,284)	(21,616)
Net current assets		33,161	26,488
Total assets less current liabilities		35,519	28,963
Provisions for liabilities	18	(608)	(1,012)
Net assets		34,911	27,951
Capital and reserves			
Called up share capital	20	1	1
Profit and loss account		34,910	27,950
Shareholders' funds		34,911	27,951

Approved by the Board on 11 July 2018 and signed on its behalf by:

C. Longcroft
Director

The notes on pages 14 to 27 form an integral part of these financial statements.

talkSPORT Limited

Statement of Changes in Equity for the period ended 30 June 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	1	27,950	27,951
Profit for the period	-	7,734	7,734
Distribution	-	(774)	(774)
At 30 June 2017	1	34,910	34,911

Statement of Changes in Equity for the year ended 31 December 2015

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	1	8,838	8,839
Profit for the year	-	19,112	19,112
At 31 December 2015	1	27,950	27,951

The notes on pages 14 to 27 form an integral part of these financial statements.

talkSPORT Limited

Notes to the Financial Statements for the period ended 30 June 2017

1 General information

The company is a private company limited by share capital incorporated and domiciled in England.

The address of its registered office is:
1 London Bridge Street
London
SE1 9GF
England

These financial statements were authorised for issue by the Board on 11 July 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Summary of disclosure exemptions
The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;

(b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
i) paragraph 79(a)(iv) of IAS 1;
ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
iii) paragraph 118(e)(iv) of IAS 38 Intangible Assets

(c) the requirements of paragraphs 10(d), 38A, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;

(d) the requirements of IAS 7 Statement of Cash Flows;

(e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and

(f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

Changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company, VAT and other sales taxes duties.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be recognised reliably; (d) the costs incurred or to be incurred in respect of the transaction can be measured reliably and (e) it is probably that future economic benefits will flow to the entity. Specific revenue recognition criteria also apply depending on the revenue stream, as described below:

Advertising income
Revenue from advertising is recognised to the extent that the company obtains the right to consideration in exchange for its performance through transmission of agreed advertising spots.

Sponsorship income
Revenue from sponsorship is recognised to the extent that the company obtains the right to consideration in exchange for its performance evenly over the life of the contract or in accordance with specific contract terms.

Barter arrangements
Revenue includes barter arrangements which meet the requirements of FRS 101.

Pensions
The company is part of a group defined contribution scheme which requires contributions to be made to a separately administered fund. Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable.

Leases
Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if payments are not made on such a basis.

Interest income
Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to its net carrying amount.

2 Accounting policies (continued)

Tax

The tax charge represents the sum of tax currently payable and is charged or credited in the profit and loss account. Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes both items of income or expense that are taxable or deductible in other years as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

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

Intangible fixed assets

National and local radio licences are included at cost. The useful lives of national and local radio licences are assessed to be either finite or indefinite, and if finite are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. Where amortisation is charged on assets with finite lives, this expense is taken to the profit and loss account.

The useful life of the company's radio licences have been assessed to be indefinite on the grounds that they have an option to renew based on the company meeting the regulatory requirements of the licence, with similar licences having been successfully renewed at insignificant cost in the past.

The carrying value of national and local radio licences are reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of the company's radio licences are also reviewed for impairment annually given their infinite life.

Goodwill arising on the acquisition of businesses is capitalised as an asset in the balance sheet. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

2 Accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation and provision for impairment

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each assets on a straight line basis over its expected useful life, as follows:

Leasehold improvements	8 years
Motor vehicles	4 years
Fixtures and fittings	4 to 8 years
Transmitters	8 years
Studio equipment	5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Creditors
Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at the present value of amounts payable discounted at a market rate of interest, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Waiver of amounts owed to or by group undertaking
The waiver of amounts owed to group undertakings are recognised as a capital contribution and credited directly to equity. Where it is assessed that a capital contribution is distributable the amount is recognised within reserves. Following an assessment of whether the company has sufficient level of distributable reserves, the waiver of amounts owed by group undertakings are recognised as distributions to the shareholder and debited to reserves.

Critical judgements in applying the company's accounting policies
No critical judgements in applying the company's accounting policies have been identified in the current or preceding period.

2 Accounting policies (continued)

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Contract discount and rebate provisions
The company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of agency spend over the contract period. These rebates can take the form of free advertising space, cash payments or both. The rebate provision is calculated using the forecast spend over the contract period and rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend in determining what tier of spend the agencies may reach over the agreement. At the period end the company has contract discount and rebate provisions amounting to £2,370,000 (2015: £1,341,000).

(b) Depreciation and amortisation
Judgement is used in assessing useful lives and residual values of the entity's assets. These assets are depreciated or amortised over their estimated useful lives to their residual values.

(c) Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by the expected cash flows which, where material, are discounted at a rate which reflects current market assessments of the time value of money and the risks specific to the liability.

(d) Income taxes
The company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

3 Turnover

All turnover arose wholly in the United Kingdom. The directors consider that the business of the company is all of one class.

The company enters into barter arrangements for the supply of certain services, and these are treated as turnover as they comply with FRS 101. During the period barter transactions amounted to £785,000 (2015 - £329,000) of turnover.

4 Operating profit

Arrived at after charging

	Note	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Depreciation expense	12	1,227	693
Operating lease expense - property and equipment		1,799	1,168

5 Auditor's remuneration

The company has recognised the following in respect of amounts paid or payable to its auditor in respect of the audit of financial statements and for other services provided to the company.

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Audit of the financial statements	212	57

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Wages and salaries	14,415	8,509
Social security costs	1,496	969
Pension costs, defined contribution scheme	374	252
Other employee expense	217	20
	16,502	9,750

6 Staff costs (continued)

The average number of persons employed by the company during the period, analysed by category was as follows:

	18 months to 30 June 2017 No.	12 months to 31 December 2015 No.
Administration and support	26	14
Sales	180	121
Other departments	94	202
	300	337

7 Directors' remuneration

The directors of the company are also directors of the ultimate parent company and of fellow subsidiaries. The directors received total remuneration for the period of £2,442,000 (2015: £1,228,000), all of which was paid by the ultimate or immediate parent companies. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the ultimate parent company and fellow subsidiary companies.

8 Exceptional items

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 (Restated) £ 000
Costs of integration into News UK & Ireland (note (a))	(377)	-
Profit on disposal of subsidiary undertaking (note (b))	-	8,729
	(377)	8,729

(a) Cost of integration into News UK & Ireland
As part of the purchase of the company by News UK & Ireland Limited on the 26 September 2016 the following costs were incurred:

	18 months to 30 June 2017 £ 000
Staff redundancy costs	(217)
Other integration costs	(160)
	(377)

8 Exceptional items (continued)

(b) Profit on disposal of subsidiary

On 8 October 2015 the company completed the sale of Juice Holdco Limited, trading as Juice FM, to Global Radio Holdings Ltd, a subsidiary of This is Global Limited. This resulted in a profit on disposal before tax of £8,729,000.

	12 months to 31 December 2015 £ 000
Proceeds from sale	10,421
Net assets disposed of:	
Fixed assets	(199)
Debtors	(965)
Creditors	325
Provisions for liabilities and charges	26
Professional fees	(879)
Profit on disposal of subsidiary	8,729

9 Interest receivable

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Bank interest	4	10

10 Taxation

(a) Tax charged in the profit and loss account

Tax charged/(credited) in the profit and loss account

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Current taxation		
UK corporation tax	-	1,940
UK corporation tax adjustment to prior periods	(69)	25
	(69)	1,965
Deferred taxation		
Arising from origination and reversal of temporary differences	(197)	97
Arising from changes in tax rates and laws	56	62
Arising from adjustments in respect of prior periods	(49)	(11)
Total deferred taxation	(190)	148
Tax (receipt)/expense in the profit and loss account	(259)	2,113

(b) Reconciliation of the total tax charge

The tax on profit before tax for the period is the same as the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 19.83% (2015 - 20.25%). The differences are reconciled below:

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Profit before tax	7,475	21,225
Corporation tax at standard rate	1,482	4,298
Current tax adjustments in respect of previous periods	(69)	25
Temporary differences	-	8
Profit on sale of subsidiary not taxable	-	(1,768)
Expenses not deductible for tax purposes and non-taxable income	97	71
Group relief for which no payment is made	(1,776)	(572)
Deferred tax adjustment in respect of previous periods	(49)	(11)
Effect of rate change	56	62
Total tax (credit)/charge	(259)	2,113

10 Taxation (continued)

(c) Factors that may affect future tax charges
Following the 2015 summer budget and the 2016 budget, the UK corporation tax rate reduced from 20% to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020.
The summer budget 2015 had originally announced that the rate would reduce to 18% from 1 April 2020, which was substantively enacted on 26 October 2015. This rate was on which the prior year deferred tax assets were provided.
Subsequently, the 2016 budget announced that the rate would reduce further to 17% from 1 April 2020, which was enacted on 16 September 2016. As the revised rate was enacted prior to the year end, this is the rate at which deferred tax has been provided in this period.

11 Intangible fixed assets

	Goodwill £ 000	Local radio licences £ 000	Total £ 000
Cost			
At 1 January 2016 and 30 June 2017	11	13,259	13,270
Amortisation			
At 1 January 2016 and 30 June 2017	-	13,079	13,079
Net book value			
At 30 June 2017	11	180	191
At 31 December 2015	11	180	191

12 Tangible fixed assets

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Motor vehicles £ 000	Transmission and studio equipment £ 000	Total £ 000
Cost					
At 1 January 2016	1,856	4,466	234	4,976	11,532
Additions	129	596	4	381	1,110
At 30 June 2017	1,985	5,062	238	5,357	12,642
Depreciation					
At 1 January 2016	1,626	3,723	230	3,669	9,248
Charge for the period	131	409	5	682	1,227
At 30 June 2017	1,757	4,132	235	4,351	10,475
Net book value					
At 30 June 2017	228	930	3	1,006	2,167
At 31 December 2015	230	743	4	1,307	2,284

13 Debtors

	Note	30 June 2017 £ 000	31 December 2015 £ 000
Trade debtors		10,737	10,002
Amounts due from related parties		46,061	31,040
Accrued income and prepayments		1,117	4,547
Other debtors		1	29
Corporation tax receivable		336	-
Deferred tax assets	14	655	465
		58,907	46,083

In the amounts included in debtors above, deferred taxation of £655,000 (2015 - £465,000) falls due after more than one year. All other amounts fall due within one year.

14 Deferred tax

The deferred tax asset is made up as follows:

	30 June 2017 £ 000	31 December 2015 £ 000
Opening deferred tax	465	613
Origination and reversal of temporary differences	197	(97)
Effect of rate change	(56)	(62)
Adjustments in respect of previous periods	49	11
	655	465

The balance of the deferred tax account consists of the tax effect of temporary differences in respect of:

	30 June 2017 £ 000	31 December 2015 £ 000
Decelerated capital allowances	346	182
Other temporary differences	309	283
	655	465

15 Cash and cash equivalents

	Note	30 June 2017 £ 000	31 December 2015 £ 000
Cash at bank		538	2,021
Bank overdrafts	16	-	(1,026)
		538	995

16 Creditors

	Note	30 June 2017 £ 000	31 December 2015 £ 000
Bank overdrafts	15	-	1,026
Trade creditors		4,622	3,640
Accruals and deferred income		9,394	10,151
Amounts due to related parties		10,673	4,358
Social security and other taxes		1,595	1,648
Corporation tax liability		-	793
		26,284	21,616

17 Obligations under leases

Operating leases

The company has entered into operating lease arrangements for certain properties, motor vehicles and office equipment. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 June 2017 £ 000	31 December 2015 £ 000
Within one year	860	141
In two to five years	844	449
In over five years	1,025	1,156
	2,729	1,746

18 Provisions for liabilities

	Dilapidation provision £ 000
At 1 January 2016	1,012
Increase in provisions	109
Provisions utilised in the period	(513)
At 30 June 2017	608

The provision relates to the estimated dilapidation costs in respect of property leases. The timing of the liabilities depends on each individual lease but the provisions are expected to be utilised within 56 years.

19 Pensions and other post-employment benefits

The company makes contributions to the personal pension plans of selected employees. The company also participates in an industry-wide defined contribution occupational scheme known as the Commercial Radio Staff Benefits Plan, which is a scheme shared by several independent radio companies and associated businesses. The contributions to this scheme together with the contributions made to the personal pension plans of certain employees amounted to £374,000 (2015 - £252,000). The company's contribution to the personal pension plans for the period was a charge of £Nil (2015 - £3,000).

20 Share capital

Allotted, called up and fully paid shares

	30 June 2017		31 December 2015	
	No.	£ 000	No.	£ 000
Ordinary shares of £0.50 each	2,000	1	2,000	1

21 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. The following transactions are with fellow subsidiaries which are not wholly owned:

	18 months to 30 June 2017 £ 000	12 months to 31 December 2015 £ 000
Transmission charges		
Switchdigital (London) Limited	150	97
Switchdigital (Scotland) Limited	63	72

21 Related party transactions (continued)

The following balances (including VAT where appropriate) were outstanding at the current and prior period ends:

	30 June 2017 £ 000	31 December 2015 £ 000
Intercompany debtors		
Switchdigital (London) Limited	996	489
Switchdigital (Scotland) Limited	774	341

22 Parent and ultimate parent undertaking

The company's immediate parent is The Wireless Group Holdings Limited, a company incorporated in England.

The ultimate parent is News Corporation, a company incorporated in Delaware in the United States.

The smallest and largest group in which the results of teh company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY10036. The consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF.