

2334042

**Absolute Radio (UK) Limited**

**Report and Financial Statements**

31 December 2003



# Absolute Radio (UK) Limited

Registered No: 04334042

## **Directors**

Beate Appel  
John McCann  
Donnach O'Driscoll  
Rainer Poelmann  
Adrian Robinson  
Scott Taunton

## **Secretary**

Adrian Robinson

## **Auditors**

Ernst & Young LLP  
Bedford House  
16 Bedford Street  
Belfast  
BT2 7DT

## **Bankers**

Barclays Bank plc  
27 Soho Square  
London W1D 3QR

## **Registered Office**

Suite 12 Pegaxis House  
61 Victoria Road  
Surbiton  
KT6 4JX

## Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements of the company for the year ended 31 December 2003.

### Principal activities and business review

The company was established in December 2001 and is pursuing its objective of becoming a significant owner and operator of commercial radio in the UK through both acquisition and application for new licences.

During the year, 4 applications for FM licences were made to the Radio Authority. These covered Maidstone in Kent, North Norfolk, the West Midlands and Glasgow.

On 26 September 2003, the company acquired 100% of the issued share capital of Perfecttaste Limited, a radio station trading as 107.6 JUICE FM in Liverpool.

The company will be an active participant in the next round of FM licensing to be overseen by OFCOM and is also exploring further acquisition opportunities.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors of the company are as follows:

Beate Appel  
John McCann  
Donnach O'Driscoll  
Rainer Poelmann  
Adrian Robinson  
Scott Taunton

In accordance with the articles of association the directors are not required to retire by rotation.

The directors who held office at 31 December 2003 had no interests in the shares of the company.

Several directors have an indirect interest in the company by virtue of their holdings in Absolute Radio International Limited. These shareholdings are disclosed in the relevant financial statements.

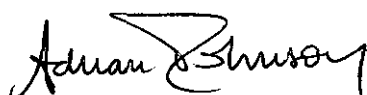
### Political and charitable contributions

The company made no political or charitable contributions during the year.

### Auditors

Ernst & Young LLP have expressed their willingness to continue in office. A resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Adrian Robinson

Director

22 October 2004

## Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **Independent auditors' report**

## **to the members of Absolute Radio (UK) Limited**

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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.

### **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 affairs of the company at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Belfast

22 October 2004

## Profit and loss account

For the year ended 31 December 2003

	Notes	12 months 2003 £	13 months 2002 £
<b>Turnover - continuing operations</b>	2	<b>45,000</b>	59,570
Application costs		(369,961)	(373,873)
<b>Loss before administrative costs</b>		<b>(324,961)</b>	(314,303)
Administrative costs		(29,091)	(67,583)
<b>Loss on ordinary activities before interest</b>		<b>(354,052)</b>	(381,886)
Net interest payable and similar charges	3	(15,470)	-
<b>Loss on ordinary activities before taxation</b>	4	<b>(369,522)</b>	(381,866)
Tax on loss on ordinary activities	7	-	-
<b>Loss for the financial year</b>		<b>(369,522)</b>	(381,866)
<b>Retained loss at beginning of year</b>		<b>(381,886)</b>	-
<b>Retained loss at end of year</b>		<b>(751,408)</b>	(381,886)

The company has no recognised gains or 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 loss for the financial period stated above, and its historical cost equivalent.

The notes on pages 7 to 14 form part of these financial statements.


## Balance sheet

As at 31 December 2003

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible fixed asset	8	-	-
Financial fixed assets	9	2,348,193	-
		<u>2,348,193</u>	<u>-</u>
<b>Current assets</b>			
Debtors	10	57,548	88,508
Cash at bank and in hand		93,569	284,586
		<u>151,117</u>	<u>373,094</u>
<b>Creditors:</b> Amounts falling due within one year	11	(88,288)	(139,959)
Net current assets		<u>62,829</u>	<u>233,135</u>
<b>Total assets less current liabilities</b>		<u>2,411,022</u>	<u>233,135</u>
<b>Creditors:</b> Amounts falling due after more than one year	12	(2,347,859)	-
<b>Net assets</b>		<u>63,163</u>	<u>233,135</u>
Capital and reserves			
Called up share capital	14	297	249
Share premium	15	814,274	614,772
Profit and loss account	16	(751,408)	(381,886)
<b>Equity shareholders' funds</b>	17	<u>63,163</u>	<u>233,135</u>

The notes on pages 7 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 22 October 2004 and signed on its behalf by:

  
Adrian Robinson  
Director

## Notes to the financial statements

As at 31 December 2003

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

The company has taken advantage of the exemption conferred under Section 248 of the Companies Act 1985 from preparing group financial statements as it satisfies the criteria for small status. The financial statements therefore present information about the company as an individual undertaking and not about its group.

#### Cash flow statement

The directors have availed of the exemption for small companies provided by FRS1 and have not prepared a cash flow statement.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Monitoring equipment	-	1 year
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#### Financial fixed assets

Financial fixed assets comprise investments in and loans to subsidiary undertakings and are stated at cost less provisions for diminution in value.

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### Taxation

The charge for taxation is based on the profit for the period 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 between the treatment of certain items for taxation purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Turnover

Turnover excludes value-added tax and represents the fair value of services delivered to customers in the accounting period. Services are deemed to have been delivered to customers when, and to the extent that, the company has met its obligations under its service contracts.

#### Application costs

Application costs for new radio licences are charged to the profit and loss account as incurred.



## Notes to the financial statements

As at 31 December 2003

### 2. Turnover – continuing operations

Turnover arises from the provision of consultancy services in the United Kingdom.

### 3. Net interest payable and similar charges

	<i>12 months</i> 2003 £	<i>13 months</i> 2002 £
Interest receivable	(5,030)	-
Interest payable	20,500	-
	<u>15,470</u>	<u>-</u>

### 4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting) the following:

	<i>12 months</i> 2003 £	<i>13 months</i> 2002 £
After charging		
Auditors' remuneration - audit	3,000	1,750
- non audit	-	-
Depreciation	6,694	-
	<u>9,694</u>	<u>1,750</u>

Included in financial fixed asset additions during the year is auditors' remuneration in respect of non-audit services provided of £33,254 (2002 - £nil).

### 5. Remuneration of directors

The average number of directors employed by the company during the year was 6 (2002: 6). The directors received no remuneration during the year (2002 - £nil).

### 6. Staff numbers and costs

	<i>12 months</i> 2003 £	<i>13 months</i> 2002 £
Wages and salaries	27,893	-
Social security costs	3,275	-
	<u>31,168</u>	<u>-</u>

The average number of persons employed by the company (excluding directors) during the year was 1 (2002 - 0).

## Notes to the financial statements

As at 31 December 2003

### 7. Taxation

No charge to corporation tax arises due to losses incurred.

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	12 months 2003	13 months 2002
Loss on ordinary activities before tax	(369,522)	(381,866)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of tax in the UK of 30% (2002: 30%)	(110,856)	(114,560)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,500	1,100
Deferred tax movement not recognised	109,356	113,460
Current tax charge for the year	-	-

### Factors affecting future tax charge

The company has unprovided deferred tax assets of approximately £220,000 relating primarily to the availability of losses. These may reduce the tax charge on operating profits in future years.

### 8. Tangible fixed asset

	£
<i>Cost of monitoring equipment</i>	
At beginning of year	-
Acquired during year	6,694
<b>At end of year</b>	<b>6,694</b>
<i>Accumulated depreciation on monitoring equipment</i>	
At beginning of year	-
Charged during year	6,694
<b>At end of year</b>	<b>6,694</b>
<b>Net book value at 31 December 2003 and 2002</b>	<b>-</b>

## Notes to the financial statements

As at 31 December 2003

### 9. Financial fixed assets

On 26 September 2003, the company acquired 100% of the issued share capital of Perfecttaste Limited, which trades as 107.6 Juice FM in Liverpool. The movement in financial fixed assets during the year is as follows:

	<i>Shares</i>	<i>Loans</i>	<i>Expenses capitalised</i>	<i>Total</i>
	£	£	£	£
At cost at beginning of year	900	-	-	900
Less: Amounts due to subsidiary undertakings	(900)	-	-	(900)
<b>Net book value at beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment in subsidiary undertaking during the year	1	2,212,581	135,611	2,348,193
<b>Net book value at end of year</b>	<b>1</b>	<b>2,212,581</b>	<b>135,611</b>	<b>2,348,193</b>
<i>The balance at end of year is made up as follows:</i>				
Cost of investment in subsidiary undertakings	901	2,212,581	135,611	2,349,093
Less: Amounts due to subsidiary undertakings	(900)	-	-	(900)
<b>Net book value at end of year</b>	<b>1</b>	<b>2,212,581</b>	<b>135,611</b>	<b>2,348,193</b>

Perfecttaste Limited is incorporated in England and has an issued share capital of 1 ordinary share of £1. Perfecttaste Limited has two subsidiary undertakings, Crash FM Limited and Tower FM Limited, both of which are non-trading.

Details in relation to these subsidiary undertakings were as follows:

	<i>Perfecttaste Limited</i> £'000	<i>Crash FM Limited</i> £'000	<i>Tower FM Limited</i> £'000
Aggregate of share capital and reserves at 30 September 2003	(2,194)	(125)	136
Profit for the year to 30 September 2003	3,886	-	-

The year end of Perfecttaste Limited, Crash FM Limited and Tower FM Limited is 30 September.

In addition to Perfecttaste Limited, the company has a number of wholly owned subsidiary undertakings in whose names applications for new licences have been or will be made. These subsidiary undertakings are listed below:

Absolute Radio Kent Limited  
Absolute Radio Scotland Limited

## Notes to the financial statements

As at 31 December 2003

### 9. Financial fixed assets (continued)

Absolute Radio West Midlands Limited  
 Absolute Radio Norfolk Limited  
 Absolute Radio North West Limited  
 Absolute Radio South West Limited  
 Go FM Limited  
 My FM Limited  
 Jump FM Limited

Each of these subsidiary undertakings has an issued share capital of 100 ordinary shares of £1 each, has not yet commenced to trade and is stated in the financial statements at a net book value of £nil. Each company is incorporated in England with the exception of Absolute Radio Scotland Limited which is incorporated in Scotland.

### 10. Debtors

	2003 £	2002 £
Amount due from Ulster Television plc	8,988	8,988
Amount due from Eurocast GmbH	-	8,500
Amount due from Perfecttaste Limited	27,636	-
Prepayments and other debtors	139	10,282
VAT	20,785	60,738
	<u>57,548</u>	<u>88,508</u>

All amounts fall due within one year.

### 11. Creditors: amounts falling due within one year

	2003 £	2002 £
Accruals	47,700	64,864
Other taxation and social security	1,504	-
Amount due to Absolute Radio International Limited	6,009	9,095
Advances	33,075	66,000
	<u>88,288</u>	<u>139,959</u>

### 12. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amount due to Perfecttaste Limited	47,859	-
Loans from shareholders (note 13)	2,300,000	-
	<u>2,347,859</u>	<u>-</u>

## Notes to the financial statements

As at 31 December 2003

### 13. Details of indebtedness

The loans from shareholders comprise the following:

	2003 £	2002 £
Series I Loan Notes 2013	1,716,000	-
Series II Loan Notes 2013	506,000	-
Series III Loan Notes 2013	78,000	-
	<u>2,300,000</u>	<u>-</u>

The Series I and Series III Loan Notes carry interest at LIBOR plus 0.5% (subject to a maximum of 6% per annum). The Series II Loan Notes are interest free.

A premium may be payable on redemption of the Series II loan notes in accordance with the terms set out in the Loan Note Instrument.

The Loan Notes are repayable other than by instalments and are unsecured.

### 14. Called up share capital

	2003 £	2002 £
Authorised:		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted and called up:		
297 (2002:99) Ordinary shares of £1 each fully paid	297	99
Nil (2002:198) Ordinary shares of £1 each partially paid	-	150
	<u>297</u>	<u>249</u>

The balance due on the 198 ordinary shares of £1 each, which were partially paid at 31 December 2002, was paid in March 2003.

### 15. Share premium

	2003 £	2002 £
Share premium at beginning of year	614,772	-
Premium attached to shares issued	199,502	614,772
	<u>814,274</u>	<u>614,772</u>

In March 2003, the balance of the share premium (amounting to £1,007.59 per share) due on the 198 ordinary shares of £1 each issued in 2002, together with the balance on the par value of the ordinary shares (some £48 in aggregate) was called up and paid.

## Notes to the financial statements

As at 31 December 2003

### 16. Reserves

	2003 £	2002 £
At beginning of year	(381,886)	-
Retained loss for the year	(369,522)	(381,886)
At end of year	<u>(751,408)</u>	<u>(381,886)</u>

### 17. Reconciliation of movement in equity shareholders' funds

	2003 £	2002 £
<i>Opening equity shareholders' funds</i>	233,135	-
Loss for the financial period	(369,522)	(381,886)
Issue of share capital	48	249
Share premium on issue of shares	199,502	614,772
Closing equity shareholders' funds	<u>63,163</u>	<u>233,135</u>

### 18. Going concern

The financial statements are prepared on the going concern basis. Additional funding contractually committed to the company by the shareholders at 31 December 2003 includes loans of £450,000 to be drawn down as necessary during 2004 and 2005.

In addition, each shareholder will provide the company with further funding, as necessary, to fund acquisitions and the start up capital of winning licence applications.

### 19. Related party transactions

The company incurred certain expenditure on behalf of Perfecttaste Limited during the year amounting to £27,636. In addition, Perfecttaste Limited incurred certain expenditure on behalf of the company during the year amounting to £47,859.

The net balance owed to Perfecttaste Limited by the company (excluding loans) at 31 December 2003 amounted to £20,223 (2002:nil).

Certain costs relating to the company such as telephone, depreciation and IT costs, are incurred by Absolute Radio International Limited and recharged to the company at cost. The amount incurred by Absolute Radio International Limited and re-charged to the company in respect of these shared costs in 2003 was £13,195 (2002: £17,393).

Some travel and other costs were borne by the company and recharged to Absolute Radio International Limited. The amount recharged to Absolute Radio International Limited by the company was £2,185 (2002: £nil).

## Notes to the financial statements

As at 31 December 2003

### 19. Related party transactions (continued)

At 31 December 2003, £6,009 (2002: £9,095) was due by the company to Absolute Radio International Limited.

The shareholders advanced loans to the company totalling £2,300,000 in September 2003 as set out in note 13 above. These loans attracted interest of £20,500 in the year.

During the prior period, pending the formal setting up of Absolute Radio (UK) Limited, funds were advanced to Absolute Radio International Limited by Ulster Television plc and Eurocast GmbH to fund the agreed programme of licence applications. Upon the setting up of Absolute Radio (UK) Limited, this trade and all associated remaining funds were transferred across to it from Absolute Radio International Limited. The costs incurred by Absolute Radio International Limited and which were reimbursed to it in respect of such activity amounted to £264,188. No such costs were incurred in the current year.

### 20. Contingent liability

The company has guaranteed the bank borrowings of its subsidiary undertaking, Perfecttaste Limited. At 31 December 2003, the aggregate bank loan outstanding to Perfecttaste Limited was £1,500,000.

### 21. Ultimate controlling party

The company is controlled by the directors on behalf of the three equal shareholders being Absolute Radio International Limited, Ulster Television plc and Eurocast GmbH. The results of the company are consolidated, under the equity method of accounting, into the financial statements of each of its shareholder undertakings.