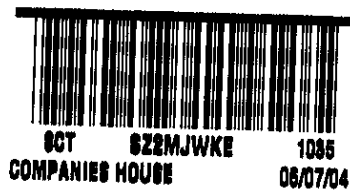


SC71102

SRH RADIO SALES LIMITED
REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003



Directors

Richard Findlay (Chairman)
David Goode

Secretary

Jane E A Tames

Registered Office

Clydebank Business Park
Clydebank
Glasgow G81 2RX

Company Registered Number

SC071102

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and the company's financial statements for the year ended 30 September 2003.

Statement of 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 and of the profit or loss 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 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 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.

Activities

The company sells advertising airtime for independent radio stations in the United Kingdom and Southern Ireland.

Financial

The profit for the financial year amounted to £22,000 and this has been transferred to reserves. The directors do not recommend the payment of a dividend.

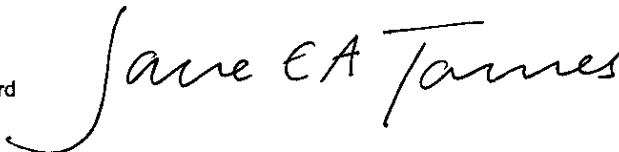
Directors

The directors of the company as at 30 September 2003 were as noted on Page 2.

None of these directors held any shares in the company during the year.

The interests of the directors in the share capital of the ultimate parent company Scottish Radio Holdings plc, are disclosed in the financial statements of that company.

On behalf of the Board
Jane E A Tames
Company Secretary



Clydebank Business Park
Clydebank
Glasgow G81 2RX

29 June 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SRH RADIO SALES LIMITED

We have audited the financial statements on pages 5 to 10.

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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with the applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance. 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 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 mis-statement, 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.



KPMG Audit Plc

Chartered Accountants
Registered Auditor
24 Blythswood Square
Glasgow
G2 4QS

30/6/04

ACCOUNTING POLICIES**Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The company is exempt by nature of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

Under Financial Reporting Standard Number 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Turnover

Turnover, which excludes VAT, represents commission due on radio advertisements broadcast during the year and the invoice value of the other services performed.

Depreciation

Tangible fixed assets are depreciated on a straight line basis over their estimated economic lives at the following annual rates:

Office furniture & fittings	25%
Leasehold improvements	20%

Pension costs

The company is a member of a pension scheme operated by Scottish Radio Holdings plc which provides benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions evenly over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit funding method (see Note 12).

Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Operating leases

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

Investments

Investments in subsidiaries are stated at cost.

PROFIT & LOSS ACCOUNT
For the year ended 30 September 2003

	Notes	YEAR TO 30.09.03 £000	YEAR TO 30.09.02 £000
Turnover		<u>1,839</u>	<u>1,790</u>
Staff costs	3	(1,013)	(893)
Depreciation		(11)	(17)
Other operating charges		(766)	(799)
Operating expenses		<u>(1,790)</u>	<u>(1,709)</u>
Operating profit	2	49	81
Interest receivable		6	5
Profit on ordinary activities before taxation		<u>55</u>	<u>86</u>
Taxation	4	(33)	(35)
Retained profit for the financial year		<u>22</u>	<u>51</u>

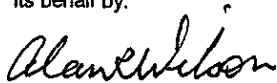
All operations are continuing.

Other than the profit for the financial year, there have been no recognised gains or losses.

BALANCE SHEET as at 30 September 2003

	Notes	£000	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Fixed Assets				
Tangible assets	5		13	22
Investments	6		<u>-</u>	<u>-</u>
			13	22
Current Assets				
Debtors	7	790		853
Cash at bank and in hand		478		471
		<u>1,268</u>		<u>1,324</u>
Creditors				
Amounts falling due within one year	8	<u>(564)</u>		<u>(651)</u>
Net Current Assets			704	673
Net Assets			<u>717</u>	<u>695</u>
Capital and Reserves				
Called up share capital	9		50	50
Share premium account			4	4
Profit and Loss Account			663	641
Shareholders' funds - equity	10		<u>717</u>	<u>695</u>

These financial statements were approved by the board of directors on 29 June 2004 and were signed on its behalf by:



Alan Wilson

Director

NOTES (forming part of the financial statements)

1 Analysis of turnover and operating profit

Both turnover and operating profit relate entirely to broadcasting. All of the company's turnover was generated in the United Kingdom.

2 Operating profit

	YEAR TO 30.09.03 £000	YEAR TO 30.09.02 £000
Operating profit is stated after deduction of:		
Depreciation of tangible fixed assets	11	17
Property rental	140	139
Auditors' remuneration	4	4
Operating lease rentals	<u>28</u>	<u>40</u>

3 Staff

	YEAR TO 30.09.03 £000	YEAR TO 30.09.02 £000
Average number of employees by activity:		
Broadcasting (including executive directors)	<u>24</u>	<u>24</u>
Employee costs:		
Salaries (including executive directors)	879	759
Social security costs	93	77
Other pension costs (see Note 12)	<u>41</u>	<u>57</u>
	<u>1,013</u>	<u>893</u>

Neither of the board directors receive any remuneration from the company, as both are employed by the ultimate parent undertaking.

4 Corporation tax

	2003 £000	2002 £000
Current tax on income for the year (at 30%)	38	42
Deferred tax		
Reversal of timing differences	(5)	(7)
Tax on profit on ordinary activities	<u>33</u>	<u>35</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002:30%). The differences are explained below.

	2003 £000	2002 £000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>55</u>	<u>86</u>
Current tax at 30%	17	26
Effects of:		
Expenses not deductible for tax purposes	14	15
Deferred tax charge current year	5	7
Other items	<u>2</u>	<u>(6)</u>
Total corporation tax charge	<u>38</u>	<u>42</u>

NOTES (forming part of the financial statements)

5 Tangible fixed assets

	Office furniture & fittings	Leasehold improvements	Total
	£000	£000	£000
COST			
At beginning of year	134	19	153
Additions	2	-	2
At end of year	136	19	155
DEPRECIATION			
At beginning of year	119	12	131
Charge for year	7	4	11
At end of year	126	16	142
NET BOOK VALUE			
At end of year	10	3	13
At beginning of year	15	7	22

6 Fixed asset investment

	AS AT 30.09.03 £	AS AT 30.09.02 £
Shares in subsidiary companies	300	300

The subsidiary companies are Airtime Sales and Promotions Limited, FM Radio Sales Limited and The Radio Initiative Limited, all of which are wholly-owned companies incorporated in Great Britain. All of these companies have remained dormant during the year.

7 Debtors: Amounts falling due within one year

	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Trade debtors	224	149
Amounts owed by group undertakings	460	560
Other debtors	2	2
Deferred tax asset - accelerated capital allowances	12	7
Prepayments and accrued income	92	135
	790	853
Deferred tax asset		
	£000	£000
At beginning of year	7	-
Credit for year	5	7
At end of year	12	7
The elements of deferred tax are as follows:	£000	£000
Accelerated capital allowances	7	7
Other	5	-
	12	7

8 Creditors: Amounts falling due within one year

	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Trade creditors	51	206
Corporation tax	38	42
Amounts owed to group undertakings	41	-
Other taxation & social security	109	64
Other creditors	229	272
Accruals & deferred income	96	67
	564	651

