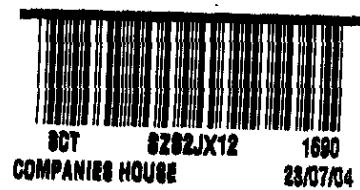


SC186240

SCORE DIGITAL LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2003



SCORE DIGITAL LIMITED

Directors

Richard Findlay (Chairman)
Grae Allan (Managing Director)
David Goode
Alan Wilson

Secretary

Jane E A Tames

Registered Office

Clydebank Business Park
Clydebank
Glasgow G81 2RX

Company Registered Number

SC186240

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 principal activity of the company is the provision of digital radio services in accordance with licences granted by the Radio Authority. The company has been awarded five such licences.

Financial

The loss for the financial year amounted to £508,000. The directors do not recommend the payment of any dividend.

Directors

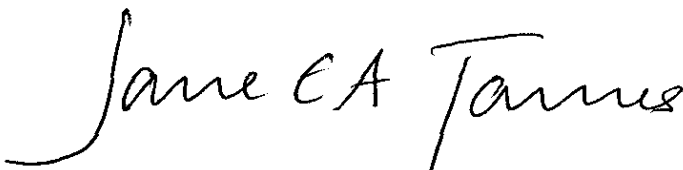
The directors of the company as at 30 September 2003 were as noted on Page 2.

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

The interests of Mr Findlay, Mr Goode and Mr Wilson in the share capital of the ultimate parent company, Scottish Radio Holdings plc, are disclosed in the financial statements of that company. The other directors' interests in the share capital of Scottish Radio Holdings plc were as shown below:

	<u>Number of Ordinary Shares of 10p each</u>					
	At 30 September 2003			At 30 September 2002		
	Personal Holding	Profit Sharing Plans	Share Options	Personal Holding	Profit Sharing Plans	Share Options
Grae Allan	17,067	150	8,000	17,563	334	8,000

On behalf of the Board
Jane E A Tames
Company Secretary



Clydebank Business Park
Clydebank
Glasgow G81 2RX

30th June 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCORE DIGITAL 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 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 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.

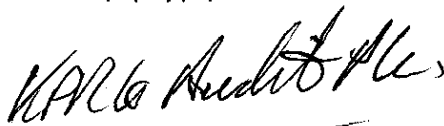
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity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

Uncertainty relating to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the reliance on the company's ultimate parent, Scottish Radio Holdings plc for continued financial support. In view of the significance of the uncertainty inherent in this matter, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 loss 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

21 July 2004

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 financial statements have been prepared on a going concern basis notwithstanding the deficit in shareholders' funds as the parent undertaking has undertaken to provide such financial support as it may require to meet its financial obligations for the foreseeable future.

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 represents amounts invoiced in respect of all goods and services provided by the company (after deduction of agency commission) and excludes value added tax.

Depreciation

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

Transmitters	10%
Furniture & Fittings	25%
Technical equipment	25%

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.

PROFIT & LOSS ACCOUNT

For the year ended 30 September 2003

	Notes	YEAR TO 30.09.03 £000	YEAR TO 30.09.02 £000
Turnover		1,786	1,565
Staff costs	3	(168)	(157)
Depreciation	2	(150)	(40)
Other operating charges		(2,202)	(1,892)
Operating expenses		(2,520)	(2,089)
Operating loss		(734)	(524)
Taxation	5	226	149
Loss for the financial year	11	(508)	(375)

All operations are continuing.

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

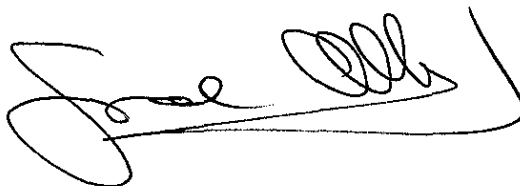
BALANCE SHEET as at 30 September 2003

	Notes	£000	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Fixed Assets				
Tangible assets	6		1,876	906
Current Assets				
Debtors	7	937		728
Cash at bank and in hand		2,451		2,394
		<u>3,388</u>		<u>3,122</u>
Creditors				
Amounts falling due within one year	8	<u>(5,847)</u>		<u>(4,192)</u>
Net Current Liabilities			(2,459)	(1,070)
Provisions for liabilities and charges	9		(144)	(55)
Net Liabilities			<u>(727)</u>	<u>(219)</u>
Capital and Reserves				
Called up share capital	10		250	250
Profit and Loss Account	11		(977)	(469)
Shareholders' deficit - equity			<u>(727)</u>	<u>(219)</u>

These financial statements were approved by the board of directors on 30th June 2004 and were signed on its behalf by:

Grae Allan

Director



NOTES (forming part of the financial statements)

1 Analysis of turnover and operating loss

The operating loss relates entirely to digital radio activities 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	150	40
Auditors' remuneration	3	3

3 Staff

Average number of employees by activity:

	Number	Number
Broadcasting (including executive directors)	3	3

Employee costs:

	£000	£000
Salaries (including executive directors)	137	127
Social security costs	15	14
Other pension costs (see Note 12)	16	16
	168	157

4 Directors' remuneration

	£000	£000
Basic salaries	70	69
	70	69

5 Corporation tax

	2003 £000	2002 £000
Current tax credit on loss for the year (at 30%)	(315)	(171)
Adjustment in respect of prior years	-	(33)
Total corporation tax	(315)	(204)
Deferred tax		
Origination of timing differences	89	59
Adjustment in respect of prior years	-	(4)
	89	55
Tax on loss on ordinary activities	(226)	(149)

Factors affecting the tax charge for the current year

The current tax credit 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		
Loss on ordinary activities before tax	(734)	(524)
Current tax at 30%	(220)	(157)
Effects of:		
Expenses not deductible for tax purposes	-	45
Other timing differences	(6)	-
Adjustment in respect of prior years	-	(33)
Deferred tax charge current year	(89)	(59)
Total corporation tax credit	(315)	(204)

6 Tangible fixed assets

	Trans- mitters	Technical equipment	Fixtures & Fittings	Total
	£000	£000	£000	£000
COST				
At beginning of year	935	9	4	948
Additions	1,120	-	-	1,120
At end of year	2,055	9	4	2,068
DEPRECIATION				
At beginning of year	39	1	2	42
Charge for year	147	1	2	150
At end of year	186	2	4	192
NET BOOK VALUE				
At end of year	1,869	7	-	1,876
At beginning of year	896	8	2	906

7 Debtors: Amounts falling due within one year

	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Trade debtors	223	182
Prepayments	95	123
Other tax and social security	65	52
Other debtors	239	200
Corporation Tax	315	171
	<u>937</u>	<u>728</u>

8 Creditors: Amounts falling due within one year

	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Trade Creditors	164	33
Deposits held on behalf of content providers	2,009	1,894
Amounts owed to fellow subsidiary undertaking	3,187	2,183
Accruals	472	72
Other creditors	15	10
	<u>5,847</u>	<u>4,192</u>

9 Provisions for liabilities and charges

	AS AT 30.09.03 £000	AS AT 30.09.02 £000
Deferred Tax		
At beginning of year	55	-
Charge for year	89	55
At end of year	<u>144</u>	<u>55</u>
The elements of deferred tax are as follows:	£000	£000
Accelerated capital allowances	147	58
Other	(3)	(3)
	<u>144</u>	<u>55</u>

10 Share capital

	AS AT 30.09.03	AS AT 30.09.02
Authorised, allotted, called up and fully paid:	£	£
250,002 Ordinary shares of £1 each	<u>250,002</u>	<u>250,002</u>

11 Reconciliation of movements in shareholders' deficit

	Share capital	Profit & loss account	AS AT 30.09.03	AS AT 30.09.02
	£000	£000	£000	£000
At beginning of year	250	(469)	(219)	156
Retained loss for the financial year	-	(508)	(508)	(375)
At end of year	<u>250</u>	<u>(977)</u>	<u>(727)</u>	<u>(219)</u>

12 Pension commitments

The Company is a member of a pension scheme operated by Scottish Radio Holdings plc which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested through a managed fund.

The most recent valuation of the group scheme by its independent actuary was 1 October 2001 and details of this valuation including the transitional disclosures required by FRS 17 : Retirement benefits are contained in the financial statements of Scottish Radio Holdings plc. The value of assets and liabilities applicable to each participating employer will not be separately identified and as such, the company intends to account for its pension costs on a defined contribution basis as permitted by FRS 17. The net pension charge for the year was £16,000 (2002 - £16,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

13 Related party disclosures

As the company is a wholly owned subsidiary of Scottish Radio Holdings plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

14 Ultimate parent undertaking

The company's ultimate parent undertaking is Scottish Radio Holdings plc, a company incorporated in the United Kingdom and registered in Scotland.

The financial statements of Scottish Radio Holdings plc are available to the public at that company's registered office at Clydebank Business Park, Clydebank, Glasgow G81 2RX.