Registered number 06251684

# GLOBAL RADIO UK LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2011

**GLOBAL RADIO UK LIMITED**

## COMPANY INFORMATION

| | |
|---|---|
| **DIRECTORS** | A Tabor<br>RFJ Park<br>CL Allen<br>MD Connole<br>SG Miron<br>M Gordon<br>W Harding<br>M Lee |
| **COMPANY SECRETARY** | CR Potterell |
| **COMPANY NUMBER** | 06251684 |
| **REGISTERED OFFICE** | 30 Leicester Square<br>London<br>WC2H 7LA |
| **AUDITOR** | KPMG LLP<br>Statutory auditor & Chartered accountants<br>15 Canada Square<br>London<br>E14 5GL |

GLOBAL RADIO UK LIMITED

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# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 MARCH 2011

The Directors present their report and the financial statements of Global Radio UK Limited (the Group) and parent company (the Company) for the year ended 31 March 2011

## PRINCIPAL ACTIVITIES

The Group's principal activity is that of a commercial radio broadcaster and licence holder in the United Kingdom Other activities include the provision of services to the radio industry, the operation of entertainment-based internet sites and distribution of material related to each radio brand

The Company is the holding company of the companies of the Group

## BUSINESS REVIEW

The Directors are pleased with the continuing progress of the business in the year ended 31 March 2011, increasing the underlying profitability by 9 3%, with operating margins increasing from 22 7% to 25 3% This has been achieved against a background of the continuing effects of the global financial crisis and the impact of the change in Government in the UK in May 2010 and a resulting reduction in government spending on communications

The prevailing UK economic environment at the end of March 2011 indicated low annual GDP growth of less than 0 5% and annual inflation of 5 3% affecting consumer spending The Directors believe that the marginal 1 3% reduction in underlying commercial revenues in the year represents a very creditable result, particularly in light of the reduction in spending by the Government via the Central Office of Information ("COI") The COI has, for many years, been the single largest advertiser in the radio industry The industry as a whole experienced a very significant reduction in the level of COI spending in the year ended 31 March 2011, but our commercial team succeeded in replacing almost all of the lost COI revenue with revenue from new customers or increased spending by existing customers Our programming teams also recorded an exceptional performance, with our weekly reach up 6% in the year and our average weekly listening hours up 1% Global Radio's stations now reach 19 7m adults in the UK every week

Our business continued to benefit in the year from the creation of the Heart network in 2009, and the commercial success we are now seeing demonstrates the enduring commercial power of that brand Having successfully created the Heart network, we created the new Capital network in January 2011, and the initial reactions of advertisers and our listeners to the new offering has been extremely positive

In April 2010, Ofcom announced that it would permit analogue radio stations operating in the same defined regions to co-locate and share programming Ofcom also permitted a reduction in the minimum requirement for locally-produced programming We have used these changes in regulation to streamline our operations and have co-located a number of stations and increased our use of networked programming, improving the quality of our programming while continuing to provide local content when listeners want it

Financial performance

The consolidated profit and loss account is set out on page 8 and shows that Global Radio's turnover for the year ended 31 March 2011 amounted to £199 0m (2010 £204 1m) Operating profit for the year ended 31 March 2011 amounted to £21 2m (2010 £19 9m) Operating profit is stated after charging depreciation of £5 5m, goodwill amortisation of £19 8m and the restructuring costs relating to the co-location of certain stations referred to above of £3 8m, principally comprising redundancy and property costs

The Directors consider that earnings before interest, tax, depreciation, amortisation, impairment provisions and redundancy, integration and property costs ("Adjusted EBITDA") is a key measure for the Group as it shows the underlying trading performance of the business The pro forma results set out below show that the Group's commercial revenues declined by 1 3% in the year ended 31 March 2011 on a like-for-like basis, and, as a result of the reduction in operating costs, the Adjusted EBITDA for the year ended 31 March 2011 amounted to £50 3m, a 9 3% increase on the comparative figure for the year ended 31 March 2010 of £46 0m

Under Financial Reporting Standard no 11 – Impairment of Assets and Goodwill, the Directors are required to consider the carrying value of goodwill where there has been an indicator that its value may have been impaired The Directors consider there has been no indicator of impairment and therefore consider that the carrying value of goodwill at 31 March 2011 is not more than its recoverable amount

The financial statements for the comparative year ended 31 March 2010 contained the results relating to certain stations in the Midlands which were disposed in July 2009 The Directors believe that a more meaningful analysis of the performance of the business can be seen from the following pro-forma unaudited statement of the Adjusted EBITDA for the year ended 31 March 2011 and 31 March 2010 set out below

| | **2011** | *2010* |
|---|---|---|
| | **£m** | *£m* |
| Commercial revenues | **178.3** | *180 6* |
| Other revenues | **20.7** | *22 2* |
| **Total group turnover** | **199.0** | *202 8* |
| Cost of sales | **37 7** | *39 1* |
| **Gross profit** | **161 3** | *163 7* |
| Operating costs (note 1) | **111.0** | *117 7* |
| **Adjusted EBITDA (note 2)** | **50.3** | *46 0* |
| | **25.3 %** | *22 7 %* |

Note 1 2010 results exclude the radio stations in the Midlands disposed of in July 2009 Operating costs exclude depreciation, amortisation, impairment provisions and the costs of the integration comprising redundancy and property costs

Note 2 Adjusted EBITDA comprises earnings before interest tax depreciation and amortisation and is stated before charging impairment provisions and the costs of the integration comprising redundancy and property costs,

Interest

The net financing costs for the year were £55 5 million (2010 £65 8m) which includes rolled up interest on certain shareholder and connected party loan notes

Going concern

The Directors consider it appropriate to prepare the accounts on a going concern basis and a full review of the going concern position of the Company and its subsidiaries is given in note 1 of the financial statements

## RESULTS AND DIVIDENDS

The loss for the year, after taxation and minority interests, amounted to £33,690,000 *(2010 - loss £31,869,000)*

The Directors do not recommend the payment of a dividend (2010 £nil)

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 MARCH 2011

### DIRECTORS

The Directors who served during the year and to the date of this report were

A Tabor
RFJ Park
CL Allen
MD Connole
SG Miron
M Gordon
W Harding
M Lee

### POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group is involved with a number of charities that are linked to its radio operations and during the course of the financial year, the Group's charities were involved in fundraising activities which generated over £3 7m (2010 £4 0m) for its own and many other third-party causes

In the last twelve months the Group has run two significant live music events for its listeners in the Capital FM 95 8 Summertime Ball in June 2010 and the Capital FM 95 8 Jingle Bell Ball in December 2010, both of which raised significant funds for the main associated charity, Help a London Child

As well as providing significant radio airtime to promote the activities and events of its charities, the Group provides a number of services to these charities, including the use of offices and administration services, free of charge

The Group's donations to external charities amounted to £669 (2010 £1,379) No contributions were made to political organisations The donations of the Company amounted to £nil (2010 £300)

### PRINCIPAL RISKS AND UNCERTAINTIES

The business uses key performance indicators which are monitored on a regular basis which include audience trends such as weekly reach, listening hours, share of the market and demographic mix, as well as financial indicators such as turnover, Adjusted EBITDA and operating margins Variance analysis is performed monthly and variances are monitored and discussed within a formal meeting structure

The risks are monitored and managed at a Group level and by local management teams The principal risks faced by the business can be divided into operational, commercial and financial risks

Operational Audience levels at the Group's stations could erode the Group's position, both in local markets and in the national marketplace if they were to decline To address this, the Group markets its radio brands regularly and continually strives to improve programming standards to increase audiences The Group carries out research on its listeners, building profiles of their likes and dislikes, and uses this to develop both the sound of the stations, and the music they play

Commercial There is a risk that a continued weakness in the advertising market could put pressure on traditional revenue streams To address this, the Group has been developing its relationship with advertisers and agencies to ensure that the value of its brands is fully realised This includes offering tailored solutions to advertisers and highlighting the breadth of our products The development of new media opportunities is at the heart of the Group's strategy, which over time will reduce the pressure on our traditional revenue generators

Financial risks As noted above, the Group is primarily funded by debt Bank debt has been reduced significantly in the year The Group's operations are cash-generative, and a general exposure to liquidity risk is considered to be low

Credit risk The Group actively mitigates the risk of payment default by reviewing outstanding payments and provisions for payment default regularly

## FINANCIAL INSTRUMENTS

The Group's risk management process and the policies for mitigating certain type of risks are set out in note 33 Details of the financial instruments used for these purposes are in note 33 to the consolidated financial statements

## COMPANY'S POLICY FOR PAYMENT OF CREDITORS

Community involvement is a mainstay of the Group's radio operations and the Group considers that this extends equally to its position in the business community The Group does not follow a code but operates a payment policy to agreed terms in settling outstanding debts For certain types of regular contracted services, the Group encourages direct debit or standing order arrangements Most other supplies are on an ad hoc basis and the terms of payment are agreed when the order is placed The majority of payments are made by electronic transfer direct to suppliers' bank accounts The Company had no trade creditors at the year end (2011 and 2010 creditor days - nil)

## EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees and on the various factors affecting the performance of the Group This is achieved through formal meetings and the company intranet Employees are consulted monthly on a wide range of matters affecting their current and future interests

## DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

## QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Directors benefit from qualifying third party indemnity provisions in place The Group also provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year

## PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Group and the Company's auditor is unaware, and
- that each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Group and the Company's auditor in connection with preparing its report and to establish that the Group and the Company's auditor is aware of that information

## AUDITOR

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 29 July 2011 and signed on its behalf

**MD Connole**
**Director**

30 Leicester Square
London
WC2H 7LA

## STATEMENT OF DIRECTORS' RESPONSIBILITIES
## FOR THE YEAR ENDED 31 MARCH 2011

The Directors are responsible for preparing 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 Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 Group and 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 then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL RADIO UK LIMITED

We have audited the financial statements of Global Radio UK Limited for the year ended 31 March 2011, set out on pages 8 to 39 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)

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 on page 6, 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 Ethical Standards for Auditors

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2011 and of the Group's loss for the year 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 the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

### 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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

Mike Harper

Mike Harper (Senior Statutory Auditor)
for and on behalf of
**KPMG LLP**
Statutory auditor
Chartered accountants
15 Canada Square
London
E14 5GL

29 July 2011

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 MARCH 2011

| | Note | 2011 £000 | *2010 £000* |
|---|---|---|---|
| **TURNOVER** | 1,2 | **199,041** | *204,072* |
| Cost of sales | | **(37,731)** | *(39,366)* |
| **GROSS PROFIT** | | **161,310** | *164,706* |
| Administrative expenses | | **(140,138)** | *(144,844)* |
| **OPERATING PROFIT** | 3 | **21,172** | *19,862* |
| Income from interests in associated undertakings | | **1,117** | *1,116* |
| Income from other fixed asset investments | | **71** | *63* |
| Profit on disposal of investments | | **365** | *13,825* |
| Interest receivable and similar income | 7 | **376** | *400* |
| Interest payable and similar charges | 8 | **(56,108)** | *(66,230)* |
| Other finance income | 9 | **258** | *71* |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | **(32,749)** | *(30,893)* |
| Tax on loss on ordinary activities | 10 | **786** | *(39)* |
| **LOSS ON ORDINARY ACTIVITIES AFTER TAXATION** | | **(31,963)** | *(30,932)* |
| Minority interests | | **(1,727)** | *(937)* |
| **LOSS FOR THE FINANCIAL YEAR** | 20 | **(33,690)** | *(31,869)* |

All amounts relate to continuing operations

The notes on pages 14 to 39 form part of these financial statements

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2011

| | Note | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|---|
| **LOSS FOR THE FINANCIAL YEAR** | | **(33,690)** | *(31,869)* |
| Actuarial gain/(loss) related to pension scheme | 20,27 | **1,309** | *(830)* |
| Pension surplus not recognised | 20,27 | **(2,172)** | *(736)* |
| **TOTAL RECOGNISED GAINS AND (LOSSES) RELATING TO THE FINANCIAL YEAR** | | **(34,553)** | *(33,435)* |

The notes on pages 14 to 39 form part of these financial statements

## CONSOLIDATED BALANCE SHEET
## AS AT 31 MARCH 2011

| | Note | £000 | 2011 £000 | £000 | 2010 £000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 11 | | **313,470** | | *333,270* |
| Tangible assets | 12 | | **17,785** | | *18,563* |
| Other investments | 13 | | **197** | | *586* |
| Investments in associates | 13 | | **1,785** | | *594* |
| | | | **333,237** | | *353,013* |
| **CURRENT ASSETS** | | | | | |
| Debtors | 14 | **31,155** | | *41,674* | |
| Cash at bank and in hand | | **61,632** | | *38,528* | |
| | | **92,787** | | *80,202* | |
| **CREDITORS** amounts falling due within one year | 15 | **(61,615)** | | *(66,191)* | |
| **NET CURRENT ASSETS** | | | **31,172** | | *14,011* |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **364,409** | | *367,024* |

## CONSOLIDATED BALANCE SHEET (continued)
## AS AT 31 MARCH 2011

| | Note | £000 | 2011 £000 | £000 | 2010 £000 |
|---|---|---|---|---|---|
| **CREDITORS** amounts falling due after more than one year | 16 | | **713,579** | | *680,858* |
| **PROVISIONS FOR LIABILITIES** | | | | | |
| Other provisions | 18 | | **5,161** | | *4,490* |
| Defined benefit pension scheme liability | 27 | | - | | *1,278* |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 19 | | - | | - |
| Profit and loss account | 20 | | **(355,866)** | | *(321,313)* |
| | | | **362,874** | | *365,313* |
| **MINORITY INTERESTS** | 22 | | **1,535** | | *1,711* |
| | | | **364,409** | | *367,024* |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2011

**MD Connole**
**Director**

The notes on pages 14 to 39 form part of these financial statements

## COMPANY BALANCE SHEET
## AS AT 31 MARCH 2011

| | Note | £000 | 2011 £000 | *£000* | *2010 £000* |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Investments | 13 | | **346,360** | | *346,060* |
| **CURRENT ASSETS** | | | | | |
| Debtors | 14 | **120,046** | | *111,990* | |
| Cash at bank | | **2,940** | | *3,486* | |
| | | **122,986** | | *115,476* | |
| **CREDITORS** amounts falling due within one year | 15 | **(26,222)** | | *(24,344)* | |
| **NET CURRENT ASSETS** | | | **96,764** | | *91,132* |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **443,124** | | *437,192* |
| **CREDITORS** amounts falling due after more than one year | 16 | | **713,481** | | *680,858* |
| **PROVISIONS FOR LIABILITIES** | | | | | |
| Other provisions | 18 | | **-** | | *100* |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 19 | | **-** | | *-* |
| Profit and loss account | 20 | | **(270,357)** | | *(243,766)* |
| | | | **443,124** | | *437,192* |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2011

**MD Connole**
Director

The notes on pages 14 to 39 form part of these financial statements

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2011

| | Note | 2011 £000 | 2010 £000 |
|---|---|---|---|
| Net cash flow from operating activities | 23 | **43,507** | *42,449* |
| Dividends received from associated undertakings | | **315** | *3,146* |
| Returns on investments and servicing of finance | 24 | **(4,735)** | *(15,665)* |
| Taxation | | **381** | *-* |
| Capital expenditure and financial investment | 24 | **(4,729)** | *(1,338)* |
| Acquisitions and disposals | 24 | **365** | *8,555* |
| **CASH INFLOW BEFORE FINANCING** | | **35,104** | *37,147* |
| Financing | 24 | **(12,000)** | *(23,979)* |
| **INCREASE IN CASH IN THE YEAR** | | **23,104** | *13,168* |

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
## FOR THE YEAR ENDED 31 MARCH 2011

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Increase in cash in the year | **23,104** | *13,168* |
| Cash outflow from decrease in debt and lease financing | **12,000** | *23,979* |
| **CHANGE IN NET DEBT RESULTING FROM CASH FLOWS** | **35,104** | *37,147* |
| Loan note and other interest added to principal | **(46,528)** | *(46,533)* |
| Amortisation of issue costs | **-** | *(3,562)* |
| **MOVEMENT IN NET DEBT IN THE YEAR** | **(11,424)** | *(12,948)* |
| Net debt at 1 April 2010 | **(666,674)** | *(653,726)* |
| **NET DEBT AT 31 MARCH 2011** | **(678,098)** | *(666,674)* |

The notes on pages 14 to 39 form part of these financial statements

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

### 1.2 Basis of consolidation

The financial statements consolidate the accounts of Global Radio UK Limited and all of its subsidiary undertakings ('subsidiaries')

The results of subsidiaries acquired during the year are included from the effective date of acquisition

The consolidated financial statements have been made up under the acquisition method of accounting Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control The Group's share of the profits less losses of associates and joint ventures is included in the consolidated profit and loss account and its interest in their net assets or liabilities is included in investments in the consolidated balance sheet

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account The loss for the year dealt with in the accounts of the Company was £26,591,000 (2010 - £39,693,000)

### 1.3 Turnover

Turnover comprises revenue recognised by the Group in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

Radio airtime revenue generated by the sale of advertising space is recognised on the date of broadcast Sponsorship, internet revenue and transmission fees for the digital multiplexes are recognised evenly over the life of the contract in accordance with specific contract terms if applicable Revenue for the production of advertisements is recognised on the date of release to the client Enterprise revenue relating to events is recognised upon agreed settlement with all related parties and CD revenue is recognised on date of sale Revenue on barter transactions is recognised only when the goods or services being exchanged are of a dissimilar nature

## 1 ACCOUNTING POLICIES (continued)

### 1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities It is amortised to the profit and loss account over its estimated economic life

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises The goodwill is being amortised over a period of twenty years, being the Directors' best estimate of its useful economic life This largely equates to the remaining life of the Group's radio licence portfolio and assumes that the Group successfully renews each licence for a further term

### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

| | | |
|---|---|---|
| Freehold property | - | 2%-4% per annum |
| Long term leasehold property | - | 2%-6% per annum |
| Short term leasehold property | - | over term of lease or, where lease is renewable, 5% per annum |
| Fixtures and technical equipment | - | 10%-33% per annum |
| Transmitters | - | 5% per annum |

### 1.6 Investments

(i) Subsidiary undertakings
Investments in subsidiaries are valued at cost less provision for impairment

(ii) Associated undertakings
Investments in associates are stated at the amount of the Group's share of net assets The profit and loss account includes the Group's share of the associated companies' profits or losses after taxation using the equity accounting basis

(iii) Other investments
Investments held as fixed assets are shown at cost less provision for impairment

### 1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful lives Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the Profit and loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1. **ACCOUNTING POLICIES (continued)**

**1.8 Operating leases**

Rentals under operating leases are charged to the Profit and loss account on a straight-line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

**1 9 Post retirement benefits**

The Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Group to the fund in respect of the year

The Group operates two defined benefits pension schemes and the pension charge is based on full actuarial valuations dated 30 September 2008

Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between administrative expenses, other finance income and actuarial gains and losses in the consolidated statement of total recognised gains and losses

**1.10 Related party transactions**

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties)

**1.11 Going concern**

At 31 March 2011 the Group had net liabilities of £354 3m (31 March 2010 £319 6m)

The Group has prepared detailed forecasts of expected future cash flows for the three years ending 31 March 2014 ("the forecast") The Board considers the forecast has been prepared on a prudent basis taking into account current consensus forecasts of the radio advertising market However, the Group has also prepared a worse than expected downside scenario Even under this sensitised scenario, the forecasts indicate that the Group can continue to trade for the foreseeable future and operate within its new facility and the associated financial covenants

Notwithstanding the net liabilities referred to above, the Directors consider it appropriate to prepare the financial statements on a going concern basis

## 1. ACCOUNTING POLICIES (continued)

### 1 12 Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

The Company has taken advantage of the exemption contained within FRS 29 and has not provided the required financial instruments disclosure on the basis that the Group's consolidated financial statements include consolidated disclosures which are compliant with the requirements of FRS 29

### 1.13 Share based payments

On 21 February 2011, a number of employees acquired B ordinary shares in Global Radio Holdings Limited, a subsidiary of the Company These B shares are subject to rights whereby the employees may sell the shares to this company or the company may acquire the shares from the employees for cash within a 60 day window starting on 1 August 2014, 31 August 2015 and 31 August 2016 The value at which the shares can be bought or sold shall be determined by a formula based on the future growth in value of the shares over a certain minimum threshold value

The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account

### 1.14 Reclassification

Certain reclassifications were made to the 2010 profit and loss account to conform them to the 2011 presentation

In the prior year the accounting policy for the presentation of income from other fixed asset investments was to classify them as interest receivable and similar income In the financial statements for the year ended 31 March 2011, the Directors reconsidered this accounting policy and concluded that a fairer presentation is to show these separately

## 2 TURNOVER

The whole of the turnover is attributable to operating as a commercial radio broadcaster The Directors consider that this is the only material business activity and consequently, no detailed segmental analysis has been prepared

All turnover arose within the United Kingdom

## 3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Amortisation - intangible fixed assets | 19,800 | 17,298 |
| Depreciation of tangible fixed assets | | |
| - owned by the Group | 5,548 | 6,321 |
| Operating lease rentals | | |
| - plant and machinery | 1,006 | 935 |
| - other operating leases | 5,165 | 6,650 |
| (Profit)/loss on disposal of fixed assets | (41) | 6 |

## 4 AUDITOR'S REMUNERATION

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 40 | 50 |
| Fees payable to the Group's auditor and its associates in respect of | | |
| The auditing of accounts of associates of the Group pursuant to legislation | 100 | 100 |
| Other services relating to taxation | 9 | 45 |
| All other services | 19 | 39 |

## 5. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Wages and salaries | 44,083 | 51,474 |
| Social security costs | 5,022 | 5,730 |
| Other pension costs (note 27) | 974 | 1,328 |
| | 50,079 | 58,532 |

The average monthly number of employees, including the Directors, during the year was as follows

| | 2011<br>No. | 2010<br>No |
|---|---|---|
| Sales | 853 | 928 |
| Administration | 216 | 281 |
| | 1,069 | 1,209 |

## 6. DIRECTORS' REMUNERATION

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Emoluments | **4,196** | *5,733* |
| Amounts receivable under long-term incentive schemes | **1,400** | *-* |
| Company pension contributions to defined contribution pension schemes | **132** | *175* |
| Total Directors' remuneration | **5,728** | *5,908* |

During the year retirement benefits were accruing to 4 Directors *(2010 - 5)* in respect of defined contribution pension schemes
The highest paid Director received remuneration of £3,301,000 *(2010 - £2,483,000)*

## 7 INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Bank interest receivable | **376** | *400* |

## 8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2011 £000 | *2010 £000* |
|---|---|---|
| On bank loans and overdrafts | **4,240** | *8,899* |
| On other loans | **51,868** | *46,407* |
| Settlement of debt issue costs and hedge contracts | **-** | *10,924* |
| | **56,108** | *66,230* |

## 9. OTHER FINANCE INCOME

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Expected return on pension scheme assets | **1,708** | *1,408* |
| Interest on pension scheme liabilities | **(1,450)** | *(1,337)* |
| | **258** | *71* |

## 10. TAXATION

| | 2011 £000 | *2010 £000* |
|---|---|---|
| **Analysis of tax (credit)/charge in the year** | | |
| UK corporation tax charge on loss for the year | 1,268 | *1,791* |
| Adjustments in respect of prior periods | (2,054) | *(1,752)* |
| **Tax (credit)/charge on loss on ordinary activities** | (786) | *39* |

**Factors affecting tax (credit)/charge for the year**

The tax assessed for the year is higher than *(2010 - higher than)* the standard rate of corporation tax in the UK of 28% *(2010 - 28%)* The differences are explained below

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Loss on ordinary activities before tax | (32,749) | *(30,893)* |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% *(2010 - 28%)* | (9,170) | *(8,650)* |
| **Effects of** | | |
| Non-tax deductible amortisation of goodwill and impairment | 5,282 | *4,844* |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | (257) | *146* |
| (Capital allowances)/depreciation for year in excess of depreciation/(capital allowances) | (330) | *1,630* |
| Adjustments to tax charge in respect of prior periods | (2,054) | *(1,752)* |
| Capital gains | (151) | *(3,871)* |
| Special factors affecting joint-ventures and associates leading to an increase in the tax credit | (313) | *-* |
| Unrelieved tax losses carried forward | 6,227 | *1,996* |
| UK dividend income from associates | (20) | *(18)* |
| Restriction on interest allowable for tax | - | *5,714* |
| **Current tax (credit)/charge for the year** (see above) | (786) | *39* |

**Factors that may affect future tax (credits)/charges**

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the unrecognised deferred tax asset The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date, however it is estimated that this will not have a material effect on the Group or the Company

## 11 INTANGIBLE FIXED ASSETS

| Group | Goodwill £000 |
|---|---|
| **Cost** | |
| At 1 April 2010 and 31 March 2011 | **573,764** |
| **Amortisation** | |
| At 1 April 2010 | **240,494** |
| Charge for the year | **19,800** |
| At 31 March 2011 | **260,294** |
| **Net book value** | |
| At 31 March 2011 | **313,470** |
| *At 31 March 2010* | *333,270* |

## 12. TANGIBLE FIXED ASSETS

| Group | Land and buildings £000 | Transmitters, fixtures & technical equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2010 | **12,923** | **12,036** | **24,959** |
| Additions | **536** | **4,318** | **4,854** |
| Disposals | **(107)** | **-** | **(107)** |
| At 31 March 2011 | **13,352** | **16,354** | **29,706** |
| **Depreciation** | | | |
| At 1 April 2010 | **1,271** | **5,125** | **6,396** |
| Charge for the year | **1,393** | **4,155** | **5,548** |
| On disposals | **(23)** | **-** | **(23)** |
| At 31 March 2011 | **2,641** | **9,280** | **11,921** |
| **Net book value** | | | |
| At 31 March 2011 | **10,711** | **7,074** | **17,785** |
| *At 31 March 2010* | *11,652* | *6,911* | *18,563* |

As at 31 March 2011, the net book value of land and buildings comprises

| | |
|---|---|
| Freehold | £3,143,000 |
| Long leasehold | £1,116,000 |
| Short leasehold | £6,452,000 |

## 13. FIXED ASSET INVESTMENTS

| Group | Investments in associates £000 | Other fixed asset investments £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2010 | 1,171 | 586 | 1,757 |
| Disposals | (188) | - | (188) |
| Share of profit | 802 | - | 802 |
| At 31 March 2011 | 1,785 | 586 | 2,371 |
| **Provisions** | | | |
| At 1 April 2010 | 577 | - | 577 |
| Transfer between items | (389) | 389 | - |
| Disposals | (188) | - | (188) |
| At 31 March 2011 | - | 389 | 389 |
| **Net book value** | | | |
| At 31 March 2011 | 1,785 | 197 | 1,982 |
| *At 31 March 2010* | *594* | *586* | *1,180* |

**Associated undertakings and other investments**

The Group holds a 2 53% holding in UBC Media Group plc ("UBC")

A list of associated undertakings of the Group and their principal activities can be found in note 32

| Company | Investments in subsidiary companies £000 | Loans to subsidiaries £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2010 | 90,640 | 255,420 | 346,060 |
| Additions | 300 | - | 300 |
| At 31 March 2011 | 90,940 | 255,420 | 346,360 |
| **Net book value** | | | |
| At 31 March 2011 | 90,940 | 255,420 | 346,360 |
| *At 31 March 2010* | *90,640* | *255,420* | *346,060* |

## 13 FIXED ASSET INVESTMENTS (continued)

A list of subsidiary and associated undertakings can be found in note 32

Loans to subsidiary undertakings relate to the Group's acquisition of GCap Media Plc The Directors consider that, in substance, this loan represents a long-term investment in its subsidiary, Global Radio Acquisitions Limited, and have classified this as an investment

On 12 January 2011, as part of an internal group re-organisation, the Company increased its shareholding in Global Radio Holdings Limited ("GRHL") by subscribing for 299,999 ordinary £1 shares

## 14. DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | *2010* | **2011** | *2010* |
| | **£000** | *£000* | **£000** | *£000* |
| **Due after more than one year** | | | | |
| Other debtors | - | *5,270* | - | - |
| **Due within one year** | | | | |
| Trade debtors | **25,326** | *27,168* | - | - |
| Amounts owed by group undertakings | - | - | **120,046** | *111,990* |
| Other debtors | **939** | *4,454* | - | - |
| Prepayments and accrued income | **4,890** | *4,782* | - | - |
| | **31,155** | *41,674* | **120,046** | *111,990* |

The Orion loan notes, held as debtors due after more than one year, were settled during the year

## 15. CREDITORS

**Amounts falling due within one year**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | *2010* | **2011** | *2010* |
| | **£000** | *£000* | **£000** | *£000* |
| Bank loans and overdrafts | **12,000** | *12,000* | **12,000** | *12,000* |
| Other loans | **14,151** | *12,344* | **14,151** | *12,344* |
| Trade creditors | **4,000** | *7,011* | - | - |
| Corporation tax | **720** | *1,125* | - | - |
| Social security and other taxes | **7,055** | *7,384* | - | - |
| Other creditors | **7,446** | *10,295* | **71** | - |
| Accruals and deferred income | **16,243** | *16,032* | - | - |
| | **61,615** | *66,191* | **26,222** | *24,344* |

## 16. CREDITORS·

**Amounts fallıng due after more than one year**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | *2010* | **2011** | *2010* |
| | **£000** | *£000* | **£000** | *£000* |
| Bank loan | **80,000** | *92,000* | **80,000** | *92,000* |
| Other loans | **633,579** | *588,858* | **633,481** | *588,858* |
| | **713,579** | *680,858* | **713,481** | *680,858* |

Credıtors ınclude amounts not wholly repayable wıthın 5 years as follows

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | *2010* | **2011** | *2010* |
| | **£000** | *£000* | **£000** | *£000* |
| Repayable other than by ınstalments | **559,629** | *588,858* | **559,531** | *588,858* |

The terms of the bank loan are as follows

Senıor Term Loan - £92m (2010 £104m) Repayable ın scheduled quarterly ınstalments up to 14th October 2012 wıth a bullet repayment on that date Bears ınterest at a margın of 3% above LIBOR The bank loans are secured by a mortgage debenture ıncorporatıng a fixed and floatıng charge over the company and all ıts present and future subsıdıarıes together wıth an unlımıted composıte cross-guarantee scheme

The terms of the other loans are as follows

Fıxed rate loan notes - £74 0m (2010 £63 3m) Repayable at par ın June 2015 Bear ınterest at 15% per annum The loan notes are lısted on the Channel Island Stock Exchange ("CISX") and held by the Group's ultımate holdıng company

Shareholder loan notes - £128 6m (2010 £111 8m) Repayable at par ın June 2016 Bear ınterest at 15% per annum The loan notes are lısted on the CISX and held by the Group's ultımate holdıng company

Loan note from connected party - £224 9m (2010 £201 2m) Repayable at par ın June 2016 Bears ınterest at a margın of 10 5% per annum above LIBOR The loan note ıs lısted on the CISX

## 17. DEFERRED TAXATION

At 31 March 2011 the Group had unrecognised deferred tax assets amounting to £26 7million (2010 £22 9 million)

## 17. DEFERRED TAXATION (continued)

| | **2011** **£000** | *2010* *£000* |
|---|---|---|
| Excess book depreciation over tax allowances on fixed assets | **3,716** | *5,028* |
| UK trading losses | **22,717** | *17,586* |
| Provisions | **271** | *260* |
| Total | **26,704** | *22,874* |

The utilisation of deferred tax assets relies on a number of factors including the future profitability of the UK Group Where the recoverability of these amounts within the foreseeable future is uncertain, a deferred tax asset has not been recognised in these financial statements

## 18. PROVISIONS

| **Group** | **Integration** **£000** | **Vacant space** **£000** | **Total** **£000** |
|---|---|---|---|
| At 1 April 2010 | **100** | **4,390** | **4,490** |
| Additions | **-** | **2,177** | **2,177** |
| Amounts paid/utilised | **(100)** | **(1,406)** | **(1,506)** |
| At 31 March 2011 | **-** | **5,161** | **5,161** |

### Vacant space

Included in vacant space provisions arising on acquisition was a provision in relation to future liabilities arising on various properties The remaining balance reflects the best estimate of the Group's exposure on the remaining life of the leases Additional provision has been made in the year in relation to the leased properties within the Group that have been vacated during the period as a result of the changes to broadcast locations and represent the best estimate of the Group's exposure on the remaining life of the leases

### Integration

The integration provision was set up to cover future costs arising from the acquisition of GCap Media plc

| Company | Integration £000 | Total £000 |
|---|---|---|
| At 1 April 2010 | 100 | 100 |
| Amounts paid/utilised | (100) | (100) |
| At 31 March 2011 | - | - |

## 19 SHARE CAPITAL

| | 2011 £000 | *2010* *£000* |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 1 Ordinary share share of £1 | - | - |

## 20. RESERVES

| Group | Profit and loss account £000 |
|---|---|
| At 1 April 2010 | (321,313) |
| Loss for the year | (33,690) |
| Other net losses recognised in respect of the pension schemes | (863) |
| At 31 March 2011 | (355,866) |

| Company | Profit and loss account £000 |
|---|---|
| At 1 April 2010 | (243,766) |
| Loss for the year | (26,591) |
| At 31 March 2011 | (270,357) |

The closing balance on the Consolidated profit and loss account includes a £nil *(2010 - £1,278,000)* debit, stated after deferred taxation of £nil *(2010 - £nil)*, in respect of pension scheme liabilities of the Group pension schemes

## 21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

| Group | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| Opening shareholders' deficit | (321,313) | *(287,878)* |
| Loss for the year | (33,690) | *(31,869)* |
| Other net losses recognised in respect of the pension schemes | (863) | *(1,566)* |
| Closing shareholders' deficit | (355,866) | *(321,313)* |

| Company | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| Opening shareholders' deficit | (243,766) | *(204,073)* |
| Loss for the year | (26,591) | *(39,693)* |
| Closing shareholders' deficit | (270,357) | *(243,766)* |

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

## 22. MINORITY INTERESTS

| Equity | £000 |
|---|---|
| At 1 April 2010 | (1,711) |
| Share of loss after taxation for the year | 176 |
| At 31 March 2011 | (1,535) |

## 23 NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| Operating profit | 21,172 | *19,862* |
| Amortisation of intangible fixed assets | 19,800 | *17,298* |
| Depreciation of tangible fixed assets | 5,548 | *6,321* |
| Profit on disposal of tangible fixed assets | (41) | *(6)* |
| Decrease in debtors | 10,519 | *17,918* |
| Decrease in creditors | (12,279) | *(16,881)* |
| Increase in provisions | 671 | *-* |
| Decrease in net pension liabilities | (1,883) | *(2,063)* |
| **Net cash inflow from operating activities** | 43,507 | *42,449* |

## 24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

| | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received | 376 | *400* |
| Interest paid | (4,396) | *(14,753)* |
| Dividends received | 71 | *63* |
| Income from investments in associated undertakings | 1,117 | *1,116* |
| Dividends paid to minority interests | (1,903) | *(2,491)* |
| **Net cash outflow from returns on investments and servicing of finance** | **(4,735)** | *(15,665)* |

| | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| **Capital expenditure and financial investment** | | |
| Purchase of tangible fixed assets | (4,854) | *(1,789)* |
| Sale of tangible fixed assets | 125 | *457* |
| Sale of trade investments | - | *(6)* |
| **Net cash outflow from capital expenditure** | **(4,729)** | *(1,338)* |

| | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| **Acquisitions and disposals** | | |
| Sale of fixed asset investments | 365 | *8,555* |

| | 2011<br>£000 | *2010*<br>*£000* |
|---|---|---|
| **Financing** | | |
| New secured loans | - | *190,000* |
| Repayment of loans | (12,000) | *(213,979)* |
| **Net cash outflow from financing** | **(12,000)** | *(23,979)* |

## 25 ANALYSIS OF CHANGES IN NET DEBT

| | 1 April 2010 £000 | Cash flow £000 | Other non-cash changes £000 | 31 March 2011 £000 |
|---|---|---|---|---|
| Cash at bank and in hand | **38,528** | **23,104** | **-** | **61,632** |
| **Debt** | | | | |
| Debts due within one year | **(24,344)** | **-** | **(1,807)** | **(26,151)** |
| Debts falling due after more than one year | **(680,858)** | **12,000** | **(44,721)** | **(713,579)** |
| **Net debt** | **(666,674)** | **35,104** | **(46,528)** | **(678,098)** |

### MAJOR NON-CASH TRANSACTIONS

Non-cash movements represent additional shareholder loans issued, and loan note interest accrued to year end During the year, £5 3m of debt falling due after more than one year was repaid by way of settlement of the Orion loan notes

Of the Group's closing cash balance of £61 6m at 31 March 2011(2010 £38 5m), £2 6m (2010 £3 5m) was held in escrow accounts and its use is restricted to the payment of funding contributions to the Capital Radio Pension and Assurance Scheme

## 26. CAPITAL COMMITMENTS

At 31 March 2011 the Group had capital commitments as follows

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Contracted for but not provided in these financial statements | **1,040** | - |

## 27. PENSION COMMITMENTS

The Group operates three pension schemes on behalf of its employees The Capital Radio plc Pension and Assurance Scheme (CRPPAS) and the Midlands Radio Group Pension Scheme (MRGPS) are contributory defined benefit schemes Both schemes were closed to new employees from 31 March 1995 At 31 March 2011, the MRGPS had 9 active members and the CRPPAS had 6 active members

All current employees are eligible to join the Global Radio Group Personal Pension Plan, which new employees are invited to join when they begin employment with the Group This scheme is a contributory defined contribution arrangement and as at 31 March 2011, 426 employees were active members of this scheme The Group makes age-related contributions to the scheme

The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £851,000 (2010 £1,246,000)

Contributions amounting to £133,000 (2010 £143,000) were payable to the scheme at the end of the financial year and are included in other creditors

## 27. PENSION COMMITMENTS (continued)

The Group operates two defined benefit pension schemes

The actual return on scheme assets over the period from 31 March 2010 to 31 March 2011 was £990,000 for MRGPS and £1,013,000 for CRPPAS

The expected long-term rate of return on assets assumption is assessed by considering the current level of returns on risk-free investments (primarily government bonds) and the expectations for the risk premium of each asset class The expected return for each asset class is then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio

The amounts recognised in the consolidated balance sheet are as follows

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Present value of funded obligations | (25,799) | *(27,000)* |
| Fair value of scheme assets | 30,537 | *28,288* |
| Surplus in scheme | 4,738 | *1,288* |
| Surplus not recognised | (4,738) | *(2,566)* |
| Net liability | - | *(1,278)* |

The pension scheme assets include ordinary shares issued by Global Radio UK Limited with a fair value of £nil *(2010 - £nil)* Scheme assets also include property occupied by Global Radio UK Limited with a fair value of £nil *(2010 - £nil)*

The amounts recognised in the consolidated profit or loss account are as follows

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Current service cost | (123) | *(82)* |
| Interest on obligation | (1,450) | *(1,337)* |
| Expected return on scheme assets | 1,708 | *1,408* |
| Total | 135 | *(11)* |
| Actual return on scheme assets | 2,003 | *5,838* |

## 27. PENSION COMMITMENTS (continued)

Changes in the present value of the defined benefit obligation are as follows

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Opening defined benefit obligation | 27,000 | *21,380* |
| Current service cost | 123 | *82* |
| Interest cost | 1,450 | *1,337* |
| Contributions by scheme participants | 27 | *33* |
| Actuarial (gains)/losses | (1,014) | *5,260* |
| Losses on settlements and curtailments | - | *425* |
| Benefits paid | (1,787) | *(1,517)* |
| Closing defined benefit obligation | 25,799 | *27,000* |

In July 2010, the UK government announced a change in pension indexation from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) The actuarial gains and losses for the period include the impact of the change in calculation method for pension increases/revaluation from RPI 3 5%pa (2010 3 5%pa) to CPI 2 75%pa (2010 n/a) which reduced the liabilities of the schemes

The Group has undertaken an exercise to examine scheme rules governing pension increases in its material schemes The results of this exercise together with certain assumptions were used to develop an estimate of the potential impact Using an RPI to CPI differential of 0 75% and applying it to its pension scheme increases in deferment and pension increases in payment would produce a reduction in pension liabilities of approximately £1,457,000 The reduction has been recognised through actuarial gains and treated as a change in actuarial assumptions due to pension increases being linked to statutory indexation as opposed to RPI

Changes in the fair value of scheme assets are as follows

| | 2011 £000 | *2010 £000* |
|---|---|---|
| Opening fair value of scheme assets | 28,288 | *21,925* |
| Expected return | 1,708 | *1,408* |
| Actuarial gains | 295 | *4,430* |
| Contributions by employer | 2,041 | *2,041* |
| Contributions by scheme participants | 27 | *33* |
| Benefits paid | (1,787) | *(1,517)* |
| Expenses paid by scheme | (35) | *(32)* |
| | 30,537 | *28,288* |

The cumulative amount of surplus not recognised, net of actuarial gains and losses recognised in the Consolidated statement of total recognised gains and losses was £863,000 *(2010 - £1,566,000)*

The Group expects to contribute £2 million to its defined benefit pension schemes in 2012

## 27. PENSION COMMITMENTS (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows

| | 2011 | 2010 |
|---|---|---|
| Equities | 66 50 % | 67 50 % |
| Bonds | 33 50 % | 32 50 % |

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages)

| | 2011 | 2010 |
|---|---|---|
| Discount rate at 31 March | 5.50 % | 5 50 % |
| Future salary increases | 3.50 % | 3 50 % |
| Future pension increases | 3.50 % | 3 75 % |
| Inflation assumption | 3 50 % | 3 50 % |
| Life expectancy at 65 current pensioners male/female | 21.4/24 0 | 21 3/23 9 |

Amounts for the current and previous year are as follows

Defined benefit pension schemes

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Defined benefit obligation | (25,799) | (27,000) |
| Scheme assets | 30,537 | 28,288 |
| Surplus | 4,738 | 1,288 |
| Experience adjustments on scheme liabilities | (443) | 411 |
| Experience adjustments on scheme assets | 295 | 4,430 |

Under FRS17 both schemes show a surplus In accordance with FRS 17 , the Group has not recognised an asset in relation to the surplus in the schemes because it is not expected to be recoverable either through reduced contributions in the future or through refunds from the schemes

## 28. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Operatıng leases

At 31 March 2011 the Group had annual commıtments under non-cancellable operatıng leases as follows

| | Land and buıldıngs | | | Other |
|---|---|---|---|---|
| | **2011** | *2010* | **2011** | *2010* |
| **Group** | **£000** | *£000* | **£000** | *£000* |
| **Expıry date** | | | | |
| Wıthın 1 year | **49** | *1,085* | **163** | *318* |
| Between 2 and 5 years | **702** | *703* | **970** | *761* |
| After more than 5 years | **4,413** | *4,395* | **-** | *-* |

**Securıty**

The assets of the Group are pledged to theır bankers as securıty agaınst loans

**VAT Group**

The Company ıs a member of a group for VAT purposes, resultıng ın a joınt and severable lıabılıty for amounts owıng by other Group companıes for unpaıd VAT

**Other commıtments**

The Group has entered ınto agreements wıth transmıssıon supply companıes and dıgıtal multıples operators for the transmıssıon of ıts radıo statıons for perıods up to 2022 at competıtıve prıces and to ensure supply At year end the commıtment to purchase space on transmıtters over thıs perıod was £29 1mıllıon (2010 £28 6mıllıon)

## 29 RELATED PARTY TRANSACTIONS

The Company ıs controlled by Global Radıo Group Lımıted, the ultımate controllıng company Detaıls of loans outstandıng wıth thıs entıty are gıven ın note 16

The Group has a tradıng relatıonshıp wıth the Dıgıtal Radıo Group (London) Ltd, Radıo Centre Lımıted and CE Dıgıtal Lımıted The Group holds sıgnıficant ınfluence ın all these companıes and ıs therefore ın a posıtıon to exercıse sıgnıficant control over these companıes All transactıons were conducted at normal commercıal rates

a) Dıgıtal Radıo Group (London) Lımıted operates a dıgıtal radıo multıplex and durıng the year the Group paıd £0 5m (2010 £0 4m) to thıs company for transmıssıon servıces The Group had an outstandıng debtor balance of £0 1m at 31 March 2011 (2010 £nıl)

b) Radıo Centre Lımıted ıs a trade body promotıng commercıal radıo to advertısers Radıo Centre Lımıted ıs funded by levıes paıd by the commercıal radıo ındustry ın the UK based on volumes of advertısıng revenue Durıng the year the Group paıd £2 1m (2010 £1 7m) ın levıes to Radıo Centre Lımıted and had no outstandıng balance at 31 March 2011 (2010 £nıl)

c) CE Dıgıtal operates three local dıgıtal radıo multıplexes Durıng the year the Group paıd £1 1m (2009 0 4m) to CE Dıgıtal ın respect of radıo broadcasts and receıved £0 1m (2010 £0 1m) ın respect of legal expertıse and engıneerıng tıme The Group had no outstandıng balance at 31 March 2011 (2010 £nıl)

In the opınıon of the Dırectors, there were no other related party transactıons durıng the year

## 30. SHARE BASED PAYMENTS

On 21 February 2011, a number of employees acquıred B ordınary shares ın Global Radıo Holdıngs Lımıted, a subsıdıary of the Company These B shares are subject to rıghts whereby the employees may sell the shares to thıs company or the company may acquıre the shares from the employees for cash wıthın a 60 day wındow startıng on 1 August 2014, 31 August 2015 and 31 August 2016 The value at whıch the shares can be bought or sold shall be determıned by a formula based on the future growth ın value of the shares over a certaın mınımum threshold value

The number of shares ıssued ın the year, and at 31 March 2011, were 69,000

There was no charge to the consolıdated profit and loss account ın the year ın relatıon to the share based payments

## 31. CONTROLLING PARTY

The Company ıs a subsıdıary undertakıng of Global Radıo Group Lımıted, whıch ıs the ultımate controllıng company, a company ıncorporated ın Jersey

The largest and smallest Group ın whıch the results of the Company are consolıdated ıs that headed by Global Radıo Group Lımıted, ıncorporated ın Jersey The consolıdated financıal statements of thıs Group are not avaılable to the publıc

## 32. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

### a Principal subsidiaries

| Company name | Country | Percentage Shareholding | Description |
|---|---|---|---|
| Global Radio Holdings Limited* | UK | 100 | Holding company |
| Global Radio Acquisitions Limited | UK | 100 | Holding company |
| Global Radio Limited | UK | 100 | Holding company |
| Galaxy Radio Birmingham Limited | UK | 100 | Local radio operator |
| Galaxy Radio Manchester Limited | UK | 100 | Local radio operator |
| Galaxy Radio North East Limited | UK | 100 | Local radio operator |
| Galaxy Radio Yorkshire Limited | UK | 100 | Local radio operator |
| Global Radio London Limited | UK | 100 | Local radio operator |
| Global Radio Midlands Limited | UK | 100 | Local radio operator |
| Global Radio Services Limited | UK | 100 | Agency company and Holding company |
| GWR Group Limited | UK | 100 | Holding company |
| Southern Radio Group Limited | UK | 100 | Holding company |
| Capital Radio Investments Limited | UK | 100 | Investment company |
| Classic FM Limited | UK | 100 | National radio operator |
| Cardiff Broadcasting Company Limited | UK | 100 | Local radio operator |
| Chiltern Radio Limited | UK | 100 | Local radio operator |
| Essex Radio Limited | UK | 100 | Local radio operator |
| First Oxfordshire Radio Company Limited | UK | 100 | Local radio operator |
| GCap Media Management Limited | UK | 100 | Local radio operator |
| Gemini Radio Limited | UK | 100 | Local radio operator |
| GWR (West) Limited | UK | 100 | Local radio operator |
| Harlow FM Limited | UK | 100 | Local radio operator |
| Lantern Radio Limited | UK | 100 | Local radio operator |
| Leicester Sound Limited | UK | 100 | Local radio operator |
| Marcher Radio Group Limited | UK | 100 | Local radio operator |
| Mid Anglia Radio Limited | UK | 100 | Local radio operator |
| Orchard FM Limited | UK | 100 | Local radio operator |
| Plymouth Sound Limited | UK | 100 | Local radio operator |
| Radio Broadland Limited | UK | 100 | Local radio operator |
| Radio Invicta Limited | UK | 100 | Local radio operator |
| Radio Mercury Limited | UK | 100 | Local radio operator |
| Radio Trent Limited | UK | 100 | Local radio operator |
| GCap Media (CRUD) Limited | UK | 100 | Commercial digital data |
| Capital Gold Hampshire Limited | UK | 100 | Local radio operator |
| Capital Gold Kent Limited | UK | 100 | Local radio operator |
| Capital Gold Manchester Limited | UK | 100 | Local radio operator |
| Capital Gold Sussex Limited | UK | 100 | Local radio operator |
| DQ Services Limited | UK | 100 | Directory Enquiry service |
| Soul Media Limited | UK | 100 | Local radio operator |

## 32 PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

### a. Principal subsidiaries (continued)

| Company name | Country | Percentage Shareholding | Description |
|---|---|---|---|
| Southern Radio Limited | UK | 100 | Local radio operator |
| South Hams Radio Limited | UK | 100 | Local radio operator |
| Suffolk Group Radio Limited | UK | 100 | Local radio operator |
| Tainside Limited | UK | 100 | Local radio operator |
| Thames Valley Broadcasting Limited | UK | 100 | Local radio operator |
| Global Radio Hampshire Limited | UK | 100 | Local radio operator |
| Two Counties Radio Limited | UK | 100 | Local radio operator |
| Wiltshire Radio Limited | UK | 100 | Local radio operator |
| Xfm Limited | UK | 100 | Local radio operator |
| Xfm Manchester Limited | UK | 100 | Local radio operator |
| Galaxy Radio Scotland Limited | UK | 100 | Local radio operator |
| Hit 40 UK Limited | UK | 100 | Commercial radio |
| MXR Holdings Limited | UK | 51 | Commercial digital radio |
| Independent Radio News Limited | UK | 54 | Programme production |

### b. Principal associates

| Company name | Country | Percentage Shareholding | Description |
|---|---|---|---|
| RadioCentre Limited | UK | 46 3 | Marketing of commerical radio |
| Wildstar Records Limited | UK | 50 | Record production |
| CE Digital Limited | UK | 50 | Commercial digital radio |
| EG Digital Limited | UK | 49 | Commercial digital radio |
| The Digital Radio Group (London) Limited | UK | 46 46 | Digital radio multiplex owner |
| ND(EM) Limited | UK | 27 5 | Digital radio multiplex owner |

The results of the above subsidiary companies have been included within these consolidated financial statements

The list of subsidiary undertakings is truncated as the Directors are of the opinion that the number of undertakings in respect of which these disclosures are required would result in a statement of excessive length The above subsidiary companies are those undertakings whose results and financial position principally affect the figures in the Company's individual accounts

All of the principal subsidiary and associated undertakings are incorporated in Great Britain and registered in England and Wales with the exception of Galaxy Radio Scotland Limited which is registered in Scotland

* The Company owns 100% of Global Radio Holdings Limited directly Global Radio Holdings Limited holds investments, either directly or indirectly, in the remaining subsidiaries and associates listed above

## 33 FINANCIAL INSTRUMENTS

The Group's principal financial instruments, which exclude short-term debtors and creditors as permitted by FRS 13 'Derivatives and other financial instruments disclosures', comprise loans, listed loan notes, and cash These listed loan notes are registered on the Channel Islands Stock Exchange ("CISX") and are all held by the ultimate parent company, Global Radio Group Limited (Jersey)

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk The Group does not operate in overseas territories and therefore has no currency risk Senior management review and agree policies for managing each of the following principal risks

Interest rate risk

The Group borrows at both fixed and floating rates of interest In the current economic climate, where the Bank of England base rate and LIBOR are both at historic low points and have remained at such low levels for a number of months, the Directors do not believe that a clear economic benefit does exist for the use of interest rate hedge instruments to fix floating rate liabilities, because fixed rates are significantly higher than prevailing floating rates and would significantly increase the Group's annual interest expense The Directors continue to monitor this position closely

(a) Financial liabilities

Financial liabilities are principally bank loans and loan notes and are all denominated in sterling

The total financial liabilities for the Group were £739,801,000 (2010 £705,202,000)

The interest rate risk profile of financial liabilities as at 31 March 2011 and 31 March 2010 are as follows Fixed rate liabilities totalled £416,303,000 (2010 £387,610,000) Floating rate liabilities totalled £323,498,000 (2010 £317,592,000)

Fixed rate financial liabilities represent 56% of the total financial liabilities of the Group as at 31 March 2011 (2010 55%)

The floating rate liabilities are linked to interest rates related to LIBOR Off balance sheet financial liabilities comprise interest rate swaps These rates are for periods ranging from one to six months

The weighted average interest rate for the fixed rate financial liabilities as at 31 March 2011 was 7 4% (2010 6 8%) The weighted average period for which the rates are fixed is 56 months (2010 69 months)

b) Financial assets

Floating rate financial assets comprise cash deposits The value of financial assets as at 31 March 2011 was £61,632,000 (2010 £38,528,000)

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and loan notes Short-term flexibility is achieved by working capital facilities if required

The maturity profile of the Group's interest-bearing financial liabilities, excluding accrued interest, is set out below

| | 2011 £000 | 2010 £000 |
|---|---|---|
| In one year of less, or on demand | 12,000 | 12,000 |
| Between one and two years | 80,000 | 12,000 |
| Between two and five years | 73,950 | 80,000 |
| In five years or more | 559,629 | 588,858 |
| | 725,579 | 692,858 |

The maturity profile indicates that 98% of the Group's borrowings are repayable after more than one year

The Group has various borrowing facilities available to it As at 31 March 2011 there were un-drawn working capital banking facilities available totalling £15m (2010 £15m) These borrowing facilities are reviewed in October each year by the Group's banks

**Fair value of financial instruments**

The carrying amounts and fair values of the material financial instruments are as follows

| | 2011 carrying amount £000 | 2011 fair value £000 | 2010 carrying amount £000 | 2010 fair value £000 |
|---|---|---|---|---|
| Cash (Level1) | 61,632 | 61,632 | 38,528 | 38,528 |
| Borrowings | - | - | - | - |
| Long-term loans (Level1) | 92,000 | 92,000 | 104,000 | 104,000 |
| Long-term loans (Level 3) | 633,579 | 633,579 | 588,858 | 588,858 |

The Group, in estimating its fair value disclosures for financial instruments has used the following methods and assumptions

Cash The carrying values reported approximates to fair value because of its short maturity

Long-term loans The Directors consider that it is not practicable to estimate the fair value of the Group's long-term borrowings as there is no active market for these instruments and the Group's liquidity risk makes fair values calculated on a net present value basis unreliable

The table above analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e , as prices) or indirectly (i e , derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)