

RLA Media Limited

Annual report

for the year ended 31 May 2004

**Registered number: 4594935**



# **RLA Media Limited**

## **Annual report for the year ended 31 May 2004**

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# RLA Media Limited

## Directors' report

The directors present their report and the consolidated financial statements of the group for the year ended 31 May 2004.

### Principal activity

The principal activity of the group throughout the year was that of advertising agents and marketing consultants.

### Review of business and future developments

The directors are pleased with the group's financial performance and will continue its strategy to focus on niche local markets, particularly in the automotive and public sectors, with a view to medium term expansion into other product markets.

### Results and dividends

The group's profit for the year is £1,176,273. A final dividend of 26.01p per ordinary share and 47.69p per A Ordinary share is proposed. An interim dividend of 2.18p per ordinary share was paid. A fixed preferential dividend at a rate of 9.78723% per annum was paid on the preference shares. The retained profit of £645,949 will be transferred to reserves.

### Directors and their interests

The directors during the period and to date and their interests in the share capital of the company were as follows:

	At 31 May 2004 Ordinary shares	At 31 May 2003 Ordinary shares
W I R Long	550,000	550,000
D R N Ely (appointed 27/11/03))	-	-
D S Howard (appointed 17/07/03)	-	-
S J Dodd (appointed 22/04/04)	-	-
M Turner (resigned 27/11/03)	-	-
M Thomas (resigned 21/07/03)	-	-

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 a going concern basis, unless it is inappropriate to presume that the company will continue in business.

# **RLA Media Limited**

## **Directors' report (continued)**

### **Statement of directors' responsibilities (continued)**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



**W I R Long**  
**Director**

16 September 2004

# RLA Media Limited

## Independent Auditors' Report to the Members of RLA Media Limited

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and related notes.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group at 31 May 2004 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Southampton

17 September 2004

# RLA Media Limited

## Consolidated profit and loss account for the year ended 31 May 2004

	Notes	2004 £	19 November 2002 to 31 May 2003 £
<b>Turnover</b>	2	<b>10,595,750</b>	<b>4,512,419</b>
Cost of sales		(7,259,532)	(3,278,715)
Gross profit		<b>3,336,218</b>	<b>1,233,704</b>
Administrative expenses		(1,682,719)	(825,640)
<b>Operating profit</b>	3	<b>1,653,499</b>	<b>408,064</b>
Interest receivable	5	<b>20,847</b>	<b>6,198</b>
<b>Profit on ordinary activities before taxation</b>		<b>1,674,346</b>	<b>414,262</b>
Tax on profit on ordinary activities	6	(498,073)	(154,872)
<b>Profit for the financial period</b>		<b>1,176,273</b>	<b>259,390</b>
Dividends and appropriations:			
Preference share dividend	8	(207,000)	(87,384)
Preference share appropriation		(25,212)	(9,747)
Non equity dividends and appropriations		(232,212)	(97,131)
Ordinary dividends	8	(298,112)	(90,527)
<b>Retained profit for the financial period</b>	17	<b>645,949</b>	<b>71,732</b>

The group has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

Results for the period are wholly attributable to the continuing operations of the Group.

The profit on ordinary activities before taxation and the retained profit for the financial period have been computed on the historical cost basis.

# RLA Media Limited

## Balance sheets at 31 May 2004

	Notes	Group 2004 £	As restated 2003 £	Company 2004 £	As restated 2003 £
<b>Fixed assets</b>					
Intangible assets	9	2,143,727	2,199,737	-	-
Tangible assets	10	180,016	236,172	12,656	15,297
Investments	11	-	-	2,821,098	2,822,098
		2,323,743	2,435,909	2,833,754	2,837,395
<b>Current assets</b>					
Stock	12	68,707	13,637	-	-
Debtors	13	1,514,609	1,659,295	1,031,156	1,005,185
Cash at bank and in hand		2,948,746	1,036,079	1,229,790	335,185
		4,532,062	2,709,011	2,260,946	1,340,370
<b>Creditors: amounts falling due within one year</b>	14	(3,320,295)	(2,275,164)	(1,740,603)	(1,239,047)
<b>Net current assets</b>		1,211,767	433,847	520,343	101,323
<b>Total assets less current liabilities</b>		3,535,510	2,869,756	3,354,097	2,938,718
<b>Provisions for liabilities and charges</b>	15	(2,034)	(7,441)	(503)	(1,410)
<b>Net assets</b>		3,533,476	2,862,315	3,353,594	2,937,308
<b>Capital and reserves</b>					
Called up share capital	16	2,200,000	2,200,000	2,200,000	2,200,000
Share premium	17	580,836	580,836	580,836	580,836
Profit and loss account	17	752,640	81,479	572,758	156,472
<b>Total shareholders' funds</b>	18	3,533,476	2,862,315	3,353,594	2,937,308
<b>Analysis of shareholders' funds</b>					
Equity		1,383,517	737,568	1,203,635	812,561
Non equity		2,149,959	2,124,747	2,149,959	2,124,747
<b>Capital employed</b>		3,533,476	2,862,315	3,353,594	2,937,308

The financial statements on pages 4 to 18 were approved by the board of directors on 16 September 2004 and were signed on its behalf by:

W I R Long  
Director

# RLA Media Limited

## Consolidated cash flow statement for the year ended 31 May 2004

	Notes	2004 £	As restated * 19 November 2002 to 31 May 2003 £
<b>Net cash inflow from operating activities</b>	19	2,502,752	721,476
<b>Returns on investments and servicing of finance</b>			
Interest received		18,332	6,650
Non-equity dividends paid to preference shareholders		(207,000)	(52,884)
<b>Net cash inflow from returns on investments and servicing of finance</b>		(188,668)	(46,234)
<b>Taxation</b>		(265,154)	(128,604)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(53,527)	(72,471)
Sale of tangible fixed assets		10,855	6,175
<b>Net cash outflow for capital expenditure and financial investment</b>		(42,672)	(66,296)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings		-	(2,041,125)
Acquisition costs		-	(346,137)
Net cash acquired with subsidiary undertakings		-	1,749,999
<b>Net cash outflow for acquisitions</b>		-	(637,263)
<b>Equity dividends paid to shareholders</b>		(102,527)	(1,157,000)
<b>Financing</b>			
Issue of share capital	16	-	2,350,000
<b>Net cash inflow from financing</b>		-	2,350,000
<b>Increase in cash</b>	20	1,903,731	1,036,079

\* Dividends have been reanalysed into equity and non equity element.



# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004

### 1. Principal accounting policies

#### Basis of accounting

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

The principal accounting policies, which the directors have adopted within that convention, are set out below:

#### Basis of consolidation

The financial statements incorporate the results of all subsidiaries from the date of acquisition or to the date of disposal.

#### Turnover

Turnover represents amounts invoiced, excluding value added taxation, for services supplied to customers.

#### Depreciation

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

Leasehold property	-	over the lease term
Computers	-	4 years
Furniture and equipment	-	10 years
Motor vehicles	-	4 years

#### Goodwill

Goodwill arising from the acquisition of Roland Long Advertising Limited representing the difference between the purchase consideration and fair value of the net assets acquired, has been capitalised in accordance with the requirements of FRS 10 and is written off in equal annual instalments over its estimated useful economic life of 20 years.

#### Stock

Stock is valued at the lower of cost or net realisable value. Stock comprises only work in progress. The cost of work in progress comprises directly attributable materials and labour costs. The net realisable value is based on the expected selling price less any further costs expected to completion and acceptance by the customer.

#### Deferred taxation

Deferred taxation is recognised on a full provision basis on all timing differences which have originated, but not reversed, at the balance sheet date calculated at rates of tax expected to apply, based on current tax rates and law. Timing differences represent accumulated differences between the company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. Deferred taxation liabilities are not discounted.

#### Pension costs

The company operates a defined contribution executive pension plan. Contributions are charged to the profit and loss account as they become payable.

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### Leasing commitments

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

### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences are dealt with through the profit and loss account.

### Capital Instruments

The company has adopted the provisions of Financial Reporting Standard 'Capital Instruments' (FRS 4) which requires the amount of shareholders' funds attributable to equity and non-equity interests to be separately disclosed and for finance costs of non-equity interests to be allocated over the period until redemption. Dividends for the year on the company's redeemable preference shares have been appropriated through the profit and loss account.

### Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision required in respect of impairment in value.

## 2. Turnover

The turnover and profit before taxation are attributable to the activity relating to advertising agents and marketing consultants. All of the turnover is derived in the United Kingdom. Turnover in respect of media sales is recognised at the time of insertion in the relevant publication. Turnover in respect of production work is recognised when invoiced.

## 3. Operating profit

	2004 £	2003 £
Operating profit is arrived at after charging/ (crediting):		
Goodwill amortisation	56,010	117,806
Depreciation of tangible fixed assets	101,824	47,884
(Profit) on disposal of tangible fixed assets	(2,996)	(254)
Operating lease rentals – land and buildings	38,000	19,000
Group audit fees, of which the parent company was £9,000 (2003: £9,875)	24,700	25,000

Fees paid to PricewaterhouseCoopers LLP for non-audit services were £7,522 (2003: £4,014).

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 4. Employees and directors

<b>Staff costs for the group during the period</b>	<b>2004 £</b>	<b>2003 £</b>
Wages and salaries	962,229	392,563
Social security costs	107,848	38,900
Pension costs	16,800	7,500
	<b>1,086,877</b>	<b>438,963</b>

<b>Average monthly number of people (including executive directors) employed</b>	<b>2004 No</b>	<b>2003 No</b>
Administrative	7	7
Sales	8	7
Finance	3	2
Production	5	6
	<b>23</b>	<b>22</b>

<b>Directors</b>	<b>2004 £</b>	<b>2003 £</b>
Aggregate emoluments	133,870	59,032
Group contributions to defined contribution pension schemes	4,000	1,800
	<b>137,870</b>	<b>60,832</b>

Two directors (2003: one) have benefits accruing under defined contribution pension schemes.

<b>Highest paid director</b>	<b>2004 £</b>	<b>2003 £</b>
Aggregate emoluments	97,455	46,534
Company contributions to defined contribution pension scheme	3,600	1,800
	<b>101,055</b>	<b>48,334</b>

### 5. Interest receivable

	<b>2004 £</b>	<b>2003 £</b>
Bank interest	20,847	6,198

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 6. Tax on profit on ordinary activities

	2004 £	2003 £
<b>(a) Analysis of charge in period</b>		
<b>Current tax:</b>		
UK Corporation tax on profits for the period	524,835	157,607
Adjustments in respect of previous periods	(17,102)	9,329
<b>Total current tax – note 6 (b)</b>	<b>507,733</b>	<b>166,936</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(11,590)	(12,064)
Adjustment in respect to marginal relief	214	-
Prior year adjustment	1,716	-
<b>Tax on profit on ordinary activities</b>	<b>498,073</b>	<b>154,872</b>
	2004 £	2003 £

### (b) Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	1,674,346	414,262
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	502,304	124,279
Effects of:		
Adjustment for Group companies taxed at small companies rate	-	(3,799)
Adjustment for Group companies taxed at marginal companies rate	(12,765)	(7,213)
Expenses not deductible for tax purposes	6,904	3,531
Depreciation for period in excess of capital allowances	11,590	5,467
Goodwill for the period not deductible for tax purposes	16,802	35,342
Adjustment to charge in respect of previous periods	(17,102)	9,329
<b>Current tax charge for the period - note 6 (a)</b>	<b>507,733</b>	<b>166,936</b>

### (c) Factors that may affect future tax charges

Based on current capital investment plans, the group expects depreciation to continue to be in excess of capital allowances in future years but at a slightly lower level than in the current year.

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 7. Profits of holding company

Of the profit for the financial year, a profit of £921,398 is dealt with in the accounts of RLA Media Limited. The directors have taken advantage of the exemption under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.

### 8. Dividends

	2004 £	2003 £
<b>Equity – Ordinary</b>		
Interim paid: 2.18p per £0.10 share	12,000	-
Final proposed: 26.01p per £0.10 share	143,056	45,264
<b>Equity – A Ordinary</b>		
Final proposed: 47.69p per £0.10 share	143,056	45,263
<b>Equity dividends</b>	<b>298,112</b>	<b>90,527</b>
<b>Non-equity – Preference</b>		
Interim paid	172,500	52,884
Final accrued	34,500	34,500
<b>Non-equity dividends</b>	<b>207,000</b>	<b>87,384</b>
	<b>505,112</b>	<b>177,911</b>

### 9. Intangible fixed assets

	Goodwill £
<b>Group Cost</b>	
At 1 June 2003	4,712,222
Prior year adjustment *	(2,394,679)
At 1 June 2003 – as restated	2,317,543
<b>At 31 May 2004</b>	<b>2,317,543</b>
<b>Amortisation</b>	
At 1 June 2003	117,806
Charge for the year	56,010
<b>At 31 May 2003</b>	<b>173,816</b>
<b>Net book value</b>	
<b>At 31 May 2004</b>	<b>2,143,727</b>
At 31 May 2003 – as restated	2,199,737

\* A prior year adjustment has been made to goodwill to reflect a misstatement in the prior year financial statements of the amount paid in respect of a business acquired. The effect of the change on the amortisation is not deemed sufficiently material to warrant an adjustment to amounts charged in the prior year, (see note 16).

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 10. Tangible fixed assets

<b>Group</b>	<b>Short leasehold improvements £</b>	<b>Computer equipment £</b>	<b>Motor vehicles £</b>	<b>Furniture &amp; equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 June 2003	112,865	392,410	174,507	221,422	901,204
Additions	2,161	12,742	1,429	37,195	53,527
Disposals	-	-	(35,847)	-	(35,847)
<b>At 31 May 2004</b>	<b>115,026</b>	<b>405,152</b>	<b>140,089</b>	<b>258,617</b>	<b>918,884</b>
<b>Accumulated depreciation</b>					
At 1 June 2003	65,708	339,938	99,494	159,892	665,032
Charge for the year	26,134	32,463	30,478	12,749	101,824
Disposals	-	-	(27,988)	-	(27,988)
<b>At 31 May 2004</b>	<b>91,842</b>	<b>372,401</b>	<b>101,984</b>	<b>172,641</b>	<b>738,868</b>
<b>Net book value</b>					
<b>At 31 May 2004</b>	<b>23,184</b>	<b>32,751</b>	<b>38,105</b>	<b>85,976</b>	<b>180,016</b>
At 31 May 2003	47,157	52,472	75,013	61,530	236,172

<b>Company</b>	<b>Computer equipment £</b>	<b>Motor vehicles £</b>	<b>Furniture &amp; equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 June 2003	12,712	27,746	15,756	56,214
Additions	2,239	-	-	2,239
<b>At 31 May 2004</b>	<b>14,951</b>	<b>27,746</b>	<b>15,756</b>	<b>58,453</b>
<b>Accumulated depreciation</b>				
At 1 June 2003	11,822	22,338	6,757	40,917
Charge for the year	600	2,704	1,576	4,880
<b>At 31 May 2004</b>	<b>12,422</b>	<b>25,042</b>	<b>8,333</b>	<b>45,797</b>
<b>Net book value</b>				
<b>At 31 May 2004</b>	<b>2,529</b>	<b>2,704</b>	<b>7,423</b>	<b>12,656</b>
At 31 May 2003	890	5,408	8,999	15,297

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## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 11. Investments

#### Company

Fixed asset investments	£
At 1 June 2003 at cost	5,216,777
Prior year adjustment (see note 9 and 16)	(2,394,679)
At 1 June 2003 at cost – as restated	2,822,098
Disposal	(1,000)
<b>At 31 May 2004 at cost</b>	<b>2,821,098</b>

The disposal relates to the liquidation of DRMT Limited, Novahold Limited and Roland Long Advertising (UK) Limited all of which were dormant throughout the year.

At 31 May 2004 the company owned the following subsidiaries:

Subsidiary undertakings	Country of incorporation	Description of shares held	Proportion of nominal value of shares held directly	Principal activities
Triang Marketing Limited	England	Ordinary £1 shares	100%	Advertising agents and marketing consultants
RLA Northern Ireland Limited	Northern Ireland	Ordinary £1 shares	100%	Advertising agents and marketing consultants
RLA Southern Limited	England	Ordinary £1 shares	100%	Advertising agents and marketing consultants
Roland Long Advertising Limited	England	Ordinary £1 shares	100%	Dormant

### 12. Stock

	Group 2004 £	2003 £	Company 2004 £	2003 £
Work in progress	68,707	13,637	-	-

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 13. Debtors

	Group 2004 £	2003 £	Company 2004 £	2003 £
Trade debtors	1,427,169	1,603,491	-	-
Amounts owed by group undertakings	-	-	995,081	987,538
Prepayments and accrued income	76,935	49,561	36,075	17,647
Deferred tax asset – note 15	10,505	6,243	-	-
	<b>1,514,609</b>	<b>1,659,295</b>	<b>1,031,156</b>	<b>1,005,185</b>

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

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank overdrafts	8,936	-	5,441	-
Trade creditors	1,801,182	1,351,663	1,118,041	1,001,010
Amounts owed to group undertakings	-	-	153,705	16,864
Corporation tax	503,957	265,631	26,657	19,169
Other taxes and social security	228,552	166,901	20,546	7,280
Accruals and deferred income	457,056	365,942	95,601	69,697
Dividend proposed and accrued	320,612	125,027	320,612	125,027
	<b>3,320,295</b>	<b>2,275,164</b>	<b>1,740,603</b>	<b>1,239,047</b>

### 15. Provisions for liabilities and charges

	Group 2004 £	2003 £	Company 2004 £	2003 £
<b>Deferred taxation</b>				
At 1 June	7,441	13,262	1,400	1,740
Credited to the profit and loss account	(15,912)	(12,064)	(897)	(330)
Transferred to current assets	10,505	6,243	-	-
Movement in deferred taxation	<b>(5,407)</b>	<b>5,821</b>	<b>(897)</b>	<b>-</b>
<b>At 31 May 2004</b>	<b>2,034</b>	<b>7,441</b>	<b>503</b>	<b>1,410</b>

Deferred taxation provided in the financial statements is as follows:

	Group 2004 £	2003 £	Company 2004 £	2003 £
Accelerated capital allowances	2,034	7,441	503	1,410



# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 16. Called up share capital

	2004 £	2003 £
<b>Authorised</b>		
700,000 ordinary shares of £0.10p each	70,000	70,000
300,000 A ordinary shares of £0.10p each	30,000	30,000
2,115,000 preference shares of £1 each	2,115,000	2,115,000
	<b>2,215,000</b>	<b>2,215,000</b>
<b>Called up and allotted</b>		
550,000 ordinary shares of £0.10p each	55,000	55,000
300,000 A ordinary shares of £0.10p each – fully paid	30,000	30,000
2,115,000 preference shares of £1 each – fully paid	2,115,000	2,115,000
	<b>2,200,000</b>	<b>2,200,000</b>

A prior year adjustment of £2,394,679 has been made in respect of the deemed consideration disclosed in the 2003 financial statements of £2,825,515 for the ordinary shares issued in that year. The deemed consideration was incorrectly based on £5.1373 per ordinary share recorded in the Company's Articles of Association, which the holders might receive were sufficient funds available on a sale or winding up event as discussed below. This did not reflect the market value of the company at the date of issue, assessed by the directors as 78.333 pence per ordinary share.

The preference shares carry a fixed preferential dividend at a rate of 9.78723% per annum, payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December. The preference shares are redeemable as follows: -

- 30 November 2007: one fifth of the number of preference shares in issue at such time.
- 31 May 2008: one quarter of the number of preference shares in issue at such time.
- 30 November 2008: one third of the number of preference shares in issue at such time.
- 31 May 2009: one half of the number of preference shares in issue at such time.
- 30 November 2009: the whole of the number of preference shares in issue at the time.

A total of £2,300,000 is payable on the redemption of all of the preference shares in issue, a premium of £185,000. The holders are entitled to receive notice of and to attend all general meetings of the shareholders but are not entitled to vote at any such meeting.

On a sale or other winding up or capital reduction the assets of the company remaining after the payment of its liabilities shall be applied as follows:

- First, in paying to the holders of the preference shares £1.08747 per preference share together with a sum equal to any arrears or accruals of the preference dividends calculated down to the date of the return of capital;
- Second, in paying to the holders of the A ordinary shares and ordinary shares (pari passu as if the same constituted one class of shares) the issue price of each such share together with a sum equal to any arrears or accruals of the participating dividends calculated down to the date of the return of capital; and
- the balance of such assets (if any) shall be distributed amongst the holders of the A ordinary shares and ordinary shares (pari passu as if the same constituted one class of shares) according to the issue price of each such share.

The A ordinary shares have the same voting rights unless a material default occurs as defined in the articles of association. Where a material default occurs each A ordinary share will carry 1,000 votes.

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 16. Called up share capital (continued)

#### Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at a price of 56 pence under the share option scheme approved by the directors of the Company in March 2003. The options can only be exercised in the event of an investment exchange listing, the sale of the business, or a sale of shares resulting in a change of ownership of the business. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2004 Numbers	2003 Numbers
2003	56.00	2003-2013	115,000	115,000

Under the group's long-term incentive plan for executive directors of group companies, such individuals hold rights over ordinary shares which may result in the grant and issue of up to 150,000 10p ordinary shares by 2005, of which 115,000 have been granted as noted above.

### 17. Reserves

	Group Share premium account £	Profit and loss account £	Total £	Company Share premium account £	Profit and loss account £	Total £
At 1 June 2003	2,975,515	81,479	3,056,994	2,975,515	156,472	3,131,987
Prior year adjustment (note 16)	(2,394,679)	-	(2,394,679)	(2,394,679)	-	(2,394,679)
At 1 June 2003 – as restated	580,836	81,479	662,315	580,836	156,472	737,308
Retained profit for the year	-	645,949	645,949	-	391,074	391,074
Preference share appropriation	-	25,212	25,212	-	25,212	25,212
At 31 May 2004	580,836	752,640	1,333,476	580,836	572,758	1,153,594

The cumulative preference share appropriation is £34,959 (2003: £9,747).

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 18. Reconciliation of movement in group shareholders' funds

	2004 £	As restated 2003 £
Profit for the financial period	1,176,273	259,390
Preference dividends	(207,000)	(87,384)
Ordinary dividends	(298,112)	(90,527)
Issue of ordinary shares	-	85,000
Share premium on issue of ordinary shares *	-	580,836
Issue of preference shares	-	2,115,000
Shareholders' funds at 1 June 2003 – as restated	2,862,315	-
<b>Shareholders' funds at 31 May 2004</b>	<b>3,533,476</b>	<b>2,862,315</b>

\* Share premium on issue of ordinary shares includes a prior year adjustment of £2,394,679 (see note 16).

### 19. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	2004 £	2003 £
Operating profit	1,653,499	408,064
Depreciation	101,824	47,884
(Profit) on sale of tangible fixed assets	(2,996)	(254)
Goodwill amortised	56,010	117,806
(Increase)/decrease in work in progress	(55,070)	158,076
Decrease/(increase) in debtors	147,200	(490,554)
Increase in creditors	602,285	480,454
<b>Net cash inflow from operating activities</b>	<b>2,502,752</b>	<b>721,476</b>

### 20. Reconciliation of movement in net debt

	At 1 June 2003 £	Cash flow £	At 31 May 2004 £
Cash at bank and in hand	1,036,079	1,912,667	2,948,746
Bank overdrafts	-	(8,936)	(8,936)
	1,036,079	1,903,731	2,939,810

# RLA Media Limited

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 21. Financial commitments

At 31 May 2004 the group had annual commitments under non-cancellable operating leases in respect of land and buildings, expiring as follows:

	2004 £	As restated 2003 £
Within one year	22,334	-
Between two and five years	-	38,000
	22,334	38,000

### 22. Pension commitments

The group operates a defined contribution type executive pension plan. The assets of the scheme are held separately from the company and the group in an independently administered fund. During the period the aggregate group contributions amounted to £16,800 (2003: £7,500).

### 23. Related party transactions

There have been no related party transactions requiring disclosure in accordance with FRS 8 (Related party transactions).

### 24. Ultimate controlling party

The ultimate controlling party is Mr W I R Long.