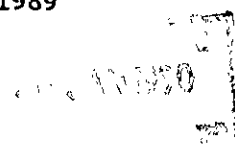


728006

SOUND BROADCASTING (TEESSIDE) LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 1989



SOUND BROADCASTING (TEESSIDE) LIMITED

INDEX

	<u>Page</u>
Report of the Directors	1
Report of the Auditors	2
Accounting Policies	3 & 4
Profit and Loss Account	5
Balance Sheet	6
Statement of Source and Application of Funds	7
Notes to the Financial Statements	8 - 13

# SOUND BROADCASTING (TESSIDE) LIMITED

## REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September, 1989.

### 1. Principal activity

The company is principally engaged in the provision of an independent local radio service to the areas of Durham, Cleveland and North Yorkshire, under a contract with the Independent Broadcasting Authority.

### 2. Results

Your directors are delighted to report a profit for the year before taxation of £368,200 (1988: £170,947) which will be subject to taxation of £128,704 (1988: £41,000). The directors do not recommend the payment of a dividend, and the profit has therefore been taken directly to reserves.

### 3. Directors

The directors in office at the end of the year are listed below.

The Lord Elliott of Morpeth  
N S Robinson  
J I Josephs  
D T Wright  
P Fulton  
B Lister (appointed 18 September 1989)  
H Dunne (appointed 18 September 1989)

The directors and their families had no interests in the shares of the company at 30 September 1989.

The interest of The Lord Elliott of Morpeth, Mr N S Robinson and Mr J I Josephs in the share capital of the ultimate holding company, Metro Radio Group plc, are disclosed in the report and financial statements of that company.

B Lister and H Dunne who were appointed to the board during the year retire. The directors retiring by rotation are The Lord Elliott of Morpeth, and N S Robinson. All retiring directors being eligible, offer themselves for re-election.

### 4. Fixed Assets

The principal items of capital expenditure were additions to studio and office equipment amounting to £79,934 and short leasehold improvements of £11,875.

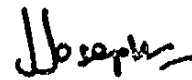
### 5. Auditors

A resolution proposing the appointment of Coopers and Lybrand in place of Grant Thornton as auditors of the Company will be put before the Annual General Meeting on 18 December 1989.

Registered Office:

Radio House  
Swalwell  
Newcastle upon Tyne  
NE99 1BB

ON BEHALF OF THE BOARD

  
J I JOSEPHS  
COMPANY SECRETARY  
13 November 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF  
SOUND BROADCASTING (TEESSIDE) LIMITED

We have audited the financial statements on pages 3 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON

*Grant Thornton*

Newcastle upon Tyne

13 November 1989

SOUND BROADCASTING (TEESSIDE) LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 1989

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company are set out below.

a) Turnover

Turnover is the total amount invoiced by the company in the ordinary course of business for all services provided after deducting commissions payable to advertising agencies and excluding VAT.

b) Depreciation

Depreciation is calculated to write down the cost of tangible fixed assets by equal annual instalments over their expected useful lives.

The periods generally applicable are:

Short leasehold improvements	Expected remaining tenancy
Studio and office equipment	3 - 10 years
Motor vehicles	4 years

c) Stock

Stock is stated at the lower of cost and net realisable value.

d) Deferred taxation

Deferred tax is the tax attributable to timing differences between the profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise. It is calculated at the rate at which it is estimated that the tax would be paid (or recovered) when the timing differences reverse.

e) Contributions to pension funds

The company operates a pension scheme under which contributions by employees and the company are administered by trustees in a fund independent from the company's assets.

Full actuarial valuations are made regularly and contribution levels reviewed. In the light of actuarial valuations, pension costs are charged against profits to reflect the expected cost of providing pensions over the period during which the company derives benefit from the services of the employees concerned.

SOUND BROADCASTING (TEESSIDE) LIMITED

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 1989

f) Leased assets

Where assets are financed by leasing agreements that give risks and rewards approximating to ownership (finance leases), they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element, which reduces the outstanding liability, and an interest charge.

All other leases are recorded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

SOUND BROADCASTING (TEESSIDE) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1989

	<u>Note</u>	£	<u>1989</u> £	£	<u>1988</u> £
Turnover			1,800,659		1,391,856
Other operating income			7,637		1,759
			<hr/>		<hr/>
			1,808,296		1,393,615
Staff costs	3	572,417		448,612	
Depreciation		63,895		67,280	
Other operating charges		744,912		647,542	
		<hr/>	(1,381,224)	<hr/>	(1,163,434)
Profit before I B A rentals			427,072		230,181
I B A rentals			(59,497)		(59,497)
			<hr/>		<hr/>
Profit after I B A rentals			367,575		170,684
Interest receivable and similar income	2		625		263
			<hr/>		<hr/>
Profit on ordinary activities before taxation	1		368,200		170,947
Tax on profit on ordinary activities	4		(128,704)		(41,000)
			<hr/>		<hr/>
Profit for the financial year			£ 239,496		£129,947
			<hr/>		<hr/>
Accumulated loss at 1 October 1988			(4,396)		(134,343)
Retained profit for the year			239,496		129,947
			<hr/>		<hr/>
Accumulated profit/(loss) at 30 September 1989			£235,100		£(4,396)
			<hr/>		<hr/>

The accounting policies and notes on pages 3 and 4 and 8 to 13 form part of these financial statements

# SOUND BROADCASTING (TEESSIDE) LIMITED

## BALANCE SHEET AT 30 SEPTEMBER 1989

	<u>Note</u>	<u>1989</u>	<u>1988</u>
		£	£
Fixed assets			
Tangible assets	5	229,534	204,423
Current assets			
Stocks		2,808	3,244
Debtors	6	644,416	361,612
Cash at bank and in hand		28,598	7,325
		<u>675,822</u>	<u>372,181</u>
Creditors: Amounts falling due within one year	7	<u>(390,310)</u>	<u>(314,417)</u>
Net current assets		285,512	57,764
Total assets less current liabilities		<u>515,046</u>	<u>262,187</u>
Creditors: Amounts falling due after more than one year	8	(8,531)	(10,168)
Provisions for liabilities and charges	9	(15,000)	-
		<u>£491,515</u>	<u>£252,019</u>
Capital and reserves			
Called up share capital	10	254,150	254,150
Share premium account	11	2,265	2,265
Profit and loss account		235,100	(4,396)
		<u>£491,515</u>	<u>£252,019</u>

The financial statements were approved by the Directors on 13 November 1989

J I JOSEPHS

*Josephs*

Directors

N S ROBINSON

*N S Robinson*

The accounting policies and notes on pages 3 and 4 and 8 to 13 form part of these financial statements.



SOUND BROADCASTING (TEESSIDE) LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30 SEPTEMBER 1989

	£	<u>1989</u> £	£	<u>1988</u> £
Source of funds				
From operations				
Profit on ordinary activities before taxation		368,200		170,947
Adjustments for items not involving the movement of funds				
Depreciation	63,895		67,280	
Profit on disposal of fixed assets	(7,637)		-	
		<u>56,258</u>		<u>67,280</u>
		424,458		238,227
From other sources				
Finance lease funding raised		-		12,599
Proceeds of disposals of tangible fixed assets		10,440		-
		<u>434,898</u>		<u>250,826</u>
Application of funds				
Purchase of tangible fixed asset		(91,809)		(180,881)
Finance lease repayments		(2,037)		(7,556)
Taxation paid		(34,313)		-
		<u>£306,739</u>		<u>£62,389</u>
Net inflow of funds				
		<u>£306,739</u>		<u>£62,389</u>
Increase/(decrease) in working capital				
Stocks	(436)		(493)	
Debtors	282,804		133,627	
Creditors	3,098		(71,051)	
		<u>285,466</u>		<u>62,083</u>
Net liquid funds				
Cash at bank and in hand		21,273		306
		<u>£306,739</u>		<u>£62,389</u>
Net increase in working capital				
		<u>£306,739</u>		<u>£62,389</u>

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1989

1. Profit on ordinary activities before taxation

Profit on ordinary activities is stated after:

	<u>1989</u> £	<u>1988</u> £
Auditors' remuneration	5,500	3,650
Operating leases - hire of plant and machinery	40,471	32,570
Profit on disposal of fixed assets	7,637	-
	<hr/>	<hr/>

2. Interest receivable and similar income

	<u>1989</u> £	<u>1988</u> £
Bank interest	£625	£263
	<hr/>	<hr/>

3. Directors and employees

	<u>1989</u> £	<u>1988</u> £
Staff costs during the year		
Wages and salaries	511,849	401,410
Social security	45,673	32,026
Pension costs	14,895	15,176
	<hr/>	<hr/>
	£572,417	£448,612
	<hr/>	<hr/>

SOUND BROADCASTING (TEESSIDE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 1989

3. Directors and employees (continued)

The average number of employees of the company during the year was 46 (1988: 30)

Staff costs include remuneration in respect of directors, as follows:

	<u>1989</u> £	<u>1988</u> £
Directors' fees	2,000	1,500
Management remuneration	2,698	-
	<hr/>	<hr/>
	£4,698	£1,500
	<hr/>	<hr/>

The emoluments of the directors, excluding pension contributions, were as follow:

	<u>1989</u>	<u>1988</u>
The Chairman	£-	£-
	<hr/>	<hr/>
Other directors	<u>1989</u> <u>Number</u>	<u>1988</u> <u>Number</u>
£0 to £ 5,000	4	3

4. Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and is made up as follows:

	<u>1989</u> £	<u>1988</u> £
Corporation tax at 35% (1988 : effective rate 32%)	120,391	41,000
Deferred tax	15,000	-
	<hr/>	<hr/>
	135,391	41,000
Adjustments in respect of prior years		
Corporation tax	(6,687)	-
	<hr/>	<hr/>
	£128,704	£41,000
	<hr/>	<hr/>

SOUND BROADCASTING (TEESSIDE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 SEPTEMBER 1989

5. Tangible fixed assets

	<u>Total</u> £	<u>Short leasehold improvements</u> £	<u>Studio and office equipment</u> £	<u>Motor vehicles</u> £
Cost				
At 1 October 1988	509,618	144,361	354,045	11,212
Additions at cost	91,809	11,875	79,934	-
Disposals	(11,212)	-	-	(11,212)
At 30 September 1989	£590,215	£156,236	£433,979	£ -
Depreciation				
At 1 October 1988	305,195	107,071	189,715	8,409
Provided in the year	63,895	8,866	55,029	-
Disposals	(8,409)	-	-	(8,409)
At 30 September 1989	£360,681	£115,937	£244,744	£ -
Net book amount at 30 September 1989	£229,534	£ 40,299	£189,235	£ -
Net book amount at 30 September 1988	£204,423	£37,290	£164,330	£2,803

The company has a lease on the premises in Dovecot Street, Stockton which expires on 30 April 1995.

The net book amount of fixed assets held under finance leases amounted to £11,387 (1988: £15,614). The amount of depreciation provided in the year on these assets was £1,424 (1988: £8,470).

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1989

6. Debtors

	<u>1989</u> £	<u>1988</u> £
Trade debtors	383,420	343,730
Due from holding company	236,265	-
Other debtors	7,605	7,915
Prepayments	17,126	9,967
	<hr/>	<hr/>
	£644,416	£361,612
	<hr/>	<hr/>

7. Creditors: Amounts falling due within one year

	<u>1989</u> £	<u>1988</u> £
Trade creditors	38,922	32,448
Current taxation	120,391	41,000
Amounts owed to group companies	-	70,613
Social security and other taxes	69,442	48,037
Other creditors	53,918	45,929
Accruals	105,603	73,958
Obligations under finance leases	2,034	2,432
	<hr/>	<hr/>
	£390,310	£314,417
	<hr/>	<hr/>

8. Creditors: Amounts falling due after more than one year

	<u>1989</u> £	<u>1988</u> £
Obligations under finance leases	£8,531	£10,168
	<hr/>	<hr/>

9. Provisions for liabilities and charges

Deferred taxation

A corporation tax rate of 35% has been applied in determining the provision and potential liabilities which are set out below:

	<u>1989</u>		<u>1988</u>	
	Amount <u>provided</u>	Potential <u>liability</u>	Amount <u>provided</u>	Potential <u>liability</u>
Taxation effect of accelerated capital allowances	<u>£15,000</u>	<u>£15,000</u>	£ -	<u>£15,900</u>

SOUND BROADCASTING (TEESSIDE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 SEPTEMBER 1989

10. Called up share capital

	<u>1989 and 1988</u>	
	<u>Authorised</u>	<u>Issued and</u>
	<u>£</u>	<u>fully paid</u>
		<u>£</u>
Ordinary voting shares of £1 each	50,000	24,173
'A' ordinary non-voting shares of £1 each	200,000	127,765
Preferred ordinary shares of £1 each	150,000	102,212
	<hr/>	<hr/>
	£400,000	£254,150
	<hr/>	<hr/>

11. Share premium account

	<u>Share premium account</u>
At 1 October 1988	
and 30 September 1989	£2,265
	<hr/>

The balance on share premium account may not be distributed under section 264 of the Companies Act 1985.

12. Capital commitments

	<u>1989</u>	<u>1988</u>
a) Future capital expenditure		
Contracted for but not provided	£ -	£ 410
	<hr/>	<hr/>
Authorised but not contracted for	£28,000	£ -
	<hr/>	<hr/>

b) Operating leases

At 30 September 1989 the annual commitments under non cancellable operating leases are set out below:

	<u>1989</u>	<u>Land and buildings</u> <u>1988</u>
Leases which expire: over five years	£12,750	£12,750
	<hr/>	<hr/>

SOUND BROADCASTING (TEESSIDE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 SEPTEMBER 1989

12. Capital commitments (Continued)

	Other operating leases	
	1989	1988
	£	£
Leases which expire:		
within one year	6,314	11,671
in the second to fifth years	26,990	16,931
	<hr/>	<hr/>
	£33,304	£28,602
	<hr/>	<hr/>

13. Pension commitments

The company has a defined benefit funded pension scheme designed to provide retirement benefits for its employees.

The latest actuarial valuation was undertaken by a Fellow of the Institute of Actuaries on behalf of Legal and General Assurance Society Limited with respect to the position at 1 July 1988. This valuation indicated a funding level of 106%.

The valuation method used was the projected unit method with a five year control period, based on financial and demographic assumptions which are in line with those in general use by actuaries throughout the pensions industry for schemes of this nature.

14. Contingent liabilities

There were no contingent liabilities at 30 September 1989 or 30 September 1988.

15. Ultimate holding company

The ultimate holding company is Metro Radio Group plc, registered in England.