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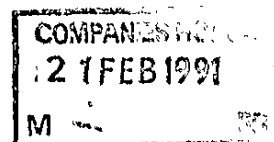
SOUND BROADCASTING (TEESSIDE) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 1990

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SOUND BROADCASTING (TEESSIDE) LIMITED

DIRECTORS' REPORT

For the year ended 30 September 1990

The directors present their report together with the financial statements for the year ended 30 September 1990.

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.

RESULTS

Your directors are delighted to report a profit for the year before taxation of £553,026 (1989 : £368,200) which will be subject to taxation of £196,184 (1989 : £128,704). The directors do not recommend the payment of a dividend, and the profit has therefore been taken directly to reserves.

DIRECTORS

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

The Lord Elliott of Morpeth

N S Robinson

J I Josephts

D T Wright

P Fulton

B Lister

H Dunne

The directors and their families had no interests in the shares of the company at 30 September 1990

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

The directors retiring by rotation are Mr J I Josephts, and Mr D T Wright. All retiring directors being eligible, offer themselves for re-election.

FIXED ASSETS

The principal items of capital expenditure were additions to studio and office equipment amounting to £64,399 and short leasehold improvements of £1,237.

BUSINESS REVIEW

The company continues to demonstrate significant growth in revenue and in profitability.

SOUND BROADCASTING (TEESSIDE) LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

Our auditors Coopers & Lybrand have merged their practice with Deloitte Haskins & Sells and now practise in the name of Coopers & Lybrand Deloitte. They have signed their audit report in their new name. A resolution to reappoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Joseph

Company Secretary
12 November 1990

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

We have audited the financial statements on pages 5 to 16 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 1990 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.

Coopers & Lybrand Deloitte
COOPERS & LYBRAND DELOITTE

Chartered Accountants

Newcastle upon Tyne
12 November 1990

SOUND BROADCASTING (TEESSIDE) LIMITED

ACCOUNTING POLICIES

For the year ended 30 September 1990

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

BASIS OF ACCOUNTING

The accounting policies that the company has adopted to determine the amounts included in respect of material items shown in the balance sheet, and also to determine the profit and loss are set out below:

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.

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

STOCKS

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

DEFERRED TAXATION

Deferred taxation 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 will crystallise. It is calculated at the rate at which it is expected that the tax would be paid should the liability crystallise.

CONTRIBUTIONS TO PENSION FUNDS

The Metro Radio Group plc 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)

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 1990

	Notes	£	1990 £	£	1989 £
TURNOVER			2,393,084		1,800,659
Other operating income	1		-		7,637
			<u>2,393,084</u>		<u>1,808,296</u>
Staff costs	3	796,443		572,417	
Depreciation		63,727		63,895	
Other operating charges		<u>932,237</u>		<u>744,912</u>	
			<u>(1,792,407)</u>		<u>(1,381,224)</u>
PROFIT BEFORE I B A RENTALS			600,677		427,072
I B A rentals			<u>(48,341)</u>		<u>(59,497)</u>
PROFIT AFTER I B A RENTALS			552,336		367,575
Interest receivable and similar income	2		<u>690</u>		<u>625</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1		553,026		368,200
Tax on profit on ordinary activities	4		<u>(196,184)</u>		<u>(128,704)</u>
PROFIT FOR THE YEAR			<u>£356,842</u>		<u>£239,496</u>
Accumulated profit/(loss) at 1 October 1989			235,100		(4,396)
Retained profit for the year			<u>356,842</u>		<u>239,496</u>
Accumulated profit at 30 September 1990			<u>£591,942</u>		<u>£235,100</u>

The accounting policies and notes on pages 5 and 6 and 10 to 16 form part of these financial statements.

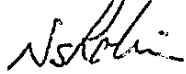
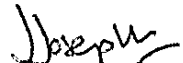
SO'UND BROADCASTING (TEESSIDE) LIMITED

BALANCE SHEET

At 30 September 1990

	Notes	£	1990 £	£	1989 £
FIXED ASSETS					
Tangible assets	5		<u>231,443</u>		<u>229,534</u>
CURRENT ASSETS					
Stocks		3,911		2,808	
Debtors	6	1,172,577		644,416	
Cash at bank and in hand		<u>41,068</u>		<u>28,598</u>	
		1,217,556		675,822	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	7	<u>(579,144)</u>		<u>(390,310)</u>	
NET CURRENT ASSETS			<u>638,412</u>		<u>285,512</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			869,855		515,046
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	8		(6,498)		(8,531)
PROVISIONS FOR LIABILITIES AND CHARGES					
	9		<u>(15,000)</u>		<u>(15,000)</u>
			<u>£848,357</u>		<u>£491,515</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			<u>591,947</u>		<u>235,100</u>
			<u>£848,357</u>		<u>£491,515</u>

The financial statements were approved by the directors on 12 November 1990.

} Directors

The accounting policies and notes on pages 5 and 6 and 10 to 16 form part of these financial statements.

SOUND BROADCASTING (TEESSIDE) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the year ended 30 September 1990

	1990	1989
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	553,026	368,200
Adjustments for items not involving the movement of funds:		
Depreciation	63,727	63,895
Profit on disposal of tangible fixed assets	-	(7,637)
	<u>63,727</u>	<u>56,258</u>
	616,753	424,458
FROM OTHER SOURCES:		
Proceeds on disposals of tangible fixed assets	-	10,440
	<u>616,753</u>	<u>434,898</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(65,636)	(91,809)
Finance lease repayments	(2,033)	(2,037)
Taxation paid	(120,316)	(34,313)
	<u>£428,768</u>	<u>£306,739</u>
NET INFLOW OF FUNDS		
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	1,103	(436)
Debtors	528,161	282,804
Creditors	(112,966)	3,098
	<u>416,298</u>	<u>285,466</u>
Net liquid funds:		
Cash at bank and in hand	<u>12,470</u>	<u>21,273</u>
NET INCREASE IN WORKING CAPITAL	<u>£428,768</u>	<u>£306,739</u>

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1990

1. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities is stated after charging:

	1990 £	1989 £
Auditors' remuneration	3,928	5,500
Operating leases - rental of land and buildings - hire of plant and machinery	12,750 46,522	12,750 27,721
Other operating income comprises: Profit on disposal of fixed assets	£- <u>£7,637</u>	<u>£7,637</u>

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	1990 £	1989 £
Bank interest	<u>£690</u>	<u>£625</u>

3. DIRECTORS AND EMPLOYEES

Staff costs during the year:

	1990 £	1989 £
Wages and salaries	711,357	511,849
Social security	56,017	45,673
Other pension costs	29,069	14,895
	<u>£796,443</u>	<u>£572,417</u>

The average number of employees of the company during the year was 40 (1989 : 42).

Staff costs include remuneration in respect of directors as follows:

	1990 £	1989 £
Directors' fees	2,200	2,000
Management remuneration (including pension scheme contributions)	108,102	2,698
	<u>£110,302</u>	<u>£4,698</u>

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. DIRECTORS AND EMPLOYEES (continued)

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

	1990 £	1989 £
The Chairman	<u>£-</u>	<u>£-</u>
The highest paid director	<u>£60,676</u>	<u>£-</u>
Other directors:	1990 Number	1989 Number
£0 - £ 5,000	4	4
£45,000 - £50,000	1	-

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1990 £	1989 £
On the profit for the year		
United Kingdom corporation tax @ 35%	196,259	120,391
Deferred tax	-	15,000
	<u>196,259</u>	<u>135,391</u>
Adjustments in respect of prior years		
United Kingdom corporation tax	(75)	(6,687)
	<u>£196,184</u>	<u>£128,704</u>

SCUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TANGIBLE FIXED ASSETS

	Total £	Short leasehold improvements £	Studio and office equipment £
COST			
At 1 October 1989	590,215	156,236	433,979
Additions at cost	65,636	1,237	64,399
Disposals	-	-	-
At 30 September 1990	<u>655,851</u>	<u>157,473</u>	<u>498,378</u>
DEPRECIATION			
At 1 October 1989	360,681	115,937	244,744
Provided in the year	63,727	12,944	50,783
Disposals	-	-	-
At 30 September 1990	<u>424,408</u>	<u>128,881</u>	<u>295,527</u>
NET BOOK VALUE			
At 30 September 1990	<u>£231,443</u>	<u>£28,592</u>	<u>£202,851</u>
At 30 September 1989	<u>£229,534</u>	<u>£47,299</u>	<u>£189,235</u>

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 £9,962 (1989 : £11,387). The amount of depreciation provided in the year on these assets was £1,425 (1989 : £1,425).

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. DEBTORS

	1990 £	1989 £
Trade debtors	466,904	383,420
Due from holding company	673,193	236,265
Other debtors	6,991	7,605
Prepayments	25,489	17,126
	<u>£1,172,577</u>	<u>£644,416</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1990 £	1989 £
Trade creditors	63,898	38,922
Current taxation	196,259	120,391
Social security and other taxes	81,781	69,442
Other creditors	59,752	53,918
Accruals	175,420	105,603
Obligations under finance leases	2,034	2,034
	<u>£579,144</u>	<u>£390,310</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1990 £	1989 £
Obligations under finance leases	<u>£6,498</u>	<u>£8,531</u>

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	1990		1989	
	Amount provided	Potential liability	Amount provided	Potential liability
Taxation effect of accelerated capital allowances	<u>£15,000</u>	<u>£15,000</u>	<u>£15,000</u>	<u>£15,000</u>

10. CALLED UP SHARE CAPITAL

	1990 and 1989	
	Authorised £	Issued and fully paid £
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
	<u>£400,000</u>	<u>£254,150</u>

11. SHARE PREMIUM ACCOUNT

	Share premium account
At 1 October 1989 and 30 September 1990	<u>£2,265</u>

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

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CAPITAL COMMITMENTS

	1990	1989
a) Future capital expenditure		
Contracted for but not provided	<u>£-</u>	<u>£-</u>
Authorised but not contracted for	<u>£46,420</u>	<u>£28,000</u>

b) Operating leases

At 30 September 1990 the annual commitments under non-cancellable operating leases are set out below:

	Land and buildings 1990 £	1989 £
Leases which expire:		
In the second to fifth years	12,750	-
After five years	<u>-</u>	<u>12,750</u>

	Other operating leases 1990 £	1989 £
Leases which expire:		
Within one year	18,201	6,314
In the second to fifth years	21,444	26,900
	<u>39,645</u>	<u>33,214</u>

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PENSION COMMITMENTS

The Metro Radio Group has a defined benefit funded pension scheme designed to provide retirement benefits for its employees, including those of Sound Broadcasting (Teesside) Ltd.

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 1989. This valuation indicated a funding level of 86%.

The valuation method used for the liabilities of the scheme 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. The assets of the scheme were valued at face value as at the valuation date.

The regular pension cost, charged against operating profit for the year is £29,069 (1989 : £14,895).

The variation from regular cost in respect of the funding level referred to above is dealt with wholly in the accounts of the holding company.

14. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 1990 or 30 September 1989.

15. ULTIMATE HOLDING COMPANY

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