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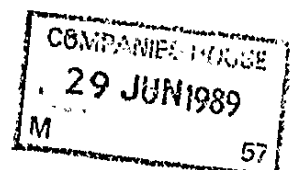
SOUND BROADCASTING (TEESSIDE) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988



SOUND BROADCASTING (TEESSIDE) LIMITED

30TH SEPTEMBER, 1988

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Report of the Directors | 1 & 2 |
| Report of the Auditors | 3 |
| Accounting Policies | 4 & 5 |
| Profit and Loss Account | 6 |
| Balance Sheet | 7 |
| Statement of Source and Application of Funds | 8 |
| Notes to the Financial Statements | 9 - 15 |

SOUND BROADCASTING (TEESSIDE) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30th September, 1988.

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 £170,947 (1987 - £91,729) which will be subject to taxation of £41,000 (1987 : £39 credit). 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 during the year were as listed below. All served on the board throughout the year.

The Lord Elliott of Morpeth
N.S. Robinson
J.I. Josephs
D.T. Wright
P. Fulton

The directors and their families had no interests in the shares of the company at 30th September, 1988.

The interests of The Lord Elliott of Morpeth, Mr. N.S. Robinson and Mr. J.I. Josephs in the share capital of the ultimate holding company, North East Broadcasting Company plc, are disclosed in the report and financial statements of that company.

The directors retiring by rotation are D.T. Wright and P. Fulton who, 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 £173,794 and short leasehold improvements of £7,088.

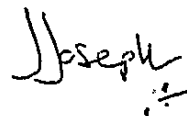
SOUND BROADCASTING (TYESSIDE) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

5. Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 384(1) of the Companies Act 1985.

ON BEHALF OF THE BOARD



J.I. JOSEPHS

COMPANY SECRETARY

Registered office:

Radio House,
Swalwell,
Newcastle upon Tyne,
NE99 1BB

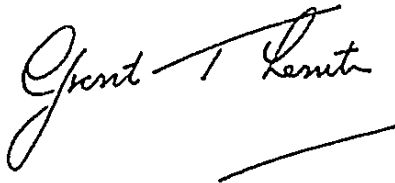
31st October, 1988

REPORT OF THE AUDITORS TO THE MEMBERS OF

SOUND BROADCASTING (TEESSIDE) LIMITED

We have audited the financial statements on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 30th September, 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.



GRANT THORNTON

Newcastle upon Tyne

31st October, 1988

SOUND BROADCASTING (TESSIDE) LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

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 V.A.T.

b) Depreciation

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

The periods generally applicable

| | |
|------------------------------|----------------------------|
| Short leasehold improvements | Expected remaining tenancy |
| Studio and office equipment | 3 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 the 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 will 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.

SOUND BROADCASTING (TEESSIDE) LIMITED

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

f) Leased assets

Where assets are financed by leasing agreements that give risks and rewards approximate 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 assets. 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 regarded 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 (TESSIDE) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

| | <u>Note</u> | <u>1988</u> | | <u>1987</u> | |
|---|-------------|-------------|---|-------------|---|
| | | £ | £ | £ | £ |
| Turnover | | 1,391,856 | | 1,003,614 | |
| Other operating income | 1 | 1,759 | | 8,950 | |
| | | <hr/> | | <hr/> | |
| Staff costs | 4 | 448,612 | | 325,301 | |
| Depreciation | | 67,280 | | 24,995 | |
| Other operating charges | | 647,542 | | 487,304 | |
| Exceptional charge | 6 | - | | 35,000 | |
| | | <hr/> | | <hr/> | |
| | | (1,163,434) | | (872,600) | |
| | | <hr/> | | <hr/> | |
| Profit before I.B.A. rentals | | 230,181 | | 139,964 | |
| I.B.A. rentals | | (59,497) | | (47,597) | |
| | | <hr/> | | <hr/> | |
| Profit after I.B.A. rentals | | 170,684 | | 92,367 | |
| Interest receivable and similar income | 2 | 263 | | 103 | |
| Interest payable and similar charges | 3 | - | | (741) | |
| | | <hr/> | | <hr/> | |
| | | 263 | | (638) | |
| | | <hr/> | | <hr/> | |
| Profit on ordinary activities before taxation | 1 | 170,947 | | 91,729 | |
| Tax on profit on ordinary activities | 5 | (41,000) | | 39 | |
| | | <hr/> | | <hr/> | |
| Profit for the financial year | | £129,947 | | £91,768 | |
| | | <hr/> | | <hr/> | |
| Statement of accumulated losses | | | | | |
| Accumulated loss at 1st October, 1987 | | (134,343) | | (226,111) | |
| Retained profit for the year | | 129,947 | | 91,768 | |
| | | <hr/> | | <hr/> | |
| Accumulated loss at 30th September, 1988 | | £(4,396) | | £(134,343) | |
| | | <hr/> | | <hr/> | |

The accounting policies and notes on pages 4 and 5 and 9 to 15 form part of these financial statements.

SOUND BROADCASTING (TESSIDE) LIMITED

BALANCE SHEET AT 30TH SEPTEMBER, 1988

| | <u>Note</u> | <u>1988</u> | | <u>1987</u> | |
|---|-------------|-------------|----------|-------------|-----------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 7 | | 204,423 | | 90,822 |
| Current assets | | | | | |
| Stocks | | 3,244 | | 3,737 | |
| Debtors | 8 | 361,612 | | 227,985 | |
| Cash at bank and in hand | | 7,325 | | 7,019 | |
| | | <hr/> | | <hr/> | |
| | | 372,181 | | 238,741 | |
| Creditors: Amounts falling due within one year | 9 | (314,417) | | (207,491) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 57,764 | | 31,250 |
| Total assets less current liabilities | | | <hr/> | | <hr/> |
| | | | 262,187 | | 122,072 |
| Creditors: Amounts falling due after more than one year | 10 | | (10,168) | | - |
| | | | <hr/> | | <hr/> |
| | | | £252,019 | | £122,072 |
| | | | <hr/> | | <hr/> |
| Capital and Reserves | | | | | |
| Called up share capital | 12 | | 254,150 | | 254,150 |
| Share premium account | 13 | | 2,265 | | 2,265 |
| Profit and loss account | | | (4,396) | | (134,343) |
| | | | <hr/> | | <hr/> |
| | | | £252,019 | | £122,072 |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the Directors on 31st October, 1988

J.I. JOSEPHS

Josephs

DIRECTORS

N.S. ROBINSON

Robinson

The accounting policies and notes on pages 4 and 5 and 9 to 15 form part of these financial statements.

SOUND BROADCASTING (TRESSIDE) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

| | <u>1988</u> | | <u>1987</u> |
|--|---------------|---|---------------|
| | £ | £ | £ |
| Source of funds | | | |
| From operations | | | |
| Profit on ordinary activities before taxation | 170,947 | | 91,729 |
| Adjustment for items not involving the movement of funds | | | |
| Depreciation | 67,280 | | 24,995 |
| Loss on disposal of fixed assets | - | | 1,747 |
| | <hr/> 67,280 | | <hr/> 26,742 |
| | 238,227 | | 118,471 |
| From other sources | | | |
| Finance lease funding raised | 12,599 | | - |
| Proceeds of disposals of tangible fixed assets | - | | 5,303 |
| Tax recovered | - | | 39 |
| | <hr/> 250,826 | | <hr/> 123,813 |
| Application of funds | | | |
| Purchase of tangible fixed assets | (180,881) | | (30,633) |
| Finance lease repayments | (7,556) | | (7,058) |
| | <hr/> | | <hr/> |
| Net inflow of funds | £62,389 | | £86,122 |
| | <hr/> | | <hr/> |
| Increase/(decrease) in working capital | | | |
| Stocks | (493) | | 3,737 |
| Debtors | 133,627 | | 48,714 |
| Creditors | (71,051) | | (58,810) |
| | <hr/> 62,083 | | <hr/> (6,359) |
| Net liquid funds | | | |
| Cash at bank and in hand | 306 | | 6,192 |
| Bank overdraft | - | | 86,289 |
| | <hr/> 306 | | <hr/> 92,481 |
| | <hr/> | | <hr/> |
| Net increase in working capital | £62,389 | | £86,122 |
| | <hr/> | | <hr/> |

SOUND BROADCASTING (TESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

1. Profit on ordinary activities before taxation

Profit on ordinary activities is stated after:

| | <u>1988</u> £ | <u>1987</u> £ |
|---|------------------|------------------|
| Auditors' remuneration | 3,650 | 3,300 |
| Operating leases - hire of plant and machinery | 32,570 | 21,270 |
| Loss on disposal of fixed assets | - | 1,747 |
| | <hr/> | <hr/> |

Other operating income comprises:

| | <u>1988</u> £ | <u>1987</u> £ |
|--------------------------------|------------------|------------------|
| Sundry income | 1,759 | 6,197 |
| Income from concert promotions | - | 2,753 |
| | <hr/> | <hr/> |
| | £1,759 | £8,950 |
| | <hr/> | <hr/> |

2. Interest receivable and similar income

| | <u>1988</u> | <u>1987</u> |
|---------------|-------------|-------------|
| Bank interest | £263 | £103 |
| | <hr/> | <hr/> |

3. Interest payable and similar charges

| | <u>1988</u> | <u>1987</u> |
|---|-------------|-------------|
| On bank loans, overdrafts and other loans | | |
| - repayable within 5 years, otherwise than by instalment | £ - | £741 |
| | <hr/> | <hr/> |

SOUND BROADCASTING (TEESSIDE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

4. Directors and employees

| | <u>1988</u> £ | <u>1987</u> £ |
|-----------------------------|------------------|------------------|
| Staff costs during the year | | |
| Wages and salaries | 401,410 | 287,211 |
| Social security | 32,026 | 20,727 |
| Pension costs | 15,176 | 17,363 |
| | <hr/> | <hr/> |
| | £448,612 | £325,301 |
| | <hr/> | <hr/> |

The average number of employees of the company during the year was 30 (1987 : 41).

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

| | <u>1988</u> £ | <u>1987</u> £ |
|--|------------------|------------------|
| Directors' fees | 1,500 | 1,500 |
| Management remuneration (including pension scheme contributions) | - | - |
| Compensation for loss of office | | 25,000 |
| | <hr/> | <hr/> |
| | £1,500 | £26,500 |
| | <hr/> | <hr/> |

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

| | <u>1988</u> | <u>1987</u> |
|---------------------------|------------------------------|------------------------------|
| The Chairman | £ - | £ - |
| | <hr/> | <hr/> |
| The highest paid director | £750 | £25,000 |
| | <hr/> | <hr/> |
| Other directors | <u>1988</u> <u>Number</u> | <u>1987</u> <u>Number</u> |
| £0 to £5,000 | 3 | 17 |

SOUND BROADCASTING (TESSIDE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

5. Tax on profit on ordinary activities

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

| | <u>1988</u> £ | <u>1987</u> £ |
|--|------------------|------------------|
| Corporation tax (effective rate : 32%) | 41,000 | - |
| Adjustment in respect of prior years | - | (39) |
| | <hr/> £41,000 | <hr/> £(39) |

6. Exceptional charge

Costs incurred following the acquisition by North East Broadcasting Company Limited:

| | <u>1988</u> £ | <u>1987</u> £ |
|----------------------------------|------------------|------------------|
| Compensation for loss of office: | | |
| Director | - | 25,000 |
| Other employee | - | 10,000 |
| | <hr/> £ - | <hr/> £35,000 |

SOUND BROADCASTING (TEESSIDE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

7. Tangible fixed assets

| | <u>Total</u> | <u>Short</u> | <u>Studio</u> | <u>Motor</u> |
|--|--------------|---------------------|------------------|-----------------|
| | <u>£</u> | <u>leasehold</u> | <u>and</u> | <u>vehicles</u> |
| | | <u>improvements</u> | <u>office</u> | |
| | | <u>£</u> | <u>equipment</u> | <u>£</u> |
| | | | <u>£</u> | |
| Cost | | | | |
| At 1st October, 1987 | 328,737 | 137,273 | 180,252 | 11,212 |
| Additions at cost | 180,881 | 7,088 | 173,793 | - |
| | | | | |
| At 30th September, 1988 | 509,618 | 144,361 | 354,045 | 11,212 |
| | | | | |
| Depreciation | | | | |
| At 1st October, 1987 | 237,915 | 84,123 | 148,186 | 5,606 |
| Provided in the year | 67,280 | 22,948 | 41,529 | 2,803 |
| | | | | |
| At 30th September, 1988 | 305,195 | 107,071 | 189,715 | 8,409 |
| | | | | |
| Net book amount at 30th September, 1988 | £204,423 | £37,290 | £164,330 | £2,803 |
| | | | | |
| Net book amount at 30th September, 1987 | £90,822 | £53,150 | £32,066 | £5,606 |

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

The net book amount of assets held under finance leases amounted to £15,614 (1987 : £11,273). The amount of depreciation provided in the year on these assets was £8,470 (1987 : £7,046).

SOUND BROADCASTING (TEESSIDE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

8. Debtors

| | <u>1988</u> £ | <u>1987</u> £ |
|---------------|------------------|------------------|
| Trade debtors | 343,730 | 206,253 |
| Other debtors | 7,915 | 12,140 |
| Prepayments | 9,967 | 9,592 |
| | <hr/> | <hr/> |
| | £361,612 | £227,985 |
| | <hr/> | <hr/> |

9. Creditors - amounts falling due within one year

| | <u>1988</u> £ | <u>1987</u> £ |
|----------------------------------|------------------|------------------|
| Trade creditors | 32,448 | 32,157 |
| Current taxation | 41,000 | - |
| Amounts owed to group companies | 70,613 | 76,588 |
| Social security and other taxes | 48,037 | 35,061 |
| Other creditors | 45,929 | 22,522 |
| Accruals | 73,958 | 33,607 |
| Obligations under finance leases | 2,432 | 7,556 |
| | <hr/> | <hr/> |
| | £314,417 | £207,491 |
| | <hr/> | <hr/> |

10. Creditors - amounts falling due after more than one year

| | <u>1988</u> | <u>1987</u> |
|----------------------------------|-------------|-------------|
| Obligations under finance leases | £10,168 | £ - |
| | <hr/> | <hr/> |

11. Deferred taxation

Deferred taxation is provided under the liability method to the extent that it is probable that a liability will crystallise.

At 30th September, 1988 no potential liability exists and the provision required is £Nil (1987 : £Nil).

SOUND BROADCASTING (TEESSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

12. Called up share capital

| | <u>1988 and 1987</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/> |

13. Share premium account

| | <u>Share premium account</u> |
|--|--------------------------------------|
| At 1st October, 1987 and 30th September, 1988 | £2,265 |
| | <hr/> |

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

14. Capital commitments

a) Future capital expenditure

| | <u>1988</u> | <u>1987</u> |
|-----------------------------------|-------------|-------------|
| Contracted for but not provided | £410 | £ - |
| | <hr/> | <hr/> |
| Authorised but not contracted for | £ - | £ - |
| | <hr/> | <hr/> |

SOUND BROADCASTING (TEESSIDE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER, 1988

14. Capital commitments (continued)

b) Operating leases

At 30th September, 1988 the annual commitments under non-cancellable operating leases are set out below:

| | <u>Land and buildings</u> | |
|---|-------------------------------|-------------|
| | <u>1988</u> | <u>1987</u> |
| Leases which expire: over five years | £12,750 | £12,750 |
| | <hr/> | <hr/> |
| | <u>Other operating leases</u> | |
| | <u>1988</u> | <u>1987</u> |
| | £ | £ |
| Leases which expire: within one year | 11,671 | 2,225 |
| in the second to fifth years | 16,931 | 16,068 |
| | <hr/> | <hr/> |
| | £28,602 | £18,293 |
| | <hr/> | <hr/> |

15. Contingent liabilities

There were no contingent liabilities at 30th September, 1988 or 30th September, 1987.

16. Pension commitments

The company has a pension scheme designed to provide retirement benefits based on final salary for its employees.

17. Ultimate holding company

The ultimate holding company is North East Broadcasting Company plc, registered in England.