



Radio Mercury Limited
(formerly Radio Mercury PLC)

Accounts for the 15 months ended 31 December 1996
together with directors' and auditors' reports

Registered number: 1717321



Directors' report

For the 15 months ended 31 December 1996

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the 15 months ended 31 December 1996.

Principal activities and business review

The principal activity of the company continues to be that of an independent local radio station.

On 26 March 1996 Radio Mercury plc was acquired by Independent Radio Group PLC by virtue of the acquisition of its parent company Allied Radio PLC.

The year has seen a number of changes including the relaunch of the AM service as FAME 1521 AM. The directors look forward to a resultant improvement in performance during 1997.

Change of name

On 12 December 1996 the company reregistered as a private limited company and changed its name to Radio Mercury Limited.

Change of accounting reference date

During the period the company's accounting reference date was changed from 30 September to 31 December to coincide with that of the new parent company.

Results and dividends

The company recorded a loss for the period after tax of £1,006,235 (year ended 30 September 1995 - £43,107). The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the period were as follows:

MJ Connolly	(appointed 28 March 1996)
AJ Dewhurst	(appointed 28 March 1996)
NH Jones	(appointed 28 March 1996)
PT McPartland	(appointed 28 March 1996)
CJ Straker	(appointed 18 December 1996)
BW Rowbotham	(resigned 19 April 1996)
E Epton	
RJ Harris	
PS Perry	(resigned 19 April 1996)
PNE Bruinvels	(resigned 31 July 1996)
GM Hedges	(resigned 19 April 1996)
RN Macadam	

Directors' report (continued)

Directors and directors' interests (continued)

The interests of Messrs. Connolly, Dewhurst and Jones in the shares of the ultimate parent company, Independent Radio Group PLC are disclosed in that company's accounts.

None of the directors who held office at the end of the financial period had any interest in the shares of the company.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

During the period KPMG resigned as the company's auditors and Arthur Andersen were appointed to fill the casual vacancy.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

PO Box 1458
Quay West
Trafford Wharf Road
Trafford Park
Manchester
M17 1FL

4 July 1997

By order of the Board,

A. J. Dewhurst



Secretary

Auditors' report

Leeds

To the Shareholders of Radio Mercury Limited

We have audited the accounts on pages 4 to 15 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

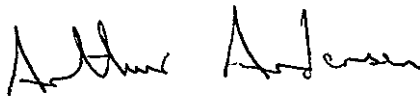
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1996 and of the company's loss for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

St Paul's House
Park Square
Leeds
LS1 2PJ

4 July 1997

Profit and loss account

For the 15 months ended 31 December 1996

	Notes	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Turnover	2	1,839,635	1,424,259
Sales related costs		(128,521)	(540,468)
Gross profit		1,711,114	883,791
Other operating expenses (net)	3	(2,261,349)	(923,467)
Provision for future rentals on leased properties		(456,000)	-
Operating loss		(1,006,235)	(39,676)
Interest receivable and other similar income	4	-	3,467
Interest payable and similar charges	5	-	(6,898)
Loss on ordinary activities before taxation	6	(1,006,235)	(43,107)
Tax on loss on ordinary activities	8	-	-
Loss for the financial period	16	(1,006,235)	(43,107)
Retained profit brought forward		10,252	53,359
Retained (loss) profit carried forward		(995,983)	10,252

A statement of movements on reserves is given in note 16.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the 15 months ended 31 December 1996

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Loss on ordinary activities after taxation	(1,006,235)	(43,107)
Revaluation of freehold property	(588,729)	-
Total recognised losses related to the accounting period	(1,594,964)	(43,107)

Note of historical cost losses

For the 15 months ended 31 December 1996

	£
Loss on ordinary activities before taxation	(1,006,235)
Difference between historical cost depreciation charge and the actual depreciation charge for the period.	4,397
Historical cost loss on ordinary activities before taxation	1,001,838
Historical cost loss for the year retained after taxation	1,001,838

Profit and loss account

For the 15 months ended 31 December 1996

	Notes	31 December 1996 £	30 September 1995 £
Fixed assets			
Tangible assets	9	68,597	1,717,094
Investments	10	4,524	13,799
		<u>73,121</u>	<u>1,730,893</u>
Current assets			
Property held for disposal		900,000	-
Debtors	11	1,854,611	350,456
Cash at bank and in hand		139	920
		<u>2,754,750</u>	<u>351,376</u>
Creditors: Amounts falling due within one year	12	<u>(2,336,250)</u>	<u>(408,088)</u>
Net current assets (liabilities)		<u>418,500</u>	<u>(56,712)</u>
Total assets less current liabilities		<u>491,621</u>	<u>1,674,181</u>
Creditors: Amounts falling due after more than one year	13	-	(33,333)
Provision for liabilities and charges	14	<u>(445,737)</u>	<u>-</u>
Net assets		<u>45,884</u>	<u>1,640,848</u>
Capital and reserves			
Called-up share capital	15	630,000	630,000
Share premium account	16	56,850	56,850
Revaluation reserve	16	355,017	943,746
Profit and loss account	16	<u>(995,983)</u>	<u>10,252</u>
Shareholders' funds	17	<u>45,884</u>	<u>1,640,848</u>

Signed on behalf of the Board:



PT McPartland

Director

4 July 1997

The accompanying notes form an integral part of this balance sheet.

Notes to accounts

For the 15 months ended 31 December 1996

1 Accounting policies

A summary of the principal accounting policies is set out below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Under the provision of the Financial Reporting Standard No. 1 (revised) the company has not prepared a cash flow statement as it is a wholly owned subsidiary of Independent Radio Group PLC which produces publicly available consolidated financial statements.

The company has net liabilities at 31 December 1996. The directors of the parent company, Independent Radio Group PLC, have indicated that adequate resources will be made available for the company to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

b) Tangible fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by instalments over the estimated useful economic lives as follows:

Freehold property	95 years
Long leasehold property	life of lease
Plant, furniture, fixtures and fittings	4-7 years (14-25% per annum)
Motor vehicles	4 years (25% per annum)

c) Leases

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

d) Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged represents the contributions payable to the scheme in respect of the accounting period.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The credit/charge for taxation takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Segment information

All turnover arose wholly within the United Kingdom. The directors consider that the business of the company is all of one class.

3 Other operating expenses (net)

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Selling and broadcasting costs	968,007	431,909
Administrative expenses	1,293,342	491,558
	<u>2,261,349</u>	<u>923,467</u>

4 Interest receivable and other similar income

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Interest receivable and similar income	<u>-</u>	<u>3,467</u>

5 Interest payable and similar charges

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Finance charges payable in respect of finance leases and hire purchase contracts	<u>-</u>	<u>6,898</u>

Notes to accounts (continued)

6 Loss on ordinary activities before taxation

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit work	6,062	9,335
- non-audit work	7,904	3,000
Depreciation and other amounts written off tangible fixed assets:		
- owned	193,912	115,115
- leased	-	45,751
Operating lease rentals - plant and machinery	34,261	41,056
Staff costs (see note 7)	<u>640,843</u>	<u>462,403</u>

7 Staff numbers and costs

The monthly average number of persons employed by the company during the period, analysed by category, was as follows:

	15 months ended 31 December 1996 Number	Year ended 30 September 1995 Number
Production and sales	26	20
Administration	<u>9</u>	<u>8</u>
	<u>35</u>	<u>28</u>

The aggregate payroll costs of these persons were as follows:

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Wages and salaries	571,874	382,995
Social security costs	66,869	39,229
Pension costs (note 19)	2,100	6,840
Redundancy costs	<u>-</u>	<u>33,339</u>
	<u>640,843</u>	<u>462,403</u>

Notes to accounts (continued)

7 Staff numbers and costs (continued)

Directors' remuneration

Directors of the company received the following remuneration

	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Directors' emoluments:		
Fees	4,208	3,922
Remuneration as executives	96,675	30,292
	<u>100,883</u>	<u>34,214</u>

The emoluments, excluding pension contributions, of the chairman were £nil (1995 - £nil) and those of the highest paid director were £54,568 (1995 - £17,542).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid directors) were within the following ranges:

	15 months ended 31 December 1996 Number	Year ended 30 September 1995 Number
Up to £5,000	10	6
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£35,001 - £40,000	1	-
£55,001 - £60,000	<u>1</u>	<u>-</u>

8 Taxation

There is no provision for corporation tax due to the loss incurred in the period (year ended 30 September 1996 - £Nil).

The tax trading losses to be carried forward, subject to agreement with the Inland Revenue are £600,235 (30 September 1995 - £50,000)

There is no unprovided deferred taxation at 31 December 1996 (30 September 1995 - £nil).

Notes to accounts (continued)

9 Tangible fixed assets

	Freehold property £	Long leasehold property £	Motor vehicles £	Plant, furniture, fixtures and fittings £	Total £
Cost or valuation					
At 30 September 1995	442,256	1,360,000	85,152	1,274,047	3,161,455
Additions	-	-	-	34,144	34,144
Disposals	-	-	(47,046)	-	(47,046)
Revaluations	-	(660,000)	-	-	(660,000)
Transfer to current assets	(442,256)	(700,000)	-	-	(1,142,256)
Transfer from group company	-	-	47,046	-	47,046
At 31 December 1996	<u>-</u>	<u>-</u>	<u>85,152</u>	<u>1,308,191</u>	<u>1,393,343</u>
Depreciation					
At 30 September 1995	234,995	73,913	42,103	1,093,350	1,444,361
Charge	4,619	-	22,387	166,906	193,912
Disposals	-	-	(26,549)	-	(26,549)
Revaluations	2,642	(73,913)	-	-	(71,271)
Transfer to current assets	(242,256)	-	-	-	(242,256)
Transfer from group company	-	-	26,549	-	26,549
At 31 December 1996	<u>-</u>	<u>-</u>	<u>64,490</u>	<u>1,260,256</u>	<u>1,324,746</u>
Net book value					
At 31 December 1996	<u>-</u>	<u>-</u>	<u>20,662</u>	<u>47,935</u>	<u>68,597</u>
At 1 October 1995	<u>207,261</u>	<u>1,286,087</u>	<u>43,049</u>	<u>180,697</u>	<u>1,717,094</u>

During the period the useful economic lives of the broadcasting equipment and other equipment were revised by the directors and an additional depreciation charge for the period was charged to the profit and loss account. As a result, the depreciation charge for the period was £77,003 higher than it would otherwise have been.

Notes to accounts (continued)

9 Tangible fixed assets (continued)

Particulars relating to revalued assets are as follows:

	Long leasehold property	
	31 December 1996	30 September 1995
	£	£
Historical cost of revalued assets	435,270	435,270
Aggregate depreciation based on historical cost	(89,710)	(85,313)
Historical cost net book value	<u>345,560</u>	<u>349,957</u>

The valuation was carried out in July 1991, on an open market basis by an independent external valuer. During the period the directors revalued the properties downwards by £788,729 to reflect the revised market value of the properties.

10 Fixed asset investments

	£
<i>Cost</i>	
At beginning of period	13,799
Disposals	(9,275)
At 31 December 1996	<u>4,524</u>

11 Debtors

	31 December 1996	30 September 1995
	£	£
Trade debtors	354,768	230,478
Other debtors	9,920	9,083
Prepayments and accrued income	19,220	21,579
Amounts owed by group undertakings	1,470,703	89,316
	<u>1,854,611</u>	<u>350,456</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	31 December 1996 £	30 September 1995 £
Loan	-	16,667
Bank overdraft	6,018	-
Trade creditors	66,925	44,664
Amounts owed to group undertakings	2,103,786	134,886
Taxation and social security	57,725	62,449
Accruals	101,796	149,422
	<u>2,336,250</u>	<u>408,088</u>

13 Creditors: Amounts falling due after more than one year

	31 December 1996 £	30 September 1995 £
Loan	<u>-</u>	<u>33,333</u>

14 Provision for future rentals on acquired properties

	31 December 1996 £	30 September 1995 £
Provision for future rentals on acquired properties	<u>445,737</u>	<u>-</u>

15 Called-up share capital

	31 December 1996 £	30 September 1995 £
<i>Authorised</i>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
630,000 Ordinary shares of £1 each	<u>630,000</u>	<u>630,000</u>

Notes to accounts (continued)

16 Movement on reserves

	Share premium £	Revaluation reserve £	Profit and loss account £
At 1 October 1995	56,850	943,746	10,252
Revaluation during the period	-	(588,729)	-
Retained loss for the period	-	-	(1,006,235)
At 31 December 1996	<u>56,850</u>	<u>355,017</u>	<u>(995,983)</u>

17 Reconciliation of movements in shareholders' funds

	31 December 1996 £	30 September 1995 £
Loss for the financial period	(1,006,235)	(43,107)
Other recognised gains and losses relating to the period (net)	(588,729)	-
Opening shareholders' funds	<u>1,640,848</u>	<u>1,683,955</u>
Closing shareholders' funds	<u>45,884</u>	<u>1,640,848</u>

18 Guarantees and other financial commitments

a) Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	31 December 1996 £	30 September 1995 £
Operating leases which expire:		
- within one year	-	2,491
- between two and five years	48,816	15,478
- over five years	<u>102,638</u>	<u>-</u>
	<u>151,454</u>	<u>17,969</u>

b) Guarantees

There is a cross guarantee between all members of the parent group Independent Radio Group PLC and the Royal Bank of Scotland plc.

Notes to accounts (continued)

19 Pension arrangements

The company operates a defined contribution pension scheme for selected employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total pension contributions paid during the period were £2,100 (year ended 30 September 1995 - £6,840). There were no outstanding or pre-paid contributions at either the beginning or end of the financial period.

20 Ultimate parent company

The company is a subsidiary undertaking of Allied Radio Ltd (formerly Allied Radio PLC) and the ultimate parent company is Independent Radio Group PLC, incorporated in England, and registered in England Wales.

The only group of which Radio Mercury Limited is a member and for which group accounts are drawn up is that headed by Independent Radio Group PLC. That company was incorporated on 13 September 1995 and group accounts have been prepared for the 16 months ended 31 December 1996.

These are available from Independent Radio Group PLC, PO Box 1458, Quay West, Trafford Wharf Road, Trafford Park, Manchester M17 1FL.