

METRO RADIO LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

Registered Number: 2644277



METRO RADIO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

CONTENTS

	Page
Directors and advisers	1
Directors' report	2 – 4
Report of the auditors	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 – 14

METRO RADIO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

DIRECTORS AND ADVISERS

Managing Director

M Booth (Appointed 6 September 1999)

Directors

M C Ellington

T R Schoonmaker

A Plumb (Appointed 8 September 1999)

B McCluskey (Appointed 4 January 2000)

Secretary

D K Walmsley

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

Barclays Bank Plc
Peterborough Business Centre
PO Box 294
1 Church Street
Peterborough
PE1 1EZ

Registered Office

1 Lincoln Court
Lincoln Road
Peterborough
PE1 2RF

METRO RADIO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

The Company is engaged in the operation of independent radio services in the 'Tyne & Wear' area under licence from the Radio Authority. No change in the Company's operations is envisaged in the immediate future.

REVIEW OF BUSINESS AND RESULTS

The operating profit for the year was £3,615,000 (1998: £3,340,000). The profit on ordinary activities after taxation for the year was £2,531,000 (1998: £2,276,000). The directors are satisfied with the Company's performance.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors recommend the payment of a dividend of £8,000,000 (1998: £Nil).

DIRECTORS AND THEIR INTERESTS

The current directors are listed on page 1. The directors who served during the year are:

G H Dunne (Resigned 1 June 1998)
S Marley (Resigned 7 September 1999)
P A Roberts (Resigned 3 September 1999)
E M Chapman (Resigned 31 March 1998)
P J Seddon (Resigned 30 November 1999)
B McCluskey (Appointed 4 January 2000)

The directors have no interests in the share capital of the Company. The interests of the directors in the share capital of the ultimate parent company, EMAP plc, at the beginning of the year and at the end of the year were as follows:

	<u>Ordinary shares in issue</u>		<u>Executive share plan under trust</u>	
	<u>At 1 April 1998</u>	<u>At 31 March 1999</u>	<u>At 1 April 1998</u>	<u>At 31 March 1999</u>
C M Ellington	6,232	5,572	1,500	3,120
S P Marley	204	296	1,950	2,028
P A Roberts	132	176	2,000	2,080
T R Schoonmaker	24,981	37,605	-	-
P J Seddon	214	1,214	3,000	1,560

METRO RADIO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS (CONTINUED)

	Ordinary shares under option					
	At 1 April 1998	Rights adjustment	Granted in year	Lapsed in year	Exercised	At 31 March 1999
C M Ellington	-	-	688	-	-	688
S P Marley	656	25	344	-	-	1,025
P A Roberts	1,032	40	528	-	-	1,600
T R Schoonmaker	46,372	86	799	(45,459)	-	1,798
P J Seddon	5,453	218	-	-	-	5,671

*or at date of appointment

The ultimate parent company, EMAP plc, operates for its eligible staff an Approved Profit Sharing Scheme, an Approved Savings Related Share Option Scheme and, by invitation only, an Approved Executive Share Plan that replaced the Executive Share Option Scheme.

Since 1985, options have been granted annually in the Savings Related Share Option Scheme. Outstanding options are at prices between 219.1p and 892.0p. The normal exercise dates for these options extends to 2005.

Between 1986 and 1998, options were granted annually, with the exception of 1990, in the Executive Share Option Scheme with outstanding options at prices between 211.0p and 363.6p. The normal exercise dates for these options extends to 2004.

Under the Executive Share Plan, staff who are chosen to participate are provisionally allocated a number of shares. These shares are then held in the EMAP Share Trust for three years at the end of which time they can be distributed to the staff to whom they were provisionally allocated provided they continued to be employed by a group company.

YEAR 2000

The Company has recognised the need to review its business systems to establish the potential exposure to Year 2000 non-compliance. The Company has completed a review of its business critical operations and has a programme in place to rectify the areas of identified non-compliance. The costs of rectification have not been separately identified and will be covered as part of normal replacement and upgrading of systems.

METRO RADIO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year 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 year. 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; and
- prepare the financial statements 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 financial statements 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

PricewaterhouseCoopers have expressed their willingness to continue to act as auditors. An election is in force under section 386 of the Companies act 1985 dispensing with the obligation to re-appoint auditors annually.

Approved by the board of directors on 28 January 2000 and signed on its behalf by:



DIRECTOR

REPORT OF THE AUDITORS TO THE MEMBERS OF METRO RADIO LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared in accordance with the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 director 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 at 31 March 1999 and of the result of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester

28 January 2000

METRO RADIO LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	<u>1999</u> £'000	<u>1998</u> £'000
TURNOVER (Note 1)	10,134	9,429
Cost of sales	<u>(2,388)</u>	<u>(1,750)</u>
GROSS PROFIT	7,746	7,679
Administrative expenses	(4,131)	(4,397)
Other operating income (Note 2)	<u>-</u>	<u>58</u>
OPERATING PROFIT (Note 3)	<u>3,615</u>	<u>3,340</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,615	3,340
Tax on profit on ordinary activities (Note 6)	<u>(1,084)</u>	<u>(1,064)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,531	2,276
Dividends (Note 7)	<u>(8,000)</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR (Note 13)	<u>(5,469)</u>	<u>2,276</u>

All of the Company's activities are continuing.

The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 14 form part of these financial statements.

METRO RADIO LIMITED

BALANCE SHEET AT 31 MARCH 1999

	<u>1999</u> £'000	<u>1998</u> £'000
FIXED ASSETS		
Tangible assets (Note 8)	<u>1,058</u>	<u>969</u>
CURRENT ASSETS		
Stock - consumables	2	6
Debtors (Note 9)	2,264	4,239
Cash at bank and in hand	<u>7,949</u>	<u>17,845</u>
	10,215	22,090
CREDITORS: amounts falling due within one year (Note 10)	<u>(6,667)</u>	<u>(12,984)</u>
NET CURRENT ASSETS	<u>3,548</u>	<u>9,106</u>
NET ASSETS	<u>4,606</u>	<u>10,075</u>
CAPITAL AND RESERVES		
Called up share capital (Note 12)	420	420
Profit and loss account (Note 13)	<u>4,186</u>	<u>9,655</u>
EQUITY SHAREHOLDERS' FUNDS (Note 13)	<u>4,606</u>	<u>10,075</u>

The notes on pages 8 to 14 form part of these financial statements.

The financial statements on pages 6 to 14 were approved by the Board of Directors on 28 January 2000 and were signed on its behalf by:


DIRECTOR

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Cash flow and related party transactions

The Company is a wholly owned subsidiary of EMAP plc and the cash flows of the Company are included in the consolidated cash flow statement of EMAP plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement.

The Company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose related party transactions with undertakings controlled within the group.

Turnover

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

Tangible fixed assets

Depreciation is calculated so as to write down the cost or valuation of all tangible fixed assets less their estimated residual values by equal annual instalments over their expected useful economic lives which are:

Freehold land & buildings	40 years
Transmitter sites and equipment	5 years
Studio and technical equipment; fixtures and fittings	3-5 years
Computer equipment	3 years

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease terms.

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Contributions to pension funds

The Company participates in a defined contribution scheme operated by EMAP plc. The assets of the scheme are held in separately administered funds. The total pension charge for the year is disclosed in Note 4.

2 OTHER OPERATING INCOME

	<u>1999</u> £'000	<u>1998</u> £'000
IRN Rebate	-	58

3 OPERATING PROFIT

	<u>1999</u> £'000	<u>1998</u> £'000
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	166	168
Auditors remuneration for audit work	5	5
Operating leases - hire of plant and machinery	153	126

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

4 EMPLOYEE INFORMATION

The average weekly number of persons (including directors) employed during the year was 54 (1998: 83).

	<u>1999</u> £'000	<u>1998</u> £'000
Staff costs (for the above persons):		
Wages & salaries	1,651	1,910
Social security costs	148	206
Other pension costs	<u>35</u>	<u>55</u>
	<u>1,834</u>	<u>2,171</u>

5 DIRECTORS' EMOLUMENTS

The remuneration paid to the directors of Metro Radio Limited was:

	<u>1999</u> £'000	<u>1998</u> £'000
Emoluments	165	242
Termination payments	54	-
Pension Contributions	<u>5</u>	<u>12</u>
	<u>224</u>	<u>254</u>

Total pension contributions for directors were £6,000 (1998: £12,000). All directors participate in the defined contribution scheme.

The highest paid director received emoluments, excluding pension contributions, of £61,000 (1998: £103,000) with pension contributions of £1,000 (1998: £6,000).

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1999</u> £'000	<u>1998</u> £'000
United Kingdom corporation tax at 31% (1998: 31%)	1,144	1,064
Deferred tax (Note 11)	<u>(60)</u>	<u>-</u>
	<u>1,084</u>	<u>1,064</u>

7 DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Ordinary dividends on equity shares at 19 pence per share (1998: nil pence per share)	8,000	-
	<u>8,000</u>	<u>-</u>

8 TANGIBLE FIXED ASSETS

	<u>Freehold land & buildings</u> £'000	<u>Studio & technical equipment</u> £'000	<u>Transmitter sites & equipment</u> £'000	<u>Computer equipment</u> £'000	<u>Fixtures & fittings</u> £'000	<u>Total</u> £'000
Cost or valuation						
At 1 April 1998	784	1,231	142	691	307	3,155
Additions	<u>-</u>	<u>31</u>	<u>80</u>	<u>140</u>	<u>4</u>	<u>255</u>
At 31 March 1999	<u>784</u>	<u>1,262</u>	<u>222</u>	<u>831</u>	<u>311</u>	<u>3,410</u>
Depreciation						
1 April 1998	118	1,016	119	649	284	2,186
Charge for the year	<u>19</u>	<u>87</u>	<u>12</u>	<u>38</u>	<u>10</u>	<u>166</u>
At 31 March 1999	<u>137</u>	<u>1,103</u>	<u>131</u>	<u>687</u>	<u>294</u>	<u>2,352</u>
Net book value						
At 31 March 1999	<u>647</u>	<u>159</u>	<u>91</u>	<u>144</u>	<u>17</u>	<u>1,058</u>
At 31 March 1998	<u>666</u>	<u>215</u>	<u>23</u>	<u>42</u>	<u>23</u>	<u>969</u>

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

9 DEBTORS

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Trade debtors	2,061	3,992
Amounts owed by group undertakings	14	104
Deferred tax (Note 11)	60	-
Other debtors	7	45
Prepayments and accrued income	<u>122</u>	<u>98</u>
	2,264	4,239
	<u><u> </u></u>	<u><u> </u></u>

Amounts owed by group undertakings are repayable on demand.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Trade creditors	105	164
Amounts owed to group undertakings	4,811	10,120
Corporation tax	1,034	1,064
Other taxation and social security payable	294	680
Other creditors	313	290
Accruals and deferred income	<u>110</u>	<u>666</u>
	6,667	12,984
	<u><u> </u></u>	<u><u> </u></u>

Amounts owed to group undertakings are repayable on demand.

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

11 DEFERRED TAXATION

Deferred tax provided in the financial statements is as follows:

	<u>1999</u> £'000	<u>1998</u> £'000
Accelerated capital allowances	(41)	-
Other timing differences	<u>(19)</u>	<u>-</u>
	<u>(60)</u>	<u>-</u>

12 CALLED UP SHARE CAPITAL

	<u>1999</u> £'000	<u>1998</u> £'000
Authorised:		
3,000,000 Ordinary shares of £1 each	3,000	3,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
420,234 Ordinary shares of £1 each	420	420
	<u> </u>	<u> </u>

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>Share capital</u> £'000	<u>Profit and loss account</u> £'000	<u>Total</u> £'000
Retained loss for the year	-	(5,469)	(5,469)
Net addition to shareholders' funds	-	(5,469)	(5,469)
Shareholders' funds at 1 April 1998	<u>420</u>	<u>9,655</u>	<u>10,075</u>
Shareholders' funds at 31 March 1999	<u>420</u>	<u>4,186</u>	<u>4,606</u>

METRO RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

14 FINANCIAL COMMITMENTS

The Company had annual commitments under non-cancellable operating leases as follows:

	<u>1999</u> £'000	<u>1998</u> £'000
Expiring within one year	7	18
Expiring between one and five years inclusive	<u>76</u>	<u>96</u>
	83	114
	<u> </u>	<u> </u>

15 ULTIMATE HOLDING COMPANY

The ultimate holding company is EMAP plc, a company registered in England and Wales. This company is also the only company preparing group financial statements which include the results and assets of Metro Radio Limited. Copies of the latest published financial statements of EMAP plc may be obtained from the registered office, 1 Lincoln Court, Lincoln Road, Peterborough PE1 2RF.