

Galaxy Radio Manchester Limited

Directors' report and financial statements

31 August 1998

Registered number 2848034



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 1998.

Principal activities

The principal activity of the company is that of a commercial radio station broadcasting in the Great Manchester area. The radio station trades as Galaxy 102.

Results

The company recorded a retained loss of £762,066 (1997: £169,683) in the period which was transferred to reserves. The results for the year are fully set out on page 5.

Change of name

The company changed its name to Galaxy Radio Manchester Limited on 24 September 1997.

Directors and directors' interests

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

Donald Thomson	
Keith Pringle	
Steven Parkinson	
Mark Evans	
Philip Riley	
Richard Huntingford	
Henry Condon	(appointed 20 January 1998)
Paul Saunders	(appointed 19 January 1999)
Howard Sharrock*	(appointed 11 March 1998)
Steven Smith*	(appointed 11 March 1998)
James Hicks	(appointed 8 July 1998, resigned 19 January 1999)
Deborah Meek	(appointed 8 July 1998)

* non executive directors

None of the directors who held office at 31 August 1998 had any direct interest in the shares of the company either at the start or end of the year.

Richard Huntingford is a director of Chrysalis Group plc, the ultimate holding company, and his interests in the shares of that company are disclosed in its statutory accounts.

The interests of other directors, including family interests, in the share capital of the ultimate holding company at the period end were as follows:

	1998		1997	
	Number of shares	Number of options	Number of shares	Number of options
Philip Riley	27,601	-	6,402	25,000
Donald Thomson	2,359	10,088	2,359	10,000
Keith Pringle	-	10,088	-	10,000

On 18 February 1998, in accordance with the scheme, the number of shares under option and the option price were amended as a result of the increase in the holding company's issued share capital following the Placing and Open Offer which was completed on 29 August 1997.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

On 4 March 1998, Philip Riley exercised 25,220 share options over the ordinary shares of 10p each in Chrysalis Group plc at a price of £1.71 per share. The market price on the date of exercise was £7.30.

Proposed dividend

The directors do not recommend the payment of a dividend (1997: £Nil).

Year 2000 compliance

The Chrysalis Group, of which this company is part, has upgraded both its internal computer network and its main accounting software over the past 18 months. In carrying out these two major upgrades, the Directors have sought to ensure that the new hardware and software selected was Year 2000 compliant. The Directors of the Group are also in the process of assessing the compliance of all other computer hardware, software and other electronic equipment which uses time-coded software in use throughout the Group. Where instances of non-compliance have been found, these have been noted and the necessary changes are being made as part of the Group's normal ongoing replacement cycle before 31 December 1999. An internal working party comprising senior information technology and accounting personnel meets on a regular basis to plan and control the implementation of changes and review progress.

By order of the Board


CR Potterell
Company Secretary

The Chrysalis Building
Bramley Road
London
W10 6SP

23 June 1999

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 for that period. 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Galaxy Radio Manchester Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors 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 the company's affairs as at 31 August 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 June 1999

Profit and loss account
for the year ended 31 August 1998

	<i>Note</i>	Year ended 31 August 1998 £	11 months ended 31 August 1997 £
Turnover	<i>1</i>	1,240,487	1,328,818
Cost of sales		(238,358)	(347,772)
Gross profit		1,002,129	981,046
Distribution and marketing costs		(248,098)	(148,515)
Administrative expenses		(1,482,722)	(1,007,170)
Operating loss		(728,691)	(174,639)
Interest receivable and similar income		2,014	5,170
Interest payable and similar charges	<i>5</i>	(35,389)	(214)
Loss on ordinary activities before and after taxation, retained for the year	<i>2,6</i>	(762,066)	(169,683)

The above results derive entirely from the company's continuing activities.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the loss as stated above for the current and prior periods.

Note on historical cost profits and losses

There is no difference between the results as disclosed in the profit and loss account and the results as given by an unmodified historical cost basis.

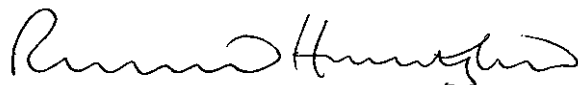
A statement of movement on reserves is set out in note 15.

Balance sheet
at 31 August 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible fixed assets	7		313,096		171,881
Investments	8		12		12
			<hr/>		<hr/>
			313,108		171,893
Current assets					
Stock	9	1,798		-	
Debtors	10	2,075,912		1,588,979	
Cash at bank and in hand		263		79,026	
		<hr/>		<hr/>	
		2,077,973		1,668,005	
Creditors: Amounts falling due within one year	11	(1,662,015)		(389,658)	
		<hr/>		<hr/>	
Net current assets			415,958		1,278,347
			<hr/>		<hr/>
Total assets less current liabilities			729,066		1,450,240
			<hr/>		<hr/>
Creditors: Amounts due after one year	12		(40,892)		-
			<hr/>		<hr/>
Net assets			688,174		1,450,240
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	13		833,715		833,715
Share premium	14		1,287,435		1,287,435
Profit and loss account	15		(1,432,976)		(670,910)
			<hr/>		<hr/>
Equity shareholders' funds			688,174		1,450,240
			<hr/>		<hr/>

The notes to the financial statements on pages 7 to 13 form part of the financial statements.

These financial statements were approved by the board of directors on 23 June 1999 and were signed on its behalf by:



RNL Huntingford
Director

Notes

(forming part of the financial statements)

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The company is exempt from the preparation of consolidated group accounts as it is a wholly owned subsidiary of Chrysalis Group plc, a company incorporated in Great Britain, whose consolidated financial statements include the results of the company.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of advertising airtime and sponsorship to customers, net of agency commissions, during the year and is derived wholly from the UK.

Fixed assets and depreciation

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

Leasehold improvements	over the life of the lease
Transmitter and technical equipment	over 5 years
Office furniture, plant and equipment	over 2-10 years
Motor vehicles	over 3-5 years

Stock

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

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Cash flow

The company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of a company incorporated in Great Britain and registered in England and Wales.

Pensions

Employees are entitled to participate in Chrysalis Group plc defined contribution pension scheme.

The assets of the scheme are held separately from those of the group in an independently administered fund. The amounts charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Related party disclosures

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Chrysalis Group plc and its results are included in the consolidated financial statements of that company.

2 Loss on ordinary activities before and after taxation

	Year ended 31 August 1998 £	11 months ended 31 August 1997 £
<i>Loss on ordinary activities before and after taxation is stated</i>		
<i>after charging</i>		
Depreciation:		
Owned tangible fixed assets	74,340	54,363
Assets held under finance lease	9,547	-
Auditors' remuneration:		
Audit	5,500	6,000
Land and building rentals payable under operating lease	34,173	32,033
Other rentals payable under operating lease	24,619	23,533
	<u>168,189</u>	<u>115,929</u>

The directors consider that there is only one class of business, all originating in the United Kingdom.

3 Directors' remuneration

The remuneration of the directors during the year (including pension contributions) was as follows:

	Year ended 31 August 1998 £	11 months ended 31 August 1997 £
Remuneration as executives	153,367	164,852
Pension contributions	7,328	-
	<u>160,695</u>	<u>164,852</u>

Three directors (1997: Nil) have contributions made on their behalf by the company to a defined contribution pension scheme.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 August 1998	11 months ended 31 August 1997
Directors	7	9
Programming and production	10	16
Sales and administration	18	12
	<hr/>	<hr/>
	35	37
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 August 1998 £	11 months ended 31 August 1997 £
Wages and salaries	512,569	421,962
Social security costs	91,649	33,128
Pension costs	15,802	-
	<hr/>	<hr/>
	620,020	455,090
	<hr/>	<hr/>

5 Interest payable and similar charges

	Year ended 31 August 1998 £	11 months ended 31 August 1997 £
Bank interest payable	-	214
Interest payable on finance leases	1,815	-
Group interest payable	33,574	-
	<hr/>	<hr/>
	35,389	214
	<hr/>	<hr/>

6 Taxation

There is no tax charge in the year as a result of trading losses arising (1997: £Nil).

Notes (continued)

7 Tangible fixed assets

	Motor vehicles	Short leasehold buildings	Plant, equipment, furniture and fittings	Total
	£	£	£	£
Cost				
At beginning of year	-	70,927	260,185	331,112
Additions	100,026	8,838	115,256	224,120
Transfers from other group undertakings	-	-	1,571	1,571
At end of year	100,026	79,765	377,012	556,803
Depreciation				
At beginning of year	-	28,700	130,531	159,231
Charge for year	9,547	1,592	72,748	83,887
Transfers from other group undertakings	-	-	589	589
At end of year	9,547	30,292	203,868	243,707
Net book value				
At 31 August 1998	90,479	49,473	173,144	313,096
At 31 August 1997	-	42,227	129,654	171,881

Included within motor vehicles at the year end are assets held under finance lease with a net book value of £90,479 (1997: £Nil).

8 Investments

Shares in
group
undertakings
£

At the start and end of the year	12
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Details of group undertakings at the balance sheet date are as follows:

Name of company	Main Trading Activity	% of Ordinary shares held
Galaxy Radio Yorkshire Limited	Operation of a radio station	100
Faze Three (East Midlands) Limited	Dormant	100

The above companies are registered in England and Wales.

Notes (continued)

9 Stock

	1998	1997
	£	£
Merchandise stock	1,798	-
	<u>1,798</u>	<u>-</u>

10 Debtors

	1998	1997
	£	£
Trade debtors	313,469	230,809
Amounts owed by group undertakings	1,710,632	1,316,879
Other debtors	1,982	1,836
Prepayments and accrued income	49,829	39,455
	<u>2,075,912</u>	<u>1,588,979</u>

11 Creditors: Amounts falling due within one year

	1998	1997
	£	£
Bank overdraft	22,709	-
Trade creditors	84,728	86,039
Amounts owed to group undertakings	1,339,324	-
Taxation and social security	18,418	17,034
Finance leases (note 12)	36,582	-
Other creditors	22,218	82,851
Accruals and deferred income	138,036	194,062
	<u>1,662,015</u>	<u>379,986</u>

12 Creditors: Amounts falling due after one year

	1998	1997
	£	£
Finance leases	40,892	-
	<u>40,892</u>	<u>-</u>

At the year end the amounts owed under finance leases fall due as follows:

	£	£
In one year or less (note 11)	36,582	-
Between one and two years	36,582	-
Between two and five years	4,310	-
	<u>77,474</u>	<u>-</u>

Notes (continued)

13 Called up share capital

	1998 £	1997 £
<i>Authorised:</i>		
681,034 ordinary shares of £1 each	681,034	681,034
190,245 'A' ordinary shares of £1 each	190,245	190,245
	<u>871,279</u>	<u>871,279</u>
<i>Allotted, called up and fully paid:</i>		
643,470 ordinary shares of £1 each	643,470	643,470
190,245 'A' ordinary shares of £1 each	190,245	190,245
	<u>833,715</u>	<u>833,715</u>

The 'A' ordinary and ordinary shares rank pari passu as regards all rights to dividends income and return of capital, and in terms of voting rights.

14 Share premium account

	1998 £	1997 £
At start of year	1,287,435	84,000
Issue of ordinary shares at a premium	-	1,203,435
	<u>1,287,435</u>	<u>1,287,435</u>
At end of year	<u>1,287,435</u>	<u>1,287,435</u>

15 Reconciliation of movement in shareholders' funds

	Profit and loss account £	Share capital £	Share premium £	Total £
At beginning of prior year	(501,227)	700,000	84,000	282,773
Loss for the prior year	(169,683)	-	-	(169,683)
Issue of shares	-	133,715	1,203,435	1,337,150
	<u>(670,910)</u>	<u>833,715</u>	<u>1,287,435</u>	<u>1,450,240</u>
At beginning of year	(670,910)	833,715	1,287,435	1,450,240
Loss for the year	(762,066)	-	-	(762,066)
	<u>(1,432,976)</u>	<u>833,715</u>	<u>1,287,435</u>	<u>688,174</u>
At end of year	<u>(1,432,976)</u>	<u>833,715</u>	<u>1,287,435</u>	<u>688,174</u>

Notes (continued)

Operating lease commitments

The company had the following annual commitments under non cancellable operating leases:

	1998		1997	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Expiring within one year	-	2,070	-	6,431
Expiring between two and five years	-	21,109	-	19,060
Expiring after five years	40,455	-	34,945	-
	<u>40,455</u>	<u>23,179</u>	<u>34,945</u>	<u>25,491</u>

Capital commitments

The company had no unprovided capital commitments at the year end (1997: £Nil).

Ultimate holding company

The ultimate holding company is Chrysalis Group plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the latest published financial statements of that company can be obtained from The Chrysalis Building, Bramley Road, London, W10 6SP.