Company Registration Number

02775358

SMOOTH RADIO LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

SMOOTH RADIO LIMITED

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SMOOTH RADIO LIMITED

LIST OF DIRECTORS AND ADVISERS

Directors
S Taylor
P E Boardman
S P Kilby

Company secretary
S.P. Kilby

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors
Davenport Lyons
30 Old Burlington Street
London
W1S 3NL

Bankers
The Royal Bank of Scotland plc
Corporate and Institutional Banking
135 Bishopgate
London
EC2M 3UR

Registered Office
PO Box 68164
Kings Place
90 York Way
London
N1P 2AP

SMOOTH RADIO LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2012.

Principal Activity
The principal activity of the company is that of a radio station

Business Review and Future Developments

The loss for the year is set out in the profit and loss account on page 8 The Directors are satisfied with the performance of the company, which represents the results of Smooth Radio in the North West as well as the net costs of GMG Radio's internal sales house operations in the areas of Regional sales, Internet sales and National Sponsorship and Promotions

Turnover for 2011/12 has increased by 4 6% to £8 268m (2011· £7 904m) as a result of improved advertising spends in the local market place. A structural change in the regional agency marketplace has impacted on revenues as the sector consolidates To take account of this change we have adjusted our structures to allow more focus on non-spot advertising Total operating costs have increased in line with increased revenues resulting from commission payments made to third party sales houses Costs within Smooth Radio's programming and marketing departments have been reduced year on year, with the profit from Smooth Radio in the North West within these accounts increasing marginally year on year

Averaging listening hours remained stable at a high point for Smooth North West from December 2010 (6,504,000*) to December 2011 (6,451,000*), and we have continued to invest into talent, content and innovation in 2011 Regionally, the station remains market leader on all measures in the North West region and one of the largest commercial radio stations outside of the London marketplace Smooth Radio has also achieved Investors in People Gold status during the financial year demonstrating our continued commitment to our staff

Smooth Radio's national brand led strategy, designed to grow advertising revenues in the national agency marketplace, continues to evolve A success culture, team stability and continued focus on multiplatform opportunities delivered through online and mobile platforms will allow the business to build a solid base for a digital future

The year ahead will encompass a period of consolidation as well as on-going change, as we prepare for future regulatory change delivered through a future Communications Act Our understanding of the regional audiences indicates a continued interest in regional news and information and our ability to share facilities with other GMG Radio brands based in Manchester has allowed us to make sensible efficiencies of scale in providing this service through our news hub

Source* RAJAR Ipsos/RSL

Financial Risk Management
The company's operations expose it to a number of financial risks including price risk, credit risk, interest rate risk and liquidity risk

Price risk
The company is exposed to price risk The company does not manage its exposure to price risk due to cost benefit considerations. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

Credit risk
The company's principal financial assets are bank balances and trade and other receivables The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables The company has implemented policies that require appropriate credit checks on potential customers before sales are made An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Interest rate risk
Interest bearing liabilities are held with other group companies The company has flexible repayment terms and the support of the group

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company may use a debt facility with other group companies

Directors
The directors of the company during the year and up to the date of signing the financial statements are listed on page 2

No director had any interest in contracts made by the company

Qualifying third party indemnity
The company has granted indemnity in favour of its directors and officers against the financial exposure that they may occur in the context of their professional duties as directors and officers of the company

Results and Dividends
The loss for the year is set out in the profit and loss account on page 8 The directors are satisfied with the performance of the company

The directors do not recommend payment of a dividend (2011· nil)

Going concern
The company has received confirmation from Guardian Media Group plc that it will not seek repayment of the loans outstanding at the balance sheet date for at least twelve months from the date of signing these financial statements and will continue to provide financial support to allow the company to continue to meet its liabilities for the foreseeable future

Directors' Responsibilities Statement
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to·

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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.

Disclosure of relevant information to auditors
The directors of the company at the date of this report confirm that.

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (1) to (4) of the Companies Act 2006

Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and, in the absence of a notice proposing that the appointment be terminated, they will be deemed to be re-appointed for the next financial year

By the order of the Board

S P Kilby
Director and Company secretary
14 June 2012

SMOOTH RADIO LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMOOTH RADIO LIMITED

We have audited the financial statements of Smooth Radio Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

SMOOTH RADIO LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMOOTH RADIO LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit

Benjamin Parrott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
14 June 2012

SMOOTH RADIO LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £'000	2011 £'000
Turnover	2	**8,268**	7,904
Operating costs.			
Staff costs	3	**(3,586)**	(3,448)
Depreciation on tangible fixed assets		**(65)**	(53)
Profit on disposal of fixed assets		**-**	1
Other operating charges		**(5,390)**	(5,046)
		(9,041)	(8,546)
Operating loss		**(773)**	(642)
Interest payable to fellow subsidiary		**(61)**	(51)
Loss on ordinary activities before taxation	4	**(834)**	(693)
Tax credit on loss on ordinary activities	5	**190**	161
Loss for the financial year	11	**(644)**	(532)

All activities in the year above relate to continuing operations

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

There is no material difference between the loss on ordinary activities before taxation and loss for the financial period stated above, and their historical cost equivalents

SMOOTH RADIO LIMITED

BALANCE SHEET
AS AT 31 MARCH 2012

	Note	**2012**	2011
		£'000	£'000
Fixed assets			
Tangible assets	6	**277**	118
Current assets			
Debtors	7	**6,972**	5,897
Cash at bank and in hand		**523**	139
		7,495	6,036
Creditors: amounts falling due within one year	8	**(8,078)**	(5,816)
Net current (liabilities)/assets		**(583)**	220
Net (liabilities)/assets		**(306)**	338
Capital and reserves			
Called up share capital	10	**300**	300
Profit and loss account		**(606)**	38
Total shareholders' (deficit)/funds	11	**(306)**	338

The financial statements on pages 8 to 16 were approved by the Board of Directors on 14 June 2012 and were signed on its behalf by

S P Kilby
Director

P E Boardman
Director

Smooth Radio Limited
Company Registration Number 02775358

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting policies

Accounting basis
These financial statements are prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies applied in the preparation of financial statements which have been consistently applied each year, are set out below

Cash flow statement
The company is a wholly owned subsidiary of Guardian Media Group plc and the cash flows of the company are included in the consolidated group cash flow statement of Guardian Media Group plc Consequently the company is exempt from publishing a cash flow statement, under IFRS 1 (revised 1996)

Tangible assets
Tangible fixed assets, other than freehold land, are stated at cost less depreciation.

Depreciation of tangible fixed assets has been calculated to write off the original cost by equal instalments over the estimated useful life of the asset concerned

The principal annual rates used for depreciation are

- Studio and office equipment 12 5% - 33%

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances suggest that their carrying amount may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the net present value of expected future cash flows of the relevant income generating unit Any impairment is recognised in the profit and loss account in the period it occurs.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Deferred tax is measured on an undiscounted basis

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted

Revenue recognition
Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of business (net of VAT, trade discounts and anticipated returns) Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company

Online advertising revenue is recognised as page impressions are served or evenly over the period, depending on the terms of the contract

1) Accounting policies (continued)

Radio airtime, advertising, sponsorship and other revenue is recognised as the advertising or channel is aired

Radio advertisement production revenue is recognised when the advert is produced

Deferred income is recorded in the balance sheet and represents amounts invoiced but not yet recognised in the profit and loss account

Revenue from barter transactions for advertising is recognised and disclosed only where there is persuasive evidence of the value at which, if it had not been exchanged, the advertising would have been sold for cash in a similar transaction

Pension costs
The company's employees are members of a defined contribution pension scheme operated by the ultimate holding company Details of the Group's pension scheme are shown in the consolidated financial statements of Guardian Media Group plc. Contributions are made in accordance with the scheme rules and charged to operating costs as incurred (see note 3a)

Operating leases
Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Going concern
The company has received confirmation from Guardian Media Group plc that it will not seek repayment of the loans outstanding at the balance sheet date for at least twelve months from the date of signing these financial statements and will continue to provide financial support to allow the company to continue to meet its liabilities for the foreseeable future

2) Turnover
Sales are made wholly in the UK

3) Staff costs

(a) Staff costs during the year

	2012	2011
	£'000	£'000
Wages and salaries	**2,993**	2,892
Employer's social security costs	**404**	370
Employer's pension costs	**189**	186
	3,586	3,448

There were no outstanding or prepaid pension contributions at 31 March 2012 (2011: £nil)

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3) Staff costs (continued)

(b) Average number of persons employed

By activity:	2012 No.	2011 No.
Programming	19	20
Advertising	52	48
Administration	15	16
	86	84

(c) Directors' emoluments

The emoluments of all the directors are paid by the ultimate parent company which makes no recharge to the company All of the directors are directors of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries Accordingly, their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company

4) Loss on ordinary activities before taxation

	2012 £'000	2011 £'000
The following amounts have been charged/(credited) in arriving at loss on ordinary activities before taxation·		
Depreciation of tangible fixed assets	65	53
Profit on disposal of tangible fixed assets	-	(1)
Hire of assets under operating leases – land and buildings	75	106
Hire of assets under operating leases – equipment and vehicles	1,400	1,345
Auditors' remuneration – audit of company	7	7

5) Tax credit on loss on ordinary activities

(a) Analysis of credit in the year

	2012 £'000	2011 £'000
UK corporation tax credit on loss for the year	(219)	(157)
Adjustments in respect of previous periods	2	3
Total current tax credit	(217)	(154)
Deferred tax		
Origination and reversal of timing differences (note 9)	27	(7)
Tax credit on loss on ordinary activities	(190)	(161)

The tax credit for the year is lower than (2011 lower) than the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are explained below

(b) Factors affecting tax credit for the year	**2012** **£'000**	2011 £'000
Loss on ordinary activities before tax	**(834)**	(693)
Loss on ordinary activities multiplied by standard rate tax 26% (2011 28%)	**(217)**	(194)
Effects of:		
Expenses not deductible for tax purposes	**19**	22
Depreciation in excess of capital allowances	**(21)**	15
Adjustments to tax charge in respect of previous periods	**2**	3
Current tax credit for the year	**(217)**	(154)

(c) Factors that may affect future tax charges
A change in the UK main corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011, following the conclusion of the Budget debates, and was effective from 1 April 2011 In addition following the Budget 2012, a change in the main UK corporation tax rate from 26% to 24% from 1 April 2012 was substantively enacted on 26 March 2012 As a result, the relevant deferred tax balances have been remeasured to 24%

Further reductions to the UK corporation tax rate were announced in the June 2010 and 2012 Budgets, which propose to reduce the rate of 22% for the financial year commencing 1 April 2014 These further changes are expected to be enacted separately each year However, these further changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

6) Tangible assets

	Studio and Office Equipment **£'000**
Cost	
At 1 April 2011	**253**
Additions	**224**
At 31 March 2012	**477**
Accumulated depreciation	
As 1 April 2011	**135**
Charge for the period	**65**
At 31 March 2012	**200**
Net book value	
At 31 March 2012	**277**
At 31 March 2011	**118**

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7) Debtors

	2012 £'000	2011 £'000
Trade debtors	6,488	5,320
Deferred taxation (note 9)	67	94
Amounts due to group undertakings	-	156
Other debtors	7	87
Prepayments and accrued income	410	240
	6,972	5,897

Included in the above other debtors is £nil (2011 £12,412) in respect of long term debtors Amounts due to group undertakings include group relief payable of £nil (2011 £155,844) Amounts due to group undertakings are unsecured, interest free and repayable on demand

8) Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	204	148
Amounts due to group undertakings	5,930	4,199
Other creditors	19	-
Other taxation and social security	1,303	981
Accruals and deferred income	622	488
	8,078	5,816

Amounts due to group undertakings include group relief payable of £nil (2011 £nil).

Amounts due to group undertakings, excluding group relief payable, are unsecured, bear interest at Libor +0 5%, and are repayable on demand

9) Deferred taxation

	2012 £'000	2011 £'000
The deferred taxation asset is analysed as follows		
Accelerated tax allowances on fixed assets	67	94
	67	94
Movement in the year		
At 1 April	94	87
(Charge)/credit to profit and loss account (note 5)	(27)	7
At 31 March	67	94

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10) Called up share capital

	2012 £'000	2011 £'000
300,000 authorised, issued, called up and fully paid ordinary shares of £1 each	300	300

11) Reconciliation of movements in shareholders' (deficit)/funds

	£'000	£'000
Opening shareholders' funds at 1 April	338	870
Loss for the financial year	(644)	(532)
Closing shareholders' (deficit)/funds at 31 March	(306)	338

12) Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2012 Land and Buildings £'000	2012 Equipment and Vehicles £'000	2011 Land and Buildings £'000	2011 Equipment and Vehicles £'000
Expiry date:				
Within one year	-	72	-	21
Between two and five years	75	1,041	75	1,060
More than five years	-	-	-	82
	75	1,113	75	1,163

Included in the above commitments is £1,112,787 (2011 £1,163,396) in respect of equipment and vehicles, and £75,000 (2011 £75,000) in respect of land and buildings, where the leases are held in the name of fellow group undertakings These are recharged from fellow group undertakings to Smooth Radio Limited

13) Contingent liabilities

The company has given a guarantee to The Royal Bank of Scotland plc to secure the liabilities of certain group companies At 31 March 2012, no group company had a bank overdraft (2011 £nil)

14) Related party transactions

The directors regard Guardian Media Group plc as the controlling party by virtue of its 100% interest in the equity share capital of the company Transactions with fellow group undertakings of the Guardian Media Group plc are not required to be disclosed under FRS 8 as these transactions are fully eliminated on consolidation

During the year Smooth Radio Limited incurred charges from MXR Limited (an associate in which GMG Radio Holdings Limited has a 36 8% shareholding) Charges from MXR Limited during the year have totalled £626,177 (2011 £621,272) for annual DAB transmission fees There are no outstanding creditors as at 31 March 2012

15) Ultimate holding company

The company's immediate holding company is Smooth Radio Investments Limited, a company registered in England and Wales The company's ultimate parent company is The Scott Trust Limited, a company incorporated in Great Britain and registered in England and Wales Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, The Scott Trust Limited, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP

Guardian Media Group plc is the parent undertaking of the only group of undertakings to consolidate these financial statements at 1 April 2012 The consolidated financial statements of Guardian Media Group plc are available from The Secretary, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP