

SMOOTH RADIO LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

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SMOOTH RADIO LIMITED

COMPANY INFORMATION

DIRECTORS	CD Everitt MA Lee
COMPANY SECRETARY	CD Everitt
REGISTERED NUMBER	02775358
REGISTERED OFFICE	Laser House Waterfront Quay Salford Quays Manchester M50 3XW
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW
BANKERS	The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR
SOLICITORS	Davenport Lyons 30 Old Burlington Street London W1S 3NL

SMOOTH RADIO LIMITED

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SMOOTH RADIO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

The Directors present their report and the audited financial statements for the year ended 31 March 2013

Principal Activities

The principal activity of the company is that of a radio broadcaster in the Northwest of England

Business Review

The profit for the year before tax was £325,000 (2012 Loss of £644,000) Turnover was £8,559,000 (2012 £8,268,000) up 3.5% on 2012

Smooth radio is the largest commercial radio station in the North West with an overall commercial market share of 12.7%, reaching 783,000 adults aged 15+ with nearly 5.9m of listening hours (Source RAJAR March 2013). Smooth's unique proposition in the marketplace and quality of programming and presenters has proved attractive to advertisers driving turnover ahead by 3.5% against the backdrop of a low growth advertising market and weak economic environment. The Directors are pleased overall with the company's performance and the increase in turnover and coupled with a focus on the cost base the increase in revenue has combine to turnaround the company's results from a net loss position of £644,000 to a profit of £325,000.

Financial Risk Management

The company's operations expose it to a number of financial risks including, credit risk and liquidity risk

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.

Liquidity risk

Liquidity is required to ensure that sufficient funds are available for on-going operations and future developments. The Company has no long-term borrowings and the Directors having reviewed the company's cash flow forecast and profitability for the coming year believe the company has sufficient net assets.

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 and officers of the company.

Directors

The directors of the company during the year and up to the date of signing the financial statements (except as stated) are listed on page 2. No director had any interest in contracts made by the company.

Results and Dividends

The Directors do not recommend a dividend, (2012 nil)

SMOOTH RADIO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

DIRECTORS

The Directors who served during the year and to the date of signing of this report were

S Taylor (Resigned 22 June 2012)
PE Boardman (Resigned 15 June 2012)
SP Kilby (Resigned 31 March 2013)
CD Everitt (Appointed 24 June 2012)
MA Lee (Appointed 24 June 2012)

No director had any interest in contracts made by the company

GOING CONCERN

The company has received confirmation from its parent company, Real and Smooth Limited 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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report 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

SMOOTH RADIO LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013**

Statement of provision of information to auditors

Each director in office at the date the directors' report is approved confirms that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This report was approved by the board on 14th January 2014 and signed on its behalf

A handwritten signature in black ink, appearing to be 'C. Everitt', written over a horizontal line.

CD Everitt
Director

SMOOTH RADIO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMOOTH RADIO LIMITED FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Smooth Radio Limited for the year ended 31 March 2013 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 page 2 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 directors' report 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 2013 and of its profit 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 Directors' Report 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
FOR THE YEAR ENDED 31 MARCH 2013**

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
14th January 2014

SMOOTH RADIO LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £000	2012 £000
TURNOVER	2	8,559	8,268
Operating charges		<u>(8,052)</u>	<u>(9,041)</u>
OPERATING PROFIT/(LOSS)		507	(773)
Interest payable and similar charges		<u>(38)</u>	<u>(61)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	469	(834)
Tax on profit/(loss) on ordinary activities	5	<u>(134)</u>	<u>190</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	<u>335</u>	<u>(644)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and Loss account

There is no material difference between the profit/(loss) on ordinary activities before taxation and profit/(loss) for the financial year stated above, and their historical cost equivalents

SMOOTH RADIO LIMITED
REGISTERED NUMBER 02775358

BALANCE SHEET
AS AT 31 MARCH 2013

	Note	£000	2013 £000	2012 £000
FIXED ASSETS				
Tangible assets	6		200	277
CURRENT ASSETS				
Debtors	7	6,573		6,972
Cash at bank and in hand		<u>518</u>	<u>523</u>	
		7,091	7,495	
CREDITORS , amounts falling due within one year	8	<u>(7,262)</u>	<u>(8,078)</u>	
NET CURRENT LIABILITIES			<u>(171)</u>	<u>(583)</u>
NET ASSETS/(LIABILITIES)			<u>29</u>	<u>(306)</u>
CAPITAL AND RESERVES				
Called up share capital	10		300	300
Profit and loss account	13		<u>(271)</u>	<u>(606)</u>
TOTAL SHAREHOLDERS' FUNDS	11		<u>29</u>	<u>(306)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14th January 2014



CD Everitt
Director

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

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Cash flow statement

The company, being a subsidiary undertaking whose cash flows are included in the consolidated cash flow of its parent company whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Going Concern

The company has received confirmation from its parent company, Real and Smooth Limited 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.

1.4 Turnover

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.

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 recognised 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 only where there is persuasive evidence of the value at which, if it had been exchanged, the advertising would have been sold for cash in a similar transaction.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Studio and office equipment	-	12.5% - 33%
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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

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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.

1.6 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. Rentals under operating leases are charged to the Profit and Loss account on a straight line basis over the lease term.

1.7 Current tax

The company provides for corporate taxation on the results for the year at the normal rate applicable to that year and recognises group relief when made available.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

All turnover arose within the United Kingdom.

3. STAFF COSTS

a)	Staff costs during the year	2013 £'000	2012 £'000
	Wages and salaries	2,665	2,993
	Social security costs	364	404
	Other pension costs	156	189
		<u>3,185</u>	<u>3,586</u>
b)	Average monthly number of persons employed	No	No
	Admin	29	34
	Sales	37	52
		<u>66</u>	<u>86</u>

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

c) Directors' emoluments

The emoluments of 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. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The following amounts have been charged in arriving at the profit/(loss) on ordinary activities before taxation

	2013 £'000	2012 £'000
Depreciation of tangible fixed assets	102	65
Hire of assets under operating leases – land and buildings	76	75
Hire of assets under operating leases – equipment and vehicles	894	1,400
Auditors' remuneration – audit of company	5	7

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2013 £000	2012 £000
Analysis of tax charge/(credit) in the year		
Current tax		
UK corporation tax charge/(credit) on profit/(loss) for the year	138	(217)
Total current tax	<u>138</u>	<u>(217)</u>
Deferred tax (see note 9)		
Origination and reversal of timing differences	<u>(4)</u>	<u>27</u>
Tax on profit/(loss) on ordinary activities	<u>134</u>	<u>(190)</u>

Factors affecting tax charge for the year

The tax assessed for the year is the standard rate of corporation tax in the UK of 24% (2012 - 26%). The differences are explained below

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (Continued)

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>469</u>	<u>(834)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 - 26%)	113	(217)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	25	19
Capital allowances for year in excess of depreciation	(1)	(21)
Adjustments to tax charge in respect of prior periods	1	2
	<u>138</u>	<u>(217)</u>

Factors that may affect future tax charges

A change in the UK main corporation tax rate from 24% to 23% was announced in the Chancellor's 2013 Budget and is effective from 1 April 2013. The effect of this rate reduction creates a reduction in the deferred tax asset which has been included in the figures in note 9.

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 23 per cent with effect from 1 April 2013. This change had been substantively enacted on 3 July 2012 and therefore the effect of the rate change creates a reduction in the deferred tax asset which has been reflected in the figures above. The Chancellor also proposed changes to further reduce the main rate of corporation tax by two per cent to 21 per cent from 1 April 2014 and then by one per cent to 20 per cent from 1 April 2015, these changes were substantively enacted on 2 July 2013, but as they were not substantively enacted at the balance sheet date, the impact has not been included in the figures above. It is estimated that this will not have a material effect on the Company.

6. TANGIBLE FIXED ASSETS

	Studio and office equipment £000
Cost	
At 1 April 2012	477
Additions	<u>25</u>
At 31 March 2013	<u>502</u>
Depreciation	
At 1 April 2012	200
Charge for the year	<u>102</u>
At 31 March 2013	<u>302</u>
Net book value	
At 31 March 2013	<u>200</u>
At 31 March 2012	<u>277</u>

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

7 DEBTORS

	2013 £000	2012 £000
Trade debtors	6,237	6,488
Other debtors	92	7
Prepayments and accrued income	173	410
Deferred tax asset (see note 9)	71	67
	<u>6,573</u>	<u>6,972</u>

8. CREDITORS: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	45	204
Amounts owed to group undertakings	5,080	5,930
Taxation and social security	1,431	1,303
Other creditors	20	19
Accruals and deferred income	686	622
	<u>7,262</u>	<u>8,078</u>

Amounts owed to group undertakings, are unsecured, bear interest at Libor +0.5%, and are repayable on demand

9. DEFERRED TAX ASSET

	2013 £000	2012 £000
At beginning of year	67	94
Charged for year	3	(27)
Adjustment in respect of prior periods	1	
	<u>71</u>	<u>67</u>

The deferred tax asset is made up as follows

	2013 £000	2012 £000
Accelerated capital allowances	65	67
Other timing differences	6	-
	<u>71</u>	<u>67</u>

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

10. CALLED UP SHARE CAPITAL

	2013 £000	2012 £000
Allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	<u>300</u>	<u>300</u>

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2013 £000	2012 £000
Opening shareholders' (deficit)/funds	(306)	338
Profit/(loss) for the financial year	<u>325</u>	<u>(644)</u>
Closing shareholders' funds/(deficit)	<u>19</u>	<u>(306)</u>

12 OPERATING LEASE COMMITMENTS

At 31 March the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Equipment and vehicles	
	2013 £000	2012 £000	2013 £000	2012 £000
Expiry date:				
Within 1 year	14	-	289	72
Between 2 and 5 years	<u>-</u>	<u>75</u>	<u>249</u>	<u>1,041</u>

Included in the above commitments is £537,902 (2012 £1,112,787) in respect of equipment and vehicles, and £13,562 (2012 £75,000) in respect of land and buildings. Where leases are held in the name of fellow group undertakings they are recharged to Smooth Radio Limited.

13. PROFIT AND LOSS ACCOUNT

	2013 £000	2012 £000
At 1 April	(606)	38
Profit/(Loss) for the financial year	<u>325</u>	<u>(644)</u>
At 31 March	<u>(271)</u>	<u>(606)</u>

14. RELATED PARTY TRANSACTIONS

During the year Smooth Radio Limited incurred charges from MXR Limited (an associate in which Real and Smooth Ltd has a 36.8% shareholding). Charges from MXR Limited during the year have totalled £644,552 (2012 £626,177) for annual DAB transmission fees. There are no outstanding creditors as at 31 March 2013.

SMOOTH RADIO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Global Radio Holdings Limited acquired 100% of the share capital of the Group headed by Real and Smooth Limited (formerly GMG Radio Holdings Limited) on 24 June 2012. The acquisition is however subject to a Competition Commission enquiry during which period Global Radio Holdings does not control the company. The Competition Commission has released its findings from the enquiry. Global Radio Holdings Limited is currently considering the findings and related required outcomes, which would result in the divestment of radio stations from the Real and Smooth Limited group.

The Company is a subsidiary undertaking of Real and Smooth Limited, which is the controlling company. The largest and smallest Group in which the results of the Company are consolidated is that headed by Real and Smooth Limited.