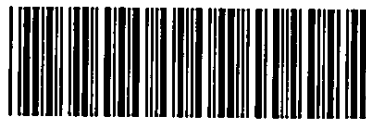


**ROCK RADIO (MANCHESTER)
LIMITED**

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2010**

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ROCK RADIO (MANCHESTER) LIMITED

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ROCK RADIO (MANCHESTER) LIMITED

LIST OF DIRECTORS AND ADVISERS

Directors

N Castro (resigned 2 October 2009)
S. Taylor
P.E Boardman (appointed 1 October 2009)
S.P. Kilby (appointed 22 September 2009)

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

Number 1 Scott Place
Manchester
M3 3GG

ROCK RADIO (MANCHESTER) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2010.

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 7 The directors are satisfied with the performance of the company

The directors do not recommend payment of a dividend (2009 £nil)

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

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 elected to prepare 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,
- state whether applicable UK 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 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

ROCK RADIO (MANCHESTER) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

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
9 June 2010

ROCK RADIO (MANCHESTER) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCK RADIO (MANCHESTER) LIMITED

We have audited the financial statements of Rock Radio (Manchester) Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the Notes to the Financial Statements. 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 3 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 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.

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 2010 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.

ROCK RADIO (MANCHESTER) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCK RADIO (MANCHESTER) 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
9 June 2010

ROCK RADIO (MANCHESTER) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £'000	2009 £'000
Turnover	3	900	605
Operating Costs:			
Staff costs	4	(365)	(484)
Depreciation on tangible fixed assets		(22)	(18)
Other operating charges		(941)	(1,114)
		<u>(1,328)</u>	<u>(1,616)</u>
Operating loss		(428)	(1,011)
Interest payable to fellow subsidiary		(17)	(36)
Loss on ordinary activities before taxation	5	(445)	(1,047)
Tax on loss on ordinary activities	6	10	(72)
Loss for the financial year		(435)	(1,119)

STATEMENT OF LOSSES

	2010 £'000	2009 £'000
Balance at 1 April	(1,320)	(201)
Loss for the year	(435)	(1,119)
Deficit at 31 March	(1,755)	(1,320)

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 difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents

ROCK RADIO (MANCHESTER) LIMITED

BALANCE SHEET AS AT 31 MARCH 2010

	Note	2010 £'000	2009 £'000
Fixed Assets			
Tangible assets	7	45	65
Current Assets			
Debtors	8	64	93
Cash at bank and in hand		6	29
		<u>70</u>	<u>122</u>
Creditors: amounts falling due within one year	9	(1,870)	(1,507)
Net current liabilities		<u>(1,800)</u>	<u>(1,385)</u>
Net liabilities		<u>(1,755)</u>	<u>(1,320)</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		(1,755)	(1,320)
Total shareholders' deficit	12	<u>(1,755)</u>	<u>(1,320)</u>

These financial statements on pages 7 to 15 were approved by the Board of Directors on 9 June 2010 and were signed on its behalf by



S P. Kilby
Director and Company Secretary
Company Registration Number 4128825



P E. Boardman
Director

ROCK RADIO (MANCHESTER) 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 and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below

Tangible assets

The cost of tangible assets is their purchase or construction costs together with any incidental costs of acquisition.

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

The principal annual rates used for depreciation are

Studio and Office Equipment	12.5% - 33% per annum
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The carrying value of tangible assets is reviewed for impairment in accordance with FRS11 'Impairment of fixed assets and goodwill'. Any impairment is recognised in the profit and loss account of the period it occurs

Taxation

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

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 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. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the board

No timing differences are recognised in respect of:

- Fair value adjustments to acquired tangible fixed assets where there is no commitment to sell the asset,
- Gains on the sale of assets where those gains have been rolled over into replacement assets

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.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

ROCK RADIO (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1) Accounting policies (continued)

Revenue Recognition

Turnover represents amounts invoiced to customers (net of VAT) less discounts

Revenue from airtime, advertising and sponsorship is recognised as it is aired. Revenue from advertisement production is recognised when the advert is produced

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Barter transactions

Turnover and costs in respect of barter transactions for advertising are recognised 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 4a).

Deferred Income

Deferred income is recorded in the balance sheet to represent the amount of revenue invoiced to clients which has not yet been recognised in the profit and loss account.

Going concern

The company has received confirmation from its parent company that it will not seek repayment of the loans outstanding at the balance sheet date in the near future and will continue to provide financial support to allow the company to continue to meet its liabilities for the foreseeable future.

2) Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Guardian Media Group plc and is included in the consolidated financial statements of Guardian Media Group plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Guardian Media Group plc or investees of the Guardian Media Group plc. For details of other related party transactions see note 15.

ROCK RADIO (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3) Turnover

Sales are made wholly in the UK.

4) Staff costs

(a) Staff costs during the year

	2010	2009
	£'000	£'000
Wages and salaries	304	401
Employers' social security costs	38	51
Employers' pension costs	23	32
	365	484

There were no outstanding or prepaid pension contributions at 31 March 2010 (2009 £nil).

(b) Average number of persons employed

	2010	2009
	No.	No
Programming	2	2
Administration	-	1
Advertising	8	9
	10	12

(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.

ROCK RADIO (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5) Loss on ordinary activities before taxation

	2010 £'000	2009 £'000
The following amounts have been charged in arriving at loss on ordinary activities before taxation		
Depreciation of tangible fixed assets	22	18
Hire of assets under operating leases – equipment and vehicles	46	57
Auditors' remuneration – audit of company	4	4
Auditors' remuneration – non audit	-	1

6) Tax on loss on ordinary activities

	2010 £'000	2009 £'000
(a) Analysis of (credit)/charge in the year		
Adjustments in respect of previous periods	(2)	-
Total current tax	(2)	-
Deferred tax		
Origination and reversal of timing differences (note 10)	(8)	72
Tax (credit)/charge on loss on ordinary activities	(10)	72

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

(b) Factors affecting tax for the year	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(445)	(1,047)
Loss on ordinary activities multiplied by standard rate tax of 28% (2009 28%)	(124)	(293)
Effects of		
Expenses not deductible for tax purposes	3	-
Depreciation in excess of capital allowances	6	5
Other timing differences	-	(77)
Current year tax losses not recognised	115	370
Income not taxable	-	(5)
Adjustment to tax charge in respect of previous period	(2)	-
Current tax for the year	(2)	-

(c) Factors that may affect future tax charges

There are no significant factors known at 31 March 2010 which may affect future tax charges (2009. no significant factors)

ROCK RADIO (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7) Tangible assets

	Studio and Office Equipment	Total
	£'000	£'000
Cost		
At 1 April 2009	85	85
Additions	2	2
At 31 March 2010	87	87
Accumulated depreciation		
At 1 April 2009	20	20
Charge for the period	22	22
At 31 March 2010	42	42
Net book value		
At 31 March 2010	45	45
At 31 March 2009	65	65

8) Debtors

	2010 £'000	2009 £'000
Trade debtors	28	59
Deferred taxation (note 10)	14	6
Prepayments & accrued income	22	28
	64	93

9) Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	9	22
Amounts due to group undertakings	1,784	1,437
Other taxation & social security	4	9
Accruals & deferred income	73	39
	1,870	1,507

Amounts due to group undertakings include group relief payable of £nil (2009: £129,120)

Amounts due to group undertakings, excluding group relief payable, are unsecured, bear interest at Libor +0.5%, and are repayable on demand

ROCK RADIO (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10) Deferred taxation

	2010 £'000	2009 £'000
The deferred taxation asset may be analysed as follows		
Accelerated tax allowances on fixed assets	13	6
Other timing differences	<u>1</u>	<u>-</u>
	<u>14</u>	<u>6</u>
Movement in the period:		
At 1 April	6	78
Credit/(charge) to profit and loss account (note 6)	<u>8</u>	<u>(72)</u>
At 31 March	<u>14</u>	<u>6</u>

The company has an unrecognised deferred tax asset of £470,809 (2009 £370,122) relating to current year trading losses. No deferred tax is recognised on these trading losses as it is not regarded as more likely than not that there will be suitable taxable profits against which they can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

11) Called up share capital

	2010 £	2009 £
1,000 authorised ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
1 issued, called up and fully paid ordinary share of £1 each	<u>1</u>	<u>1</u>

12) Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
Opening shareholders' deficit at 1 April	(1,320)	(201)
Loss for the financial year	<u>(435)</u>	<u>(1,119)</u>
Closing shareholders' deficit at 31 March	<u>(1,755)</u>	<u>(1,320)</u>

ROCK RADIO (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13) Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2010 Equipment and Vehicles £'000	2009 Equipment and Vehicles £'000
Expiry date:		
- Within one year	-	-
- Between two and five years	16	24
- Over five years	28	28
	<u>44</u>	<u>52</u>

Included in the above annual commitments is £44,215 (2009 £51,307) in respect of equipment and vehicles, and £nil (2009 £nil) 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 Rock Radio (Manchester) Limited.

14) 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 2010, no group company had a bank overdraft (2009 £nil)

15) 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.

16) Ultimate holding company

The company's immediate holding company is GMG Radio Holdings 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, Number 1 Scott Place, Manchester M3 3GG.