

Company Registration Number

05094550

**SMOOTH RADIO NE LIMITED**

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2012**



# **SMOOTH RADIO NE LIMITED**

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## **SMOOTH RADIO NE 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 NE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012**

The Directors present their report together with the audited financial statements of the company for the year ended 31 March 2012. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

#### **Principal Activity**

The principal activity of the company is that of a radio station.

#### **Business Review and Future Developments**

The profit 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 (2011: £nil).

#### **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.

#### **Going concern**

The company has received confirmation from Guardian Media Group plc that it will not seek repayment of the balances 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**

The directors of the company during the year and up to the date of signing the financials 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 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 NE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012 (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  
14 June 2012

## **SMOOTH RADIO NE LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMOOTH RADIO NE LIMITED**

We have audited the financial statements of Smooth Radio NE 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 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 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 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **SMOOTH RADIO NE LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMOOTH RADIO NE 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors.



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

# SMOOTH RADIO NE LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £'000	2011 £'000
<b>Turnover</b>	2	<b>2,496</b>	<b>2,115</b>
Operating costs			
Staff costs	3	(382)	(457)
Depreciation on tangible fixed assets		(138)	(144)
Other operating charges		<u>(1,494)</u>	<u>(1,449)</u>
		<u>(2,014)</u>	<u>(2,050)</u>
<b>Operating profit</b>		<b>482</b>	<b>65</b>
Interest payable to fellow subsidiary		(27)	(28)
<b>Profit on ordinary activities before taxation</b>	4	<u><b>455</b></u>	<u><b>37</b></u>
Tax on profit on ordinary activities	5	21	37
<b>Retained profit for the financial year</b>	11	<u><b>476</b></u>	<u><b>74</b></u>

All activities in the years above relate to continuing operations

The company has no recognised gains and losses other than those included in the profit 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 NE LIMITED

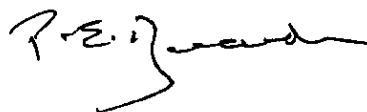
## BALANCE SHEET AS AT 31 MARCH 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	6	522	657
<b>Current assets</b>			
Debtors	7	207	217
Cash at bank and in hand		<u>40</u>	<u>25</u>
		247	242
<b>Creditors: amounts falling due within one year</b>	8	<u>(2,124)</u>	<u>(2,730)</u>
<b>Net current liabilities</b>		(1,877)	(2,488)
<b>Net liabilities</b>		<u>(1,355)</u>	<u>(1,831)</u>
<b>Capital and reserves</b>			
Called up share capital	10	159	159
Profit and loss account		(1,514)	(1,990)
<b>Total equity shareholders' deficit</b>	11	<u>(1,355)</u>	<u>(1,831)</u>

The financial statements on pages 7 to 15 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

Smooth Radio NE Limited  
Company Registration Number 05094550

Director

# **SMOOTH RADIO NE 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%
- Furniture, fixtures and fittings 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.

#### **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.

#### **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 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

#### **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 is recognised as page impressions are served or evenly over the period, depending on the terms of the contract

## SMOOTH RADIO NE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 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 balances 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 £'000	2011 £'000
Wages and salaries	323	382
Employer's social security costs	41	49
Employer's pension costs	18	26
	<u>382</u>	<u>457</u>

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

# SMOOTH RADIO NE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (b) Average number of persons employed

	2012 No.	2011 No
<b>By activity:</b>		
Programming	-	2
Advertising	8	8
Administration	1	2
	<u>9</u>	<u>12</u>

### (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) Profit on ordinary activities before taxation

	2012 £'000	2011 £'000
The following amounts have been charged in arriving at the profit or loss on ordinary activities before taxation.		
Depreciation of tangible fixed assets	138	144
Operating lease rentals – land and building	-	46
Operating lease rentals – equipment and vehicles	170	158
Auditors' remuneration – audit of company	<u>3</u>	<u>4</u>

### 5) Tax on profit on ordinary activities

	2012 £'000	2011 £'000
<b>(a) Analysis of credit in the period</b>		
Current year	-	58
Adjustments in respect of previous periods	<u>(44)</u>	<u>(58)</u>
<b>Total current tax credit</b>	<u>(44)</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 9)	23	(37)
<b>Tax credit on profit on ordinary activities</b>	<u>(21)</u>	<u>(37)</u>

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

# SMOOTH RADIO NE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (b) Factors affecting tax credit for the year

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	455	37
Profit on ordinary activities multiplied by standard rate of tax 26% (2011 28%)	118	10
Effects of:		
Depreciation in excess of capital allowances	(4)	40
Previously unrecognised tax loss utilised	(123)	-
Expenses not deductible	9	8
Adjustments in respect of previous periods	(44)	(58)
<b>Current tax credit for the year</b>	<b>(44)</b>	<b>-</b>

### (c) Factors that may affect future tax charge

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	Fixtures and Fittings £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	669	455	1,124
Additions	3	-	3
<b>At 31 March 2012</b>	<b>672</b>	<b>455</b>	<b>1,127</b>
<b>Accumulated depreciation</b>			
As 1 April 2011	294	173	467
Charge for period	85	53	138
<b>At 31 March 2012</b>	<b>379</b>	<b>226</b>	<b>605</b>
<b>At 31 March 2012</b>	<b>293</b>	<b>229</b>	<b>522</b>
At 31 March 2011	375	282	657

# SMOOTH RADIO NE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7) Debtors

	2012 £'000	2011 £'000
Trade debtors	117	133
Deferred tax (see note 9)	20	43
Amounts due from group undertakings	-	5
Prepayments and accrued income	70	36
	<u>207</u>	<u>217</u>

Amounts due from group undertakings include group relief receivable of £nil (2011 £4,651)

Amounts due from group undertaking are unsecured, interest free and repayable on demand

### 8) Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	21	10
Amounts due to group undertakings	1,975	2,603
Other taxation and social security	26	24
Accruals and deferred income	102	93
	<u>2,124</u>	<u>2,730</u>

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	20	43
	<u>20</u>	<u>43</u>
Movement in the year		
At 1 April	43	6
(Charge)/credit to profit and loss account (note 5)	(23)	37
At 31 March	<u>20</u>	<u>43</u>

The company has an unrecognised deferred tax asset of £1,180 (2011 £172,000) relating to 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.

# SMOOTH RADIO NE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10) Called up share capital

	2012 £'000	2011 £'000
158,743 authorised, issued, called up and fully paid ordinary shares of £1 each	<u>159</u>	<u>159</u>

### 11) Reconciliation of movements in shareholders' deficit

	2012 £'000	2011 £'000
Opening shareholders' deficit at 1 April	(1,831)	(1,905)
Profit for the financial period	<u>476</u>	<u>74</u>
Closing shareholders' deficit at 31 March	<u>(1,355)</u>	<u>(1,831)</u>

### 12) Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2012 Equipment and Vehicles £'000	2011 Equipment and Vehicles £'000
Expiry date:		
- Within one year	-	6
- Between one and five years	99	80
- More than five years	<u>74</u>	<u>73</u>
	<u>173</u>	<u>159</u>

Included in the above annual commitments is £173,324 (2011: £159,052) in respect of equipment and vehicles where these leases are held in the name of fellow group undertakings. These are recharged from fellow group undertakings to Smooth Radio NE 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 NE Limited incurred recharges from Smooth Radio Limited for transmission costs from MXR Limited (an associate in which GMG Radio Holdings Limited has a 36.8% shareholding). Charges from MXR Limited incurred by Smooth Radio NE Limited during the year have totalled £80,742 (2011: £76,668) for annual DAB transmission fees. There are no outstanding creditors as at 31 March 2012.

## **SMOOTH RADIO NE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **15) 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, 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.