

Virgin Radio Holdings Limited

**Annual report and
financial statements**

**for the
year ended**

31 December 2007

Registered number: 3359692

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Virgin Radio Holdings Limited

Directors and Advisors

Directors:

G Watt
D Emslie (resigned 11 April 2007)
R Woodward (appointed 2 April 2007)
P Jackson (appointed 8 January 2007, resigned 23 October 2007)
F Hazlitt (resigned 8 January 2007)
R Huntingford (appointed 1 October 2007)

Secretary:

S Clarke (resigned 26 January 2007)
J Tames (appointed 26 January 2007)

Independent auditors:

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Kintyre House
209 West George Street
Glasgow
G2 2LW

Registered office:

3 Waterhouse Square
138-142 Holborn
London
EC1N 2NY

Virgin Radio Holdings Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

Principal activities

The principal activity of the company is that of a holding company

Review of business and future developments

The company did not actively trade in 2007 and is not expected to in the current year.

Results and dividends

The company's profit for the year, after taxation, is £32,252,000 (2006 £4,000)

A dividend of £21,711,000 was recommended by directors in respect of the year ended 31 December 2007 (2006 £nil) and paid during the year, leaving a profit of £10,541,000 to be transferred to reserves (2006 £4,000)

A preference dividend of £344,000 (2006. £636,000) was appropriated in the year and the total amount of preference arrears of £4,812,000 was also settled. The application of FRS 25 has resulted in the dividend being presented as a finance cost

On 29 June 2007 a share reorganisation was completed resulting in the consolidation of the existing 6,039,300 ordinary shares of 1p into 603,930 ordinary shares of 10p. On the same date the existing 3,893,522 8% redeemable preference shares of £1 were converted into 38,935,220 ordinary shares of 10p

Key performance indicators ("KPIs")

The directors of SMG plc manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business the company. The development, performance and position of the radio division of SMG plc, which includes the company, is discussed on page 18 of the group's annual report which does not form part of this report

Directors

The directors of the company at 31 December 2007, all of whom have been directors for the whole of the year, except where stated, are listed on page 1

In accordance with the Articles of Association, the directors do not retire by rotation

Virgin Radio Holdings Limited

Directors' report for the year ended 31 December 2007 (continued)

Directors' interests

The directors do not hold any shares in the company.

The directors hold shares in SMG plc and their interests are dealt with in the financial statements of that company.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Virgin Radio Holdings Limited

Directors' report for the year ended 31 December 2007 (continued)

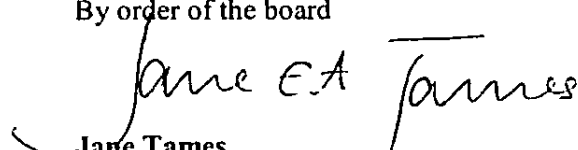
Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting

In the case of each of the persons who are directors at the time of this report the following applies:

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

By order of the board



Jane Tames
Company secretary
19 May 2008

Virgin Radio Holdings Limited

Independent auditors' report to the members of Virgin Radio Holdings Limited

We have audited the financial statements of Virgin Radio Holdings Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of total recognised gains and losses, Reconciliation of movements in shareholders' funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Virgin Radio Holdings Limited

Independent auditors' report to the members of Virgin Radio Holdings Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
19 May 2008

Virgin Radio Holdings Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Investment income	5	32,250	-
Interest receivable and similar income	3	346	640
Interest payable and similar charges	3	(344)	(636)
Profit on ordinary activities before taxation		32,252	4
Taxation	4	-	-
Profit for the financial year		32,252	4

Statement of total recognised gains and losses for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Profit for the financial year		32,252	4
Prior year adjustment	12	-	4,774
Total recognised gains and losses in the year		32,252	4,778

The results are derived wholly from continuing operations

The accompanying notes are an integral part of this profit and loss account and statement of total recognised gains and losses.

Reconciliation of the movement in shareholders' funds for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Profit for the financial year		32,252	4
Dividends paid	5	(21,711)	-
Retained profit for the year		10,541	4
Prior year adjustment	12	-	4,774
Share reorganisation	10	3,894	-
Net additions to shareholders' funds		14,435	4,778
Opening shareholders' funds		440	(4,338)
Closing shareholders' funds		14,875	440

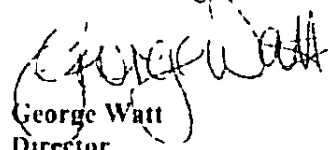
Virgin Radio Holdings Limited

Balance sheet as at 31 December 2007

	Note	2007 £000	2006 £000
Fixed Assets			
Investments	6	30,369	30,369
Current assets			
Debtors	7	36	5,450
Creditors' amounts falling due within one year	8	(2)	(8,365)
Net current assets/(liabilities)		34	(2,915)
Total assets less current liabilities		30,403	27,454
Creditors' amounts falling due after more than one year	9	(15,528)	(27,014)
Net assets		14,875	440
Capital and reserves			
Called up share capital	10	3,954	60
Share premium	11	777	777
Profit and loss reserve	11	10,144	(397)
Total shareholders' funds		14,875	440

The accompanying notes are an integral part of this balance sheet

The financial statements on pages 7 to 15 were approved by the board of directors on 19 May 2008 and were signed on its behalf by


George Watt
Director

Virgin Radio Holdings Limited

Notes to the financial statements Year ended 31 December 2007

1. Accounting policies

Accounting convention and basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of consolidation

The Company is exempt from producing consolidated financial statements as its results are consolidated within the financial statements of its ultimate parent undertaking, SMG plc, which are publicly available. Accordingly, the financial statements show information regarding the Company only.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

The taxation liabilities of certain group companies are reduced wholly or in part by losses surrendered by other group companies. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Cash flow statement

The Company has taken advantage of the exemption in FRS1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary and its results are included within its ultimate parent Company's consolidated financial statements. These financial statements are publicly available.

Related party transactions

The Company has taken advantage of the exemption contained in paragraph 3(c) of Financial Reporting Standard No 8 in respect of disclosure of transactions with Group undertakings.

Virgin Radio Holdings Limited

Notes to the financial statements (continued)

Year ended 31 December 2007

1. Accounting policies (continued)

Financial instruments

The company has adopted FRS 25 in respect of disclosure of financial instruments. Financial assets and liabilities are recorded at cost. The company takes advantage of the exemption within the FRS 29 standard as it is a wholly owned subsidiary undertaking of SMG plc. SMG plc publishes consolidated financial statements which includes disclosures that comply with the standard. SMG plc published financial statements are available from SMG plc at the address referenced in note 13 to the accounts.

2. Profit on ordinary activities before taxation

Auditors' remuneration costs were borne by another group company in the current and preceding years.

During 2007 and 2006, the company did not trade and consequently had no employees.

No director received remuneration from the company during the current or preceding year. The emoluments of the directors are paid by another group company which makes no recharge to Virgin Radio Holdings Limited as it is not possible to make an accurate apportionment of their emoluments in respect of their services to specific group companies.

3. Interest

	2007 £000	2006 £000
Interest receivable on redeemable preference shares	346	640
Interest receivable and similar income	<u>346</u>	<u>640</u>
Finance costs on 8% redeemable preference shares	(344)	(636)
Interest payable and similar charges	<u>(344)</u>	<u>(636)</u>

Virgin Radio Holdings Limited

Notes to the financial statements (continued) Year ended 31 December 2007

4. Taxation

	2007 £000	2006 £000
Taxation on profit on ordinary activities		
Current tax		
UK corporation tax	-	-
UK corporation tax adjustment in respect of prior year	-	-
Tax charge for the year	<u>-</u>	<u>-</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 30%). The actual tax rate for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

	2007 £000	2006 £000
Profit on ordinary activities before taxation	<u>-</u>	<u>4</u>
Tax credit on loss on ordinary activities at standard rate 30% (2006 30%)	-	1
Expenses not deductible for tax purposes	<u>-</u>	<u>(1)</u>
Current year tax charge	<u>-</u>	<u>-</u>

There is no provided or unprovided deferred taxation

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance Act 2007, and Finance Act 2008 would have no significant impact on the accounts.

Virgin Radio Holdings Limited

Notes to the financial statements (continued) Year ended 31 December 2007

5. Dividends

	2007 £000	2006 £000
Equity dividends received from subsidiary undertaking	32,250	-
Equity dividends paid on ordinary shares:		
Interim paid £3 595 (2006 nil) per 1p share	21,711	-

6. Fixed asset investments

	2007 £000	2006 £000
Subsidiary undertakings - cost	30,369	30,369

The Company's principal subsidiary undertaking is detailed below

	Principal activity	Country of incorporation	Holding
Virgin Radio Ltd	Radio Station	England & Wales	100% ordinary shares of £1

7. Debtors

	2007 £000	2006 £000
Prepayments and accrued income	-	5,414
Amounts owed by group undertakings	36	36
	36	5,450

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

Virgin Radio Holdings Limited

Notes to the financial statements (continued) **Year ended 31 December 2007**

8. Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Amounts due to group undertakings	2	2
3,893,522 8% redeemable preference shares	-	3,894
Finance costs of 8% redeemable preference shares	-	4,469
	2	8,365

In accordance with the requirements of FRS 25, the preference shares allotted and fully paid and the associated finance costs are disclosed in creditors, amounts falling due within one year

Authorised redeemable preference shares are detailed below

	2007	2006
	£000	£000
3,893,522 8% redeemable preference shares of £1	-	3,894

See note 10 – share reorganisation

9. Creditors: amounts falling due after one year

	2007	2006
	£000	£000
Amounts due to group undertakings	15,528	27,014

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment

Virgin Radio Holdings Limited

Notes to the financial statements (continued) Year ended 31 December 2007

10. Called up share capital

	2007 £000	2006 £000
Authorised		
6,039,295 ordinary shares of 1p each	-	60
39,539,150 ordinary shares of 10p each	3,954	-
	<hr/>	<hr/>
Allotted and fully paid		
6,039,295 ordinary shares of 1p each	-	60
39,539,150 ordinary shares of 10p each	3,954	-
	<hr/>	<hr/>

On 29 June 2007 a share reorganisation was completed resulting in the consolidation of the existing 6,039,300 ordinary shares of 1p into 603,930 ordinary shares of 10p. On the same date the existing 3,893,522 8% redeemable preference shares of £1 were converted into 38,935,220 ordinary shares of 10p.

11. Reserves

	Share premium £000	Profit and loss reserve £000
At 1 January 2007	777	(397)
Profit for the financial year	-	10,541
At 31 December 2007	<hr/> 777 <hr/>	<hr/> 10,144 <hr/>

Virgin Radio Holdings Limited

Notes to the financial statements (continued) **Year ended 31 December 2007**

12. Prior year adjustment

In finalising the results for the year ended 31 December 2006, the directors became aware of the following prior year adjustment.

The cumulative redeemable preference share dividend interest receivable from Virgin Radio Limited had not been recorded and has been dealt with by way of a prior year adjustment.

13. Ultimate parent undertaking

The immediate parent undertaking is The Ginger Media Group Limited.

The ultimate parent undertaking and controlling party is SMG plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of SMG plc consolidated financial statements can be obtained from the company secretary at Pacific Quay, Glasgow, G51 1PQ.