Company Registration Number 3739421

GMG RADIO HOLDINGS LIMITED

REPORT AND ACCOUNTS 2002



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LIST OF DIRECTORS AND ADVISERS

Directors
I.S. Ashcroft
P.E. Boardman
N. Castro
J. Myers
R.W. Phillis

Secretary
P.E. Boardman

Registered Auditors
PricewaterhouseCoopers
Chartered Accountants
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Bankers
The Royal Bank of Scotland plc
City Office
55 King Street
Manchester M60 2DB

Registered Office
164 Deansgate
Manchester M3 3GG

REPORT OF THE DIRECTORS

for the year ended 31st March 2002

1. The Directors present their report and the audited financial statements of the company for the year ended 31st March 2002.

2. Business review
The result for the year is set out in the profit and loss account on page 6. The Board does not envisage any major changes in the company's activities in the foreseeable future. The Directors do not recommend payment of a dividend.

3. Principal activity
The company is an investment holding company. Expenditure in the profit and loss account include the costs applicable to radio licence applications.

4. Employee involvement
There is regular contact between management and employees' representatives so as to ensure that employees are provided with information on matters of concern to them as employees and are aware of the financial and economic factors affecting the performance of the company and so that their views can be taken into account in making decisions which are likely to affect their interests.

5. Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

6. Directors interests in shares of the company
According to the Register kept under Section 325 of the Companies Act 1985 no director had any interest in the shares of the company, the company's holding company or a subsidiary of the company's holding company either at the beginning or end of the period. As permitted by statutory instrument the Register does not include any shareholdings by directors who are also directors of the holding company.

7. Directors
The Directors of the company at 31st March 2002, all of whom served throughout the year, are listed on page 2.

REPORT OF THE DIRECTORS (continued)

8. Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31st March 2002. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

9. Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



P.E. Boardman
Secretary
164 Deansgate
Manchester
M3 3GG
3rd July 2002

INDEPENDENT AUDITORS' REPORT

to the members of
GMG RADIO HOLDINGS LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion
We conducted our audit in accordance with auditing standards 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 judgements 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.

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 of the state of the company's affairs at 31st March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
14th October 2002

GMG RADIO HOLDINGS LIMITED

PROFIT & LOSS ACCOUNT

for the year ended 31st March 2002

	Note	2002	2001
All Continuing Operations :-		£000	£000
Operating costs:			
Staff costs	1	306	227
Depreciation on tangible fixed assets		14	2
Other operating charges		373	501
Operating loss	2	(693)	(730)
Interest payable to fellow subsidiary		(968)	(86)
Other interest payable		(167)	0
Loss on ordinary activities before taxation		(1,828)	(816)
Tax credit on loss on ordinary activities	3	391	147
Loss for the financial year		(1,437)	(669)
Statement of retained losses			
Balance at 2nd April 2001		(1,236)	(567)
Loss for the year		(1,437)	(669)
Balance at 31st March 2002		(2,673)	(1,236)

The company has no recognised gains and losses other than those included in the losses 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.

The notes on pages 8 to 12 form a part of these financial statements.

GMG RADIO HOLDINGS LIMITED

BALANCE SHEET

as at 31st March 2002

	Note	£000	2002 £000	£000	2001 £000
Fixed Assets					
Tangible assets	4		76		19
Investments					
Subsidiary companies	5a		31,625		3,265
Associate companies	5b		55		0
Other investments	5c		2,464		0
			34,220		3,284
Current Assets					
Amount owed by parent company		0		462	
Amounts owed by subsidiary companies		5,583		284	
		5,583		746	
Current Liabilities					
Amounts owed to fellow subsidiary companies		(32,907)		(5,266)	
Amount owed to parent company		(9,566)		0	
		(42,473)		(5,266)	
Net current liabilities			(36,890)		(4,520)
Total assets less current liabilities			(2,670)		(1,236)
Provisions for liabilities and charges					
Deferred taxation	6		(3)		0
Net liabilities			(2,673)		(1,236)
Capital and reserves					
Called up share capital	7		0		0
Profit and loss account			(2,673)		(1,236)
Equity shareholders' deficit	8		(2,673)		(1,236)

Directors:

These financial statements were approved by the Board of Directors on 3rd July 2002.

The notes on pages 8 to 12 form a part of these financial statements.

ACCOUNTING POLICIES

Accounting basis
The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below. The financial statements have been prepared on the historical cost basis. The company relies on support from its holding company.

The company has received confirmation from its fellow subsidiary that it will not seek repayment of the loans outstanding at the balance sheet date in the foreseeable future.

The company is exempt from the requirement to produce consolidated financial statements, on the basis that it is a wholly owned subsidiary of Guardian Media Group plc.

Changes in accounting policy
The company has adopted FRS 19 "Deferred Tax" in these financial statements. The adoption of this standard represents a change in accounting policy but has not resulted in any change to comparative figures.

FRS 18 "Accounting policies" has been adopted in the current year but this did not require any change in accounting policy.

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 Financial Reporting Standard Number 1.

Depreciation
Depreciation of tangible fixed assets has been calculated to write off original cost by equal instalments over the expected useful life of the asset concerned. The principal annual rate used for depreciation is :

Furniture, fixtures and fittings 10%

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

The company has adopted FRS 19 on Deferred Taxation in these financial statements.

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.

The deferred tax assets and liabilities are not discounted.

GMG RADIO HOLDINGS LIMITED

NOTES
relating to the Accounts 2002

ACCOUNTING POLICIES (continued)

Investments
Shares in subsidiary and associates and in other investments are shown at cost less any amounts written off for impairment.

Pension costs
The company operates defined contribution pension schemes. Contributions are made in accordance with the scheme rules, and charged to operating profit as incurred (see note 1a).

1. Staff costs	2002 £000	2001 £000
(a) Staff costs during the year including executive directors		
Wages and salaries	258	193
Employers' social security costs	30	21
Employers' pension costs	18	13
	306	227

(b) Average number of persons employed including executive directors

	No.	No.
Administration	8	6

(c) Emoluments of directors	2002 £000	2001 £000
Aggregate emoluments	134	137
Company pension contributions to money purchase schemes	10	10

Retirement benefits are accruing to one director under a money purchase scheme (2001 one director).

2. Operating loss	2002 £000	2001 £000
The following amounts have been charged in arriving at loss on ordinary activities before taxation		
Depreciation charge for the year on tangible owned fixed assets	14	2

Auditors' remuneration for audit and non audit services has been borne by the holding company.

GMG RADIO HOLDINGS LIMITED
NOTES
relating to the Accounts 2002 - continued

3. Tax charge on loss on ordinary activities

a) analysis of credit in year	2002 £000	2001 £000
Current		
UK corporation tax on loss for the year	(393)	(147)
Adjustments in respect of previous periods	(1)	0
Total current tax	(394)	(147)
Deferred tax		
Origination and reversal of timing differences	3	0
Tax on loss on ordinary activities	(391)	(147)

b) factors affecting tax credit for the year	2002 £000	2001 £000
Loss on ordinary activities before tax	(1,828)	(816)
Loss on ordinary activities multiplied by standard rate of CT of 30%	(548)	(245)
Effects of:		
Expenses not deductible for tax purposes	172	98
Capital allowances for period in excess of depreciation	(2)	0
Other deferred tax timing differences	(15)	0
Current tax credit for year	(393)	(147)

c) factors that may affect future tax charges

There are no significant factors as at 31st March 2002 which may affect future tax charges. All accumulated trading losses have been surrendered to other group undertakings.

4. Tangible fixed assets

	Fixtures and fittings £000
Cost	
At 2nd April 2001	21
Additions	71
At 31st March 2002	92
Accumulated depreciation	
At 2nd April 2001	2
Charge for year	14
At 31st March 2002	16
Net book value	
At 31st March 2002	**76**
Net book value	
At 1st April 2001	19

5. Investments

	£000
a) Shares in subsidiary companies	
Cost and net book value	
At 2nd April 2001	3,265
Additions	28,360
At 31st March 2002	31,625

On 8th June 2001 the Company acquired the entire share capital of Scot FM Limited for a consideration of £25,000,000. Additionally, professional fees incurred of £60,000 have been capitalised in the cost of investment. The name of the company was changed from Scot FM Limited to Real Radio (Scotland) Limited on 22nd January 2002.

On 28th March 2002, the company acquired 3,299,999 £1 ordinary shares in Real Radio (Yorkshire) Limited at par value, for cash consideration of £3,299,999.

Subsidiary Companies	**Description of shares held by the company**	**Equity Holding**
Real Radio Limited	£1 ordinary shares	100%
Real Radio Scotland Limited^	£1 ordinary shares	100%
Real Radio Yorkshire Limited	£1 ordinary shares	100%
MRH Radio Limited	£1 ordinary shares	100%
Real Radio Pembrokeshire Limited*	£1 ordinary shares	100%
Scot FM Limited *	£1 ordinary shares	100%
Smooth Radio North West Limited*	£1 ordinary shares	100%
Smooth Radio South Wales Limited	£1 ordinary shares	100%
Smooth Radio South Yorkshire Limited*	£1 ordinary shares	100%
Smooth Radio West Midlands Limited*	£1 ordinary shares	100%
Smooth Radio East Midlands Limited*	£1 ordinary shares	100%
Smooth Radio London Limited*	£1 ordinary shares	100%
Smooth Radio North East Limited*	£1 ordinary shares	100%
Variety FM Limited*	£1 ordinary shares	100%
Variety Radio Limited*	£1 ordinary shares	100%

* These companies were dormant during the year under review.
^ Real Radio Scotland has a year end date of 31st December 2001.

b) Shares in associate company	
Cost and net book value	
At 2nd April 2001	0
Additions	55
At 31st March 2002	55

During the year, the company acquired 131,700 ordinary shares in Digital News Network Limited which equates to a 21.95% shareholding. Digital News Network Limited is a provider of news services.

c) Other investments	
Cost and net book value	
At 2nd April 2001	0
Transfer from holding company	2,366
Additions	98
At 31st March 2002	2,464

During the year Guardian Media Group plc transferred 1,750,000 ordinary 1p shares in jazz fm plc at a cost of £2,366,000 (7.8% shareholding), dealt with through the intercompany account.

GMG RADIO HOLDINGS LIMITED
NOTES
relating to the Accounts 2002 - continued

6. Deferred tax

	2002 Provided	2001 Provided
	£000	£000
Accelerated capital allowances	3	0
	3	0

	2002
	£000
Movement in the year :	
At 2nd April 2001	0
Charge to profit and loss account	3
At 31st March 2002	3

7. Called up share capital

	2002	2001
	£	£
Authorised,		
Ordinary shares of £1 each	1,000	1,000
Issued, called up and fully paid		
Ordinary shares of £1 each	1	1

8. Reconciliation of movements in equity shareholders' deficit

	2002	2001
	£000	£000
Opening equity shareholders' deficit	(1,236)	(567)
Loss for the financial year	(1,437)	(669)
Closing equity shareholders' deficit	(2,673)	(1,236)

9. Capital commitments authorised

Contracts for capital expenditure amounted to £NIL (£NIL 2001).

10. 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.

11. Ultimate parent company

The company's immediate and ultimate holding company is Guardian Media Group plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the ultimate holding company's consolidated financial statements may be obtained from The Secretary, Guardian Media Group plc, 164 Deansgate, Manchester M3 3GG. All the ordinary shares of Guardian Media Group plc are owned by the Scott Trust.