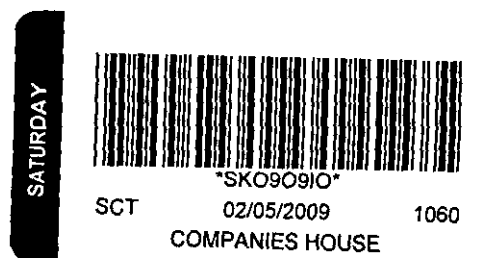


Registered Number: SC168821

Galaxy Radio Scotland Limited (previously Xfm Scotland Limited)

Directors' Report and Financial Statements

For the year ended 31 March 2008



Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Company information

Directors	S Orchard (resigned 21/04/2008) W Pallot (resigned 18/07/2008) H Murray (resigned 20/11/2008) R D J Manning (appointed 21/04/2008, resigned 28/11/2008) C L Allen (appointed 09/06/2008, resigned 20/11/2008) A D Tabor (appointed 09/06/2008, resigned 20/11/2008) M Connole (appointed 18/07/2008) R F J Park (appointed 20/11/2008) D A Thomson (appointed 20/11/2008)
Secretary	R D J Manning (resigned 28/11/2008) C R Potterell (appointed 28/11/2008)
Company number	SC168821
Registered office	The Four Winds Pavilion Pacific Key Glasgow G51 1EB
Auditors	KPMG Audit Plc Chartered Accountants & Registered Auditors 8 Salisbury Square London EC4Y 8BB

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

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Galaxy radio Scotland Limited (previously XFM Scotland Limited)

Directors' report for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008.

Principal activities and review of business

The company changed its name to Galaxy Radio Scotland Limited on 3 November 2008

The principal activity of the Company continued to be that of an independent local radio contractor broadcasting Galaxy (previously XFM) in Scotland in accordance with a licence granted by the Radio Authority.

Turnover for the year ended 31 March 2008 amounted to £2,192,000 (31 March 2007: £2,114,000) and the Company made a loss for the year before tax of £1,380,000 (31 March 2007: £1,744,000).

Turnover increased by 3.7% year on year despite a weak advertising market (industry radio revenues were down 4% during the year to March 2008, source: RAB/Ofcom). The analysis of industry radio revenues provided by RAB/Ofcom are averages reflecting national results.

The business uses key performance indicators which are monitored on a regular basis which include audience trends such as listening hours, share of the market and demographic mix, as well as financial indicators such as revenue. Variance analysis is performed monthly and variances are monitored and discussed within a formal meeting structure.

The key risks to the business are that continued advertising slowdown may put pressure on traditional revenues.

The risks are monitored and managed through parent and local management. The group has an internal risk management function which identifies major business risks and puts policies and procedures in place to manage those risks.

Going concern

A review of the going concern position of the Company is given in note 1.

Results and dividends

The loss for the year, after taxation, amounted to £981,000 (31 March 2007: £1,238,000).

The directors do not recommend the payment of a dividend (31 March 2007: £nil).

Directors

The directors who held office during the year were as follows:

S Orchard (resigned 21/04/2008)
W Pallot (resigned 18/07/2008)
H Murray (resigned 20/11/2008)
R D J Manning (appointed 21/04/2008, resigned 28/11/2008)
C L Allen (appointed 09/06/2008, resigned 20/11/2008)
A D Tabor (appointed 09/06/2008, resigned 20/11/2008)
M Connole (appointed 18/07/2008)
R F J Park (appointed 20/11/2008)
D A Thomson (appointed 20/11/2008)

Galaxy radio Scotland Limited (previously XFM Scotland Limited)

Directors' report for the year ended 31 March 2008

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

Policy and practice on payment of creditors

The Company does not follow a code but operates a payment policy to agreed terms in settling outstanding debts. For certain types of regular contracted services direct debit or standing order arrangements are encouraged. Most other supplies are on an ad hoc basis and the terms of payment are agreed when the order is placed. The majority of payments are made by electronic transfer direct to suppliers' bank accounts. All of the payments are undertaken on the Company's behalf by GCap Media Services Limited under an agency agreement.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' and officers' insurance

The Company maintains cover for all directors and officers against liabilities which may be incurred by them whilst acting as directors or officers.

Auditors

KPMG Audit plc have given notice that they shall not be seeking reappointment when their term of office expires. Pursuant to s485 of the Companies Act 2006, the company will appoint KPMG LLP in their stead.

This report was approved by the board on 29 April 2009 and signed on its behalf.



Director

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' report to the members of Galaxy radio Scotland Limited (previously XFM Scotland Limited)

We have audited the financial statements of Galaxy Radio Scotland Limited (previously XFM Scotland Limited) for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

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.

Independent Auditors' report to the members of Galaxy radio Scotland Limited (previously XFM Scotland Limited)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements that 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is dependent on the Global Radio UK Limited group, of which it forms part, for its continued trade. Following the acquisition and integration of GCap Media plc, it has not been possible for Global Radio UK Limited to separately measure the EBITDA and financial ratios of either business on a standalone basis. As a result, Global Radio UK Limited is currently in the process of bringing its various banking facilities together and a covenant deferral is in place until 31 May 2009 to allow for this process to be completed. This situation and the other matters referred to in note 1, means that there is a material uncertainty which may cast significant doubt over the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditors
8 Salisbury Square
London
EC4Y 8BB

Date: *30 April 2009*

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Profit and loss account for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Turnover	2	2,192	2,114
Operating charges	1 - 6	(3,360)	(3,621)
Operating loss		<u>(1,168)</u>	<u>(1,507)</u>
Interest payable	7	<u>(212)</u>	<u>(237)</u>
Loss on ordinary activities before taxation		(1,380)	(1,744)
Tax credit on loss on ordinary activities	8	399	506
Loss on ordinary activities after taxation		<u><u>(981)</u></u>	<u><u>(1,238)</u></u>

All amounts relate to continuing operations.

The Company has not recognised gains or losses other than the results for the year.

There is no material difference between the result on a historical cost basis and that described in the profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Balance sheet as at 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible fixed assets	9	464	528
Current liabilities			
Creditors	10	(4,228)	(3,311)
Net liabilities		<u>(3,764)</u>	<u>(2,783)</u>
Capital and reserves			
Called up share capital	11	200	200
Share premium account	12	1,810	1,810
Profit and loss account	12	(5,774)	(4,793)
Shareholders' deficit		<u>(3,764)</u>	<u>(2,783)</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29 April 2009.



Director

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.2 Going concern

The company had net liabilities of £3,764,000 at 31 March 2008. As set out in note 18, the company's parent undertaking, Global Radio Limited (formerly GCap Media plc; "GCap") was acquired by Global Radio UK Limited ("GRUK" or "GRUK group") on 6 June 2008.

The subsidiary is dependent on GRUK for its continued trade. The Directors note that the financial statements of GRUK, which were approved by the Board of that company on 22 April 2009, included the following disclosure relating to the ability of that company to continue as a going concern.

"Details of the group's current funding structure are given in notes 12, 13 and 21. It has two principal existing bank facilities which expire between 2013-2016 and are secured by a fixed and floating charge over the company's assets. It also has a working capital facility which is guaranteed by the shareholder and is renewable on 9 June 2009. The Board has received assurances from the shareholder that, if required, a further guarantee will be provided should the facility need to be renewed.

As explained below, GCap Media PLC has been integrated into the group's existing operations; as a result it has not been possible for the group to separately measure the EBITDA and financial ratios of either business on a standalone basis. Given that, the banks have formally agreed to defer the financial covenant tests for the quarters ended 30 November 2008, 28 February 2009 and 31 March 2009 in relation to the two facilities until 31 May 2009, by which time it is anticipated that the new facility will be in place.

As this had been anticipated at the time of the GCap Media PLC acquisition, the directors and its three lending banks agreed that a new composite banking facility containing new financial covenants would be put in place to supersede the existing two facilities and the process to bring the various facility agreements together is underway.

Since the acquisition of GCap Media plc, certain licences have been rebranded and the operations of the Global Radio and GCap Media plc businesses have been integrated in many areas. This has realised significant synergy savings which the Board believes will materially enhance the financial performance of the enlarged group and which have been reflected in the forecasts.

In order to assess the appropriateness of preparing the accounts on a going concern basis, and as a basis for the process of bringing together the various banking facilities, the company has prepared detailed forecasts of expected future cash flows for the three years ending 31 March 2012.

The Board considered the following uncertainties and sensitivities when preparing the forecasts:

- A requirement of the Office of Fair Trading in approving the acquisition of GCap was that certain Midland Stations must be sold. The proceeds will be used to repay bank debt. The company is currently in exclusive negotiations with one party which the Board anticipates will be concluded in the near future;

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

1. Accounting policies (continued)

1.2 Going concern (continued)

- In considering the detailed forecasts referred to above, the Directors have also prepared a worse than expected downside scenario and under this sensitised scenario, and assuming the factors above occur as anticipated, the forecasts indicate that the company can continue to trade for the foreseeable future. However, given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity, forecasting uncertainty remains.

It is the Board's view that based on the ongoing process to bring together the banking facility agreements, the forecasts prepared by the company and the ongoing support of the shareholder, which may include, under certain circumstances, support of the group's digital operations (see Note 21), a satisfactory resolution will be reached such that the group and company will have adequate resources to continue for the foreseeable future.

However, the Directors acknowledge that the current status of the process to bring together the banking facility agreements, the continuing uncertainty prevailing in the economy and in the financial markets, the OFT disposal process and other related matters set out above, means that there is a material uncertainty that may cast significant doubt over the ability of the group and company to continue as a going concern."

As the company is dependent on the GRUK group to continue to trade, the directors of the company have concluded that there is a consequential material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The company may therefore be unable to continue to realise its assets and liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

1.3 Cash flow

The Company being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase price less accumulated 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:

Long leasehold premises	-	4% per annum
Office and studio equipment	-	10%-20% per annum
Computer equipment	-	33% per annum

1.5 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.6 Pensions

The Company participates in the GCap Media Group Personal Pension Plan. These are defined contribution arrangements to which the Company makes age-related contributions. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period and amounted to £16,094 (2007: £12,189). There were no contributions prepaid/outstanding at year end (2007: £nil).

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

1. Accounting policies (continued)

1.7 Agency agreement

Global Radio Services Limited (previously known as GCap Media Services Limited) provided personnel and other services to the Company. The amounts included in 'operating charges' contain a charge for these services. For the year ended 31 March 2008 this charge was £1,143,000 (31 March 2007: £1,362,000).

2. Turnover

Turnover comprises income from the sale of advertising airtime, sponsorship and promotions (net of agency commissions) and income from advertising on the internet. Turnover is stated excluding VAT, trade discounts and intra group transactions and derived from goods and services provided in the normal course of business. Airtime revenue is recognised on the date of broadcast.

Sponsorship revenue and internet advertising revenue are recognised over the life of the contract.

3. Operating loss

The operating loss is stated after charging:

	2008 £'000	2007 £'000
Depreciation of tangible fixed assets		
-Owned by the company	64	95
-Amounts paid under operating leases	<u>23</u>	<u>23</u>

4. Disclosure of auditor remuneration

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed, as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's intermediate parent, GCap Media plc. The audit fee in respect of the Company was £1,000 (2007: £1,000).

5. Staff costs

The Company does not directly employ any staff (2007: nil)

6. Directors' remuneration

The remuneration of W Pallot and S Orchard was received from Global Radio Services Limited (previously known as GCap Media Services Limited) up until their resignation and the majority of their time was spent on services to Global Radio Limited (previously known as GCap Media plc), the intermediate parent company. Details of their remuneration as directors of Global Radio Limited (previously known as GCap Media plc) are disclosed in that company's accounts.

The remuneration of R D J Manning and H Murray was received from Global Radio Services Limited (previously known as GCap Media Services Limited) up until their resignations.

During the year ended 31 March 2008, C L Allen, A Tabor and M Connole received no remuneration. None of the directors received remuneration in respect of qualifying services to this Company.

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

7. Interest payable

	2008 £'000	2007 £'000
Intercompany loan interest payable	<u>212</u>	<u>237</u>

8. Taxation

	2008 £'000	2007 £'000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on loss for the year	(400)	(504)
Adjustments in respect of prior year	1	(2)
Total current tax credit	<u>(399)</u>	<u>(506)</u>

Factors affecting tax credit for the year/period

The tax assessed for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	<u>(1,380)</u>	<u>(1,744)</u>
Current tax at 30% (2007: 30%)	(414)	(523)

Effects of:

Expenses not deductible for tax purposes	5	4
Adjustments to tax credit in respect of prior year	1	(2)
Depreciation for year in excess of capital allowance	9	15
Current tax credit for the year (see note above)	<u>(399)</u>	<u>(506)</u>

Factors that may affect future tax charges

It was announced in the 2007 Budget that the corporation tax rate will be cut from 30% to 28% from April 2008. The deferred tax asset/liability has been calculated at 28%.

There is no deferred tax charge in the current or preceding accounting periods. No account has been taken of UK tax losses to the extent that they exceed any deferred tax liability as they are not expected to be utilised in the foreseeable future. The total amount unprovided in respect of these losses is £379,000 at 28% corporation tax rate (31 March 2007: £409,000 at 30% corporation tax rate).

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

9. Tangible fixed assets

	Long leasehold premises £'000	Office and studio & computer equipment £'000	Total £'000
Cost			
At 1 April 2007	700	611	1,311
At 31 March 2008	<u>700</u>	<u>611</u>	<u>1,311</u>
Depreciation			
At 1 April 2007	212	571	783
Charge for the year	28	36	64
At 31 March 2008	<u>240</u>	<u>607</u>	<u>847</u>
Net book value			
As at 31 March 2008	<u>460</u>	<u>4</u>	<u>464</u>
As at 31 March 2007	<u>488</u>	<u>40</u>	<u>528</u>

10. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts owed to group undertakings	<u>4,228</u>	<u>3,311</u>

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

11. Share capital

	2008 £'000	2007 £'000
Authorised, allotted, called up and fully paid 200,000 Ordinary shares of £1 each	<u>200</u>	<u>200</u>

12. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	1,810	(4,793)	(2,983)
Loss for the year	-	(981)	(981)
At 31 March 2008	<u>1,810</u>	<u>(5,774)</u>	<u>(3,964)</u>

13. Reconciliation of movement in shareholders' deficit

	2008 £'000	2007 £'000
Opening shareholders' deficit	(2,783)	(1,545)
Loss for the year	(981)	(1,238)
Closing shareholders' deficit	<u>(3,764)</u>	<u>(2,783)</u>

14. Contingent liabilities

As at the date of the financial statements, contingent liabilities were as follows:

- Various inter-group cross guarantees held by Bank of Scotland, Bank of Ireland and Allied Irish bank.
- The Company is a member of a group for VAT purposes, resulting in a joint and several liabilities for amounts owing by other group companies for unpaid VAT.

At the balance sheet date, the company was party to an intercompany cross-guarantee with Barclays Bank. This was discharged on acquisition of Global Radio Limited (previously known as GCap Media Plc) by Global Radio Acquisitions Limited.

Galaxy Radio Scotland Limited (previously XFM Scotland Limited)

Notes to the financial statements for the year ended 31 March 2008

15. Operating lease commitments

	Land and buildings	
	2008	2007
	£'000	£'000
Expiry date:		
After more than 5 years	<u>30</u>	<u>30</u>

16. Related party transactions

As the Company is a wholly owned subsidiary of GCap Media plc, the intermediate parent company, the company has taken advantage of the exemption contained within FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of GCap Media plc, within which this Company is included, can be obtained from the address given in note 17. There were no other related party transactions during the year.

17. Ultimate parent undertaking and controlling party

Since the acquisition of Global Radio Limited (previously known as GCap Media Plc), the intermediate parent company, by Global Radio Acquisitions Limited (a wholly owned subsidiary of Global Radio UK Limited) which became effective on 6 June 2008, the directors regard Global Radio UK Limited, a company incorporated in Great Britain and registered in England and Wales, as the Company's ultimate parent undertaking.

The directors consider that Global Radio Group Limited, a company incorporated in Jersey, is the ultimate controlling party of the Company.

The largest and smallest group in which the results of the Company are consolidated is that headed by Global Radio Limited (previously known as GCap Media Plc), the intermediate parent company which is incorporated in Great Britain. The consolidated financial statements of these groups are available to the public and may be obtained from 30 Leicester Square, London WC2H 7LA.

18. Post balance sheet events

Takeover

By virtue of a transaction ("Transaction") recommended by Global Radio Limited's (previously known as GCap Media plc) Board of Directors, Global Radio Acquisitions Ltd acquired control of Global Radio Limited (previously known as GCap Media Plc), the intermediate parent company, on 6 June 2008. Further details of the Transaction are set out in the financial statements of Global Radio Limited (previously known as GCap Media Plc), which can be obtained from the address given in note 17.