THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the UK Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your SMG Shares, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or have sold part only of your holding of SMG Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

Hoare Govett Limited is acting exclusively for SMG and for no one else in relation to the matters described in this document and is not advising any other person and accordingly will not be responsible to anyone other than SMG for providing the protections afforded to the customers of Hoare Govett Limited or for providing advice in relation to the matters described in this document.

Jefferies International Limited is acting exclusively for SMG and for no one else in relation to the matters described in this document and is not advising any other person and accordingly will not be responsible to anyone other than SMG for providing the protections afforded to the customers of Jefferies International Limited or for providing advice in relation to the matters described in this document.

SMG plc

(Incorporated and registered in Scotland under the Companies Act 1985 with registered number SC203873)

Proposed Disposal of Virgin Radio and Notice of General Meeting

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This document should be read as a whole. Your attention is drawn to the letter to Shareholders from the Chairman of SMG which is set out in Part 1 of this document. This document contains a recommendation that you vote in favour of the Resolution at the General Meeting referred to below.

Notice of the General Meeting of SMG to be held at SMG plc, Pacific Quay, Glasgow, G51 1PQ at 10.30 am on 20 June 2008 is set out at the end of this document. A Form of Proxy to be used in connection with the resolution to be proposed at the General Meeting is enclosed. Whether or not you intend to attend the General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to be received by SMG's Registrar, Capita Registrars, at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR as soon as possible but in any event so as to arrive **not later than 10.30 am on 18 June 2008**.

This document is a Circular relating to the Disposal which has been prepared in accordance with the Listing Rules. This Circular has been approved by the Financial Services Authority.

Your attention is drawn to the risk factors set out in Part 2 of this document.

A summary of the action to be taken by SMG Shareholders is set out in paragraph 11 of Part 1 of this document and in the accompanying notice of the General Meeting. The completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you so wish.

Information regarding forward-looking statements

This document contains a number of forward-looking statements relating to SMG with respect to, amongst others, the following matters: financial condition; results of operations; the economic conditions in which SMG operates; the business of SMG; benefits of the Disposal; and management plans and objectives. SMG considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of SMG to differ materially from the information presented in the relevant forward-looking statement. When used in this document, the words "estimate", "project", "intend", "aim", "anticipate", "believe", "expect", "should", and similar expressions, as they relate to SMG or the management of it, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. SMG does not undertake any obligation publicly to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under laws, the Listing Rules or the Disclosure Rules and Transparency Rules.

TO VOTE ON THE DISPOSAL OF VIRGIN RADIO

Whether or not you plan to attend the General Meeting in person, please:

1. complete the enclosed Form of Proxy in accordance with the instructions printed on it; and
2. return it so as to be received by SMG's Registrar, Capita Registrars at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR as soon as possible but in any event so as to arrive not later than **10.30 am on 18 June 2008**.

The completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you so wish. A summary of the action to be taken by SMG Shareholders is set out in paragraph 11 of Part 1 of this document and in the accompanying notice of the General Meeting.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of Disposal	2 June 2008
Latest time and date for receipt of Forms of Proxy for the General Meeting	10.30 am on 18 June 2008
General Meeting	10.30 am on 20 June 2008
Expected date of Completion of the Disposal	30 June 2008

(1) If any of the above times and/or dates change, the revised times and/or dates will be notified to SMG Shareholders by announcement through the Regulatory Information Service of the London Stock Exchange.

(2) The date of Completion is expected to be 30 June 2008. The timing of Completion is, however, dependent upon, amongst other things, the passing of the Resolution at the General Meeting. If there is any delay in the passing of the Resolution, the date of Completion may change. The date of Completion may also be changed by agreement between SMG and TIML.

(3) All references in this document are to London times unless otherwise stated.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Richard Findlay *(Chairman)* Rob Woodward *(Chief Executive Officer)* George Watt *(Chief Financial Officer)* David Shearer *(Senior Independent Director)* Matthew Peacock *(Non-Executive Director)* Vasa Babic *(Non-Executive Director)* Lord Alli *(Independent Non-Executive Director)* Jamie Matheson *(Independent Non-Executive Director)*
Company Secretary	Jane Tames
Registered and head office of the Company	Pacific Quay, Glasgow, G51 1PQ
Sponsor	Hoare Govett Limited 250 Bishopsgate London EC2M 4AA
Financial Adviser	Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ
Solicitors	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Reporting Accountants and Auditors	PricewaterhouseCoopers LLP Kintyre House 209 West George Street Glasgow G2 2LW
Principal Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ
Receiving Agents and Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART 1

LETTER FROM THE CHAIRMAN OF SMG PLC

SMG

(Incorporated and registered in Scotland
under the Companies Act 1985 with registered number SC203873)

Directors:	*Registered Office:*
Richard Findlay *(Chairman)*	Pacific Quay,
Rob Woodward *(Chief Executive Officer)*	Glasgow
George Watt *(Chief Financial Officer)*	G51 1PQ
David Shearer *(Senior Independent Director)*	
Matthew Peacock *(Non-executive Director)*	
Vasa Babic *(Non-executive Director)*	
Lord Alli *(Independent Non-executive Director)*	
Jamie Matheson *(Independent Non-executive Director)*	

3 June 2008

To: Shareholders and, for information only, to option holders

Dear Shareholder,

Proposed Disposal of Virgin Radio

1. Introduction

On 2 June 2008, SMG announced that it had conditionally agreed to sell its radio operations, comprising Virgin Radio Holdings Limited and its subsidiaries, to TIML for an aggregate cash consideration of £53.2 million, subject to the terms and conditions of the Disposal Agreement.

I am writing to give you further details of the Disposal, to explain why the Board considers it to be in the best interests of Shareholders as a whole and to seek your approval for the Disposal. I will also outline the Board's future plans for the SMG Group, which comprises SMG's television broadcasting and content operations, as well as Pearl & Dean, its cinema advertising business.

Completion of the Disposal is conditional upon your approval, in accordance with the Listing Rules, due to the size of Virgin Radio relative to that of SMG. Your approval will be sought at a General Meeting to be held on 20 June 2008 at 10.30 am. The Notice convening the General Meeting is set out at the end of this document.

2. Background to and reasons for the Disposal

As stated in June 2007, and again at the time of SMG's rights issue in November 2007, the Board believes that SMG's future lies in exploiting its core geographical strength in broadcasting, content and ventures. Prior to the rights issue, the Board explored the possibilities of both a sale and an initial public offering of Virgin Radio, but felt that a disposal of Virgin Radio at the prices being offered at the time would not have been in Shareholders' interests.

Since the rights issue, and consequently from a position of greater strength, SMG has conducted a further auction process as a result of which SMG received an offer from TIML which the Board believes fairly values Virgin Radio. The disposal of Virgin Radio will enable SMG to reduce debt, return cash to Shareholders and focus on its core business. Whilst Virgin Radio remains an attractive radio business, the Board believes that a sale of Virgin Radio to TIML is consistent with SMG's overall objectives.

3. Information on Virgin Radio

Virgin Radio is one of the UK's leading commercial radio businesses based on weekly reach, with approximately 2.7 million regular listeners across both its analogue and digital platforms. Virgin Radio's principal radio station broadcasts on an analogue signal under an AM licence nationwide and an FM licence in the London area as well as on a number of digital platforms. In addition, Virgin Radio operates digital-only radio stations, including Virgin Radio Classic Rock and Virgin Radio Xtreme. The radio stations are available online at www.virginradio.co.uk.

In connection with the Disposal, TIML have elected to cease using the "Virgin Radio" brand with effect from Autumn 2008, after which it will revert to Virgin Enterprises. Accordingly, the business will be rebranded.

Financial information on Virgin Radio is set out in Part 3 of this document. For the year ended 31 December 2007, Virgin Radio reported gross revenue of £24.0 million and audited profit before tax of £4.3 million. As at 31 December 2007, Virgin Radio had gross assets and net assets of £68.5 million and £63.0 million respectively.

4. Information on TIML

TIML Golden Square Limited is a wholly owned subsidiary within the Bennett, Coleman & Co Ltd group, India operating in Radio, Out-of-Home, Experiential Marketing and Filmed Entertainment businesses. It is part of The Times of India Group (TOI Group), one of India's largest media and entertainment organisations. TOI Group has a proven track record in building brands across print, television, radio and internet such as Times of India, Economic Times, Times NOW TV, www.indiatimes.com and Radio Mirchi. TOI Group has a JV with BBC Worldwide Ltd and publishes titles like Top Gear, Hello and Grazia.

5. Principal terms and conditions of the Disposal

Under the terms of the Disposal Agreement, SMG has conditionally agreed to sell Virgin Radio to TIML. The consideration for the Disposal shall, subject to certain adjustments, be up to £61.2 million on a cash-free, debt-free basis, with £53.2 million payable in cash to the Group at Completion. The consideration shall be adjusted on a pound-for-pound basis to reflect the debt and cash, if any, remaining in Virgin Radio at Completion and to the extent the working capital of Virgin Radio is greater or less than the parties' estimate of the expected working capital position of Virgin Radio at Completion. In addition to the £53.2 million payable on Completion, a further £8.0 million will become payable if, within two years of Completion (other than in the first 90 days following Completion), the business being sold is licensed to use the "Virgin Radio" brand.

Completion of the Disposal is conditional upon approval by SMG Shareholders and SMG expects Completion to occur on 30 June 2008, being the sixth Business Day following the General Meeting.

SMG has agreed to pay TIML a break fee of up to £750,000 in the event that SMG Shareholders do not approve the disposal at a general meeting of SMG Shareholders by 31 July 2008.

A summary of the principal terms and conditions of the Disposal is set out in Part 5 of this document.

6. Financial effects of the Disposal and use of proceeds

An unaudited pro forma statement of net assets illustrating the effect of the Disposal on the Group's net assets as at 31 December 2007 as if the Disposal had been undertaken at this date is set out in Part 4 of this document. This information has been prepared for illustrative purposes only. It shows that net proceeds from the Disposal of £48.7 million (after transaction-related costs of which £2.0 million has already been paid) would have led to a pro forma movement in net assets from £63.7 million to £51.7 million as at 31 December 2007.

Virgin Radio is profitable and SMG is receiving cash consideration from TIML; it is therefore expected that the Disposal will be earnings neutral for the Continuing Group. SMG will use the proceeds of the Disposal to repay £15 million to Bank of Scotland pursuant to the terms of the BoS facility (details of which are set out in paragraph 6(1)(2) of Part 6) and £4 million to the Scottish and Grampian Pension Scheme. In addition to these payments, the Board expects to retain £1.7 million to provide additional headroom and flexibility as well as to return approximately £30 million to Shareholders, representing approximately 3.15 pence per share (before taxation). Details of the proposed return of cash to Shareholders will be announced in due course.

7. Future strategy of the Continuing Group

SMG's strategy, as announced by the Board in June 2007, is to focus on stv – its television business – (comprising broadcasting, content and ventures) with the other businesses remaining non-core. stv is pursuing a strategy of becoming Scotland's most influential, relevant, innovative and trusted media brand. The turnaround plan announced in June 2007 set out how the Group intends to leverage the strength of stv's local Scottish broadcast television franchise from an audience, advertiser, consumer, content and ITV perspective. The core television business has been realigned and refocused around its three key divisions which have been set 12 key performance indicators against which performance will be assessed:

- *Broadcasting* – the Directors believe stv should focus on the core television channels and the stv brand to strengthen its relationship with audience and advertisers and act as the key catalyst for building presence on other new media platforms. The goal is to deliver revenue growth by 2010 through better targeting and better serving the local advertising base in Scotland as well as with improving margins through efficiency savings and developing a closer working relationship with ITV;
- *Content* – the Directors believe that the focus on the creation of a stronger content core will help grow external business, including the supply of content to other UK and international broadcasters. stv's goal is to create new programme brands to enhance stv's relationship with ITV and other broadcasters so as to become the natural home for Scottish talent; and
- *Ventures* – the Directors believe that the Company can strengthen its relationship with stv's existing audience using new platforms, extending the advertising model into these platforms and diversifying revenue streams beyond advertising through consumer transactions. The objective is to exploit the regional position through the stv brand with the ambition of increasing revenue within the Scottish new media sector using local content.

Following the disposal of Primesight in 2007, and assuming that Shareholders approve the disposal of Virgin Radio, SMG's only remaining non-core business will be Pearl & Dean, its cinema advertising business.

8. Current trends in trading and prospects

SMG made an interim management statement on 16 May 2008 (which is incorporated by reference into this document as set out in paragraph 11 of Part 6). Further to the update given at that time, the Board's outlook for 2008 remains unchanged.

9. Risk factors

SMG Shareholders should consider fully and carefully the risk factors associated with the Continuing Group and Virgin Radio. Your attention is drawn to the risk factors set out in Part 2 of this document.

10. General Meeting

A General Meeting is being convened at SMG plc, Pacific Quay, Glasgow, G51 1PQ at 10.30 am on 20 June 2008 for the purpose of seeking Shareholder approval for the Disposal.

11. Action to be taken

A Form of Proxy to be used in connection with the General Meeting accompanies this document. **Whether or not you intend to attend the General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to be received by SMG's Registrar, Capita Registrars at Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, as soon as possible and in any event so as to arrive no later than 10.30 am on 18 June 2008.**

You should refer to the Notice of the General Meeting that accompanies this document for further information on electronic proxy appointment.

12. Further information

The expected timetable of principal events for the Disposal is set out on page 3 of this document. Further information regarding the terms of the Disposal is set out in Part 5 of this document.

Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.

13. Recommendation to Shareholders

The Board has received financial advice from Jefferies International Limited in relation to the Disposal. In providing this financial advice, Jefferies International Limited has relied upon the Directors' commercial assessment of the Disposal.

The Board considers the Disposal to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

14. Irrevocables undertakings

All of the Directors of SMG plc who hold shares in the Company, as well as UBS Global Asset Management, Hanover Investors Partners and R.C. Brown Investment Management plc, have irrevocably undertaken to vote in favour of the Resolution at the General Meeting to be held on 20 June 2008 which, at the date of this document, amount to, in aggregate, 31.60 per cent. of the issued share capital of SMG.

Yours faithfully

Richard Findlay
Chairman

PART 2

RISK FACTORS

The following risk factors, which could adversely affect the business, results of operations, cash flow, financial condition, turnover, profits, assets, liquidity, share price and/or capital resources of the Group, the Continuing Group and/or Virgin Radio, as appropriate, should be carefully considered by Shareholders when deciding what action to take in relation to the Disposal. You should read the whole of this document and not rely solely on the information set out in this Part 2.

Additional risks and uncertainties currently unknown to the Group, or which the Group currently deems immaterial, may also have an adverse effect on the financial condition or business of the Group and/or the Continuing Group and/or Virgin Radio, as the case may be.

1. Risks relating to the Disposal not proceeding

If the Disposal does not complete for any reason (including the Resolution not being passed), Virgin Radio may be retained by the Group. In such circumstances, SMG Shareholders should note the following risk factors:

Potential disruptive effect on Virgin Radio and the Group if the Disposal does not proceed

If the Disposal does not proceed, there may be disruption to the business of Virgin Radio, including its management and employees. This may have a temporary negative effect on the performance of Virgin Radio under the Group's ownership. In addition, Group management would be required to allocate time to the supervision and development of Virgin Radio on a continuing basis.

Continuing exposure to UK radio

If the Disposal does not proceed and the Group continues to own and operate Virgin Radio, the Group will continue to be exposed to trading and other conditions in the UK radio advertising sector. In addition, the Group would continue to be exposed to other risks associated with owning Virgin Radio including competitive risks, risks associated with the requirement to retain, and comply with the obligations of, the radio licences under which Virgin Radio operates, and risks in connection with retaining key on-air and off-air staff.

Inability to realise shareholder value if the Disposal does not complete

The Directors believe that the Disposal is in the best interests of Shareholders as a whole and the Directors believe that the Disposal currently provides the best opportunity to realise an attractive and certain value for Virgin Radio whilst allowing SMG to focus on its core business. If the Disposal does not complete, the Group's ability to deliver shareholder value may be prejudiced.

Break fee

If the Disposal does not proceed because Shareholders do not approve the Resolution, SMG has agreed to pay a break fee of up to £750,000.

2. Risks relating to the Disposal

The following risk factor relates to the terms of the Disposal Agreement and related documentation:

The Continuing Group will be exposed to potential liabilities as a result of the Disposal

The Disposal Agreement contains certain warranties and indemnities, which are customary for a transaction of this nature, in favour of the Purchaser. The warranties are subject to limitations. The Company has no liability for breach of any warranty unless: (i) an individual claim exceeds £37,500; and (ii) all claims, in aggregate, exceed £500,000. In addition, the aggregate liability of the Company in respect of non-tax claims is capped at 50 per cent. of the gross proceeds of the Disposal and in respect of tax claims is capped at 100 per cent. of the gross proceeds of the Disposal.

The extent to which the Continuing Group may incur liabilities under the Disposal Agreement is uncertain and, if the Continuing Group should incur such liabilities, they may have an adverse effect on its business, financial condition and results of operations.

3. General risks relating to SMG Shares

Risks set out in this paragraph are relevant to the SMG Shares whether the Disposal proceeds or not. Therefore, references to the "Group" could also be references to the "Continuing Group".

Competition

The Group operates in competitive markets. The Group invests in talent, writers and artists to sustain competitive advantage and also works continually to ensure that its cost base remains competitive. However, if the Group's businesses fail to keep pace with industry trends and developments, the Group may experience competitive disadvantage. This may result in lower margins and loss of market share.

Failure to implement the Group's strategy

The future success of the Group depends on the successful implementation of its strategy. In particular, if the Group fails to focus its business in accordance with its current strategy or fails to develop effectively its individual business units, there may be an adverse effect on the Group's future financial condition and results of operations.

Reliance on key employees

There are a small number of Directors and key employees whose departure from the Group could, in the short term, adversely affect the Group. Whilst the Group has ongoing service agreements with each of these individuals, their retention cannot be guaranteed. Equally, the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

Fluctuations of sales, expenses and operating results

The Group's sales, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside the Group's control. These factors include general economic conditions, conditions specific to the radio, television broadcasting and advertising markets in which the Group operates, trends in sales, capital expenditure, the level of minimum wage and other costs, and the introduction of new services and products by the Group or its competitors. In response to a dynamic operating and competitive environment, the Group may elect from time to time to make certain pricing, service or marketing decisions that could have a material adverse effect on sales, results of operations and financial conditions.

Dividend payments

The ability of the Group to pay dividends on the Shares is a function of its profitability and the extent to which, as a matter of law, it has available to it sufficient distributable reserves out of which any proposed dividend may be paid, which, in the main, is dependent upon receipt by it of dividends and other distributions from its subsidiaries. The Company can give no assurance that it will be able to pay a dividend in the future.

Financing limitations

The Group, like many other companies, is dependent on its ability to obtain external funding to meet a portion of its financing requirements. Looking beyond the next 12 months (in respect of which the Company has commented on its working capital position at paragraph 9 of Part 6 of this document), a lack of available funding would constrain the Group's ability to execute its strategy whilst any limitation on the Group's ability to access financing could increase its interest costs and adversely affect its operational results and cash flow. The key terms of the secured term and revolving credit facility are set out in Part 6, Section 6(i)(2) of this document. The terms of the "clean down" clause (as referred to therein) have been met for the year ending 31 December 2008.

Borrowings and interest rate risk

The overall financial position of the Group may be constrained by borrowing and other debt arrangements. An increase in interest rates could have an adverse impact on the financial position and business results of the Group.

Possible volatility of the price of SMG Shares

The market price of the Shares may be affected by a variety of factors including, but not limited to, changes in sentiment regarding the Shares, variations in the Group's operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, the operating performance of its competitors, speculation about the Group's business, or regulatory changes affecting the Group's operations. In addition, the market may not reflect the underlying value of the Group's intellectual property. Shareholders should be aware that the value of the Shares can go down as well as up and may not always reflect the underlying asset value or prospects of the Group.

Changes in accounting standards

The Group has changed its accounting policies to reflect IFRS. Given the ongoing finalisation by the regulatory authority of the definition of certain key financial reporting standards and the endorsement process by the European Union, it is likely that IFRS will continue to change in the coming years. These changes may affect the reporting of the financial results of the Group which may have an adverse effect on the market price of SMG Shares.

United Kingdom taxation and other taxation

Current taxation and revenue legislation and practice in the UK and/or other jurisdictions may change. Such changes may affect the taxation liabilities of Shareholders in relation to the Shares.

The effective rate of tax paid by the Group may be increased by a number of factors including changes in law and accounting standards and the Group's overall approach to such matters.

General

The risks noted above do not comprise all those potentially faced by the Group and are not intended to be presented in any order of priority.

PART 3

FINANCIAL INFORMATION ON VIRGIN RADIO

1. Nature of financial information on Virgin Radio

The following financial information relating to Virgin Radio has been extracted without material adjustment from the consolidation schedules which support the audited financial statements for the SMG Group for the years ended 31 December 2007, 2006 and 2005, which have been prepared in accordance with International Financial Reporting Standards as adopted in the EU (IFRS).

The financial information for Virgin Radio for the years ended 31 December 2007, 2006 and 2005 has been prepared using the accounting policies set out in the SMG Group Annual Reports and Accounts for each of the years ended 31 December 2007, 2006 and 2005.

The financial information contained in this Part 3 does not constitute statutory accounts within the meaning of Section 240 of the Act. The consolidated statutory accounts for the SMG Group in respect of the financial years ended 31 December 2005 and 2006 have been delivered to the Registrar of Companies. The consolidated statutory accounts for the SMG Group in respect of the financial year ended 31 December 2007 have been issued but have not yet been delivered to the Registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years ended 31 December 2007, 2006 and 2005 were unqualified and did not contain statements under Sections 237(2) or (3) of the Act. PricewaterhouseCoopers were the auditors of the SMG Group in respect of the years ended 31 December 2007, 2006 and 2005.

2. Income statements and profit and loss accounts

The income statements for Virgin Radio, prepared under EU IFRS for the years ended 31 December 2007, 2006 and 2005, were as follows:

	Year ended 31 December 2007 £m	*Year ended 31 December 2006 £m*	*Year ended 31 December 2005 £m*
Continuing Operations			
Revenue	24.0	21.7	22.4
Net operating expenses before exceptional costs	(19.4)	(19.2)	(17.5)
Underlying operating profit	4.6	2.5	4.9
Ofcom settlement	—	(0.8)	—
Profit before financing	4.6	1.7	4.9
Finance costs	(0.3)	(0.6)	(0.6)
Profit before tax	4.3	1.1	4.3
Tax	(1.2)	(0.6)	(1.2)
Profit after tax	3.1	0.5	3.1

3. Statement of net assets

The combined net assets of Virgin Radio prepared under EU IFRS, as at 31 December 2007, were as follows:

	At 31 December 2007 *£m*
ASSETS	
Non-current assets	
Goodwill	55.8
Property, plant and equipment	2.7
Deferred tax asset	0.1
	58.6
Current assets	
Trade and other receivables	6.8
Net intercompany debtor	1.5
Cash and cash equivalents	1.6
	9.9
LIABILITIES	
Current liabilities	
Trade and other payables	(4.7)
Current tax liabilities	(0.8)
	(5.5)
Net current assets	4.4
Net assets	63.0

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE CONTINUING GROUP

1. Pro Forma statement of net assets

Set out below is an unaudited Pro Forma statement of net assets of the Continuing Group illustrating the effect of the Disposal. The unaudited Pro Forma statement of net assets is based on the audited consolidated balance sheet of SMG plc as at 31 December 2007 adjusted as described in the notes set out below. The unaudited Pro forma statement has been prepared to illustrate how the Disposal might have affected the net assets of the Group had it been effected as at 31 December 2007.

The unaudited Pro forma statement has been prepared for illustrative purposes only and, because of its nature, it addresses a hypothetical situation and does not, therefore, represent the Continuing Group's actual financial position or results.

	SMG Group at 31 December 2007 (Note 1) £m	*Pro forma adjustments*		*Pro forma Continuing Group (Note 4) £m*
		Disposal adjustments (Note 2) £m	*Net assets disposed (Note 3) £m*	
ASSETS				
Non-current assets				
Goodwill and other intangible assets	8.3	—	—	8.3
Property, plant and equipment	15.3	—	—	15.3
Deferred tax asset	4.9	—	—	4.9
	28.5	—	—	28.5
Current assets				
Inventories	40.3	—	—	40.3
Trade and other receivables	35.7	(2.0)	—	33.7
Cash and cash equivalents	10.8	31.7	—	42.5
Short term bank deposit	1.4	—	—	1.4
	88.2	29.7	—	117.9
Non-current assets classified for sale	79.6	3.1	(68.5)	14.2
Total assets	196.3	32.8	(68.5)	160.6
LIABILITIES				
Current liabilities				
Trade and other payables	(30.7)	—	—	(30.7)
Provisions	(3.9)	—	—	(3.9)
	(34.6)	—	—	(34.6)
Non-current liabilities				
Borrowings	(62.0)	15.0	—	(47.0)
Trade and other payables	(0.3)	—	—	(0.3)
Provisions	(2.2)	—	—	(2.2)
Retirement benefit obligation	(14.0)	4.0	—	(10.0)
	(78.5)	19.0	—	(59.5)
Liabilities directly associated with non-current assets classified for sale	(19.5)	(0.8)	5.5	(14.8)
Total liabilities	(132.6)	18.2	5.5	(108.9)
NET ASSETS	63.7	51.0	(63.0)	51.7

Notes:

1. The net assets of SMG Group have been extracted without material adjustment from the audited 31 December 2007 consolidated financial accounts of SMG plc.

2. The disposal adjustments comprise:

	£m	£m
Payable in cash on Completion		53.2
Transaction costs not yet paid		(2.5)
Pension payment		(4.0)
		46.7
Transaction costs paid		(2.0)
Reduction in retirement benefit obligation		4.0
Virgin Radio net debt adjustment:		
Cash	1.6	
Intercompany	1.5	
Group relief payable	(0.8)	
		2.3
		51.0

Expected cash proceeds of the Disposal of £53.2 million have been adjusted for transaction costs of approximately £4.5 million (of which £2.0 million had been paid as at 31 December 2007) and a payment into the Group pension scheme of £4.0 million. In addition, the proceeds have been adjusted for cash of £1.6 million, intercompany debtors of £1.5 million and group relief of £0.8 million, being the balances in Virgin Radio extracted from Part 3 of this document. In addition, the cash proceeds of the Disposal do not include the use of the Virgin Radio brand. If the Virgin Radio brand name is used within two years of the sale SMG will receive £8.0 million.

Of the cash proceeds of £46.7 million, an amount of £15.0 million will be used to repay borrowings.

3. The net assets of Virgin have been extracted without material adjustment from the combined net assets of Virgin as at 31 December 2007 as set out in Part 3 of this document.

4. Illustrative net assets of the Group had the Disposal taken place at 31 December 2007. The Pro Forma net assets statement does not include the effects of any trading after 31 December 2007.

5. The Pro Forma does not take into account any dividends to be paid by the Continuing Group in due course.

2. Accountants report on the unaudited Pro Forma statement of net assets

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow G2 2LW

The Directors
SMG plc
Pacific Quay
Glasgow G51 1PQ

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Dear Sirs

SMG plc (the "Company") – Report on Pro Forma net assets statement for the disposal of Virgin Radio Holdings Limited

We report on the Pro Forma net assets statement (the "Pro forma net assets statement") set out in Section 1 of Part 4 of the Company's circular dated 3 June 2008 (the "Circular") which has been prepared on the basis described for illustrative purposes only, to provide information about how the disposal of Virgin Radio Holdings Limited might have affected the net assets statement presented on the basis of the accounting policies adopted by the Company in preparing the audited financial statements for the period ended 31 December 2007. This report is required by item 13.3.3R of the Listing Rules of the UK Listing Rules (the "Listing Rules") and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma net assets statement in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, as to the proper compilation of the Pro Forma net assets statement and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma net assets statement, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma net assets statement with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma net assets statement has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

i) the Pro Forma net assets statement has been properly compiled on the basis stated; and

ii) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 5

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

1. Disposal Agreement

On 2 June 2008, SMG announced that it had entered into the Disposal Agreement with, *inter alia*, The Ginger Media Group Limited, TIML Golden Square Limited and TIML, pursuant to which The Ginger Media Group Limited has agreed to sell, and TIML Golden Square Limited has agreed to purchase, Virgin Radio. The Disposal Agreement is governed by English law.

2. Consideration

The total consideration for the transfer of all of the issued share capital of Virgin Radio Holdings Limited will be up to £61.2 million of which £53.2 million will be payable in cash on Completion. The aggregate proceeds payable to SMG will be adjusted on a pound-for-pound basis to reflect the external debt and the cash, if any, remaining in Virgin Radio at Completion and to the extent the working capital of Virgin Radio is greater or less than the parties' estimate of the expected working capital position of Virgin Radio at Completion. In addition to the £53.2 million payable on Completion, a further £8.0 million will become payable if, within two years of Completion (other than in the first 90 days following Completion), the business being sold is licensed to use the "Virgin Radio" brand.

3. Condition to Completion

The Disposal is conditional upon the passing of the Resolution by SMG Shareholders.

SMG has agreed to pay a break fee of up to £750,000 in the event that Shareholders do not approve the Resolution.

If the Resolution is not approved on or before 31 July 2008, the Disposal Agreement will automatically terminate.

Save as otherwise agreed by SMG and TIML, Completion is to occur on 30 June 2008, being the sixth Business Day following the General Meeting.

4. Warranties and indemnities

Under the Disposal Agreement, SMG has given certain warranties that are customary for a transaction of this nature including warranties relating to SMG's ability to sell Virgin Radio, accounting and financial matters, intellectual property and information technology matters, the assets of Virgin Radio, the contracts of Virgin Radio, the properties which Virgin Radio either owns or occupies, environmental matters, competition matters, litigation and investigatory matters, employees, pensions, taxation and compliance matters.

As is customary in a transaction of this nature, SMG has agreed to indemnify the Purchaser in respect of certain liabilities of Virgin Radio relating to the period up to and including Completion.

Claims for breach of warranty under the Disposal Agreement are subject to certain financial and time limitations. SMG has no liability for a breach of warranty unless, except in the case of fraud: (a) an individual claim exceeds £37,500; and (b) all claims in aggregate exceed £500,000. The overall cap under the Disposal Agreement on the aggregate liability of SMG in respect of non-tax claims is capped at 50 per cent. of the gross proceeds of the Disposal, and in respect of tax claims is capped at 100 per cent. of the gross proceeds of the Disposal.

SMG's liability for claims other than claims relating to tax expires 18 months after the date of Completion. SMG's liability for claims relating to tax expires on the sixth anniversary of the end of the accounting period in which Completion occurs.

Pre-Completion Obligations

SMG has agreed to ensure that, during the period prior to Completion, the business of Virgin Radio is carried on in the ordinary course and subject to a series of specific limitations.

PART 6

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and Registered Office

The Directors of SMG and their functions are as follows:

Richard Findlay	*Chairman*
Rob Woodward	*Chief Executive Officer*
George Watt	*Chief Financial Officer*
David Shearer	*Senior Independent Director*
Matthew Peacock	*Non Executive Director*
Vasa Babic	*Non Executive Director*
Lord Alli	*Independent Non Executive Director*
Jamie Matheson	*Independent Non Executive Director*

The registered office of SMG is at Pacific Quay, Glasgow, G51 1PQ (telephone number 0141 300 3300). SMG is incorporated in Scotland with registered number SC203873 under the Companies Act 1985.

3. Directors' Interests

The interests of the Directors in the Company as at 29 May 2008 (being the last practicable date prior to the date of this document), are as follows:

(a) ***Directors' shareholdings:***

Name of Director	*Number of SMG Shares*	*Percentage of Issued Ordinary Shares*
Richard Findlay	300,000	0.032
Rob Woodward	225,000	0.024
George Watt	240,528	0.025
David Shearer	250,000	0.026
Matthew Peacock (*) Vasa Babic (*)	115,676,518	12.155

(*) These 115,676,518 SMG shares are held by Hanover. The interests of both Matthew Peacock and Vasa Babic as shown in this table relate to the same shareholding.

(b) ***Directors' interests under SMG Share Option Schemes:***

(1) *Share schemes*

Director	*Note See below*	*Number of options*	*Date of grant*	*Performance condition*	*Exercise period From*	*Exercise period To*	*Exercise price (p)*
George Watt	A	16,657	12.03.99	1	12.03.02	12.03.09	180.019
	B	178,200	10.03.03	2	10.03.06	10.03.10	57.239
	B	125,778	12.03.04	2	12.03.07	12.03.11	101.37

Scheme and performance conditions:

Note	*Type of Scheme*
A	SMG Company Option Scheme (Approved)
B	SMG Executive Option Scheme (Unapproved)
1.	Options vest if earnings per share (***EPS***) growth exceeds the retail price in des (***RPI***) by 12 per cent. on a three-year rolling basis.
2.	Options vest if EPS growth exceeds RPI by 3 per cent. p.a.

(2) *Long term incentive plans (**LTIP**)*

Director	*Number of shares*	*Award date*	*Vesting date*	*Performance condition*
Rob Woodward	7,600,000	11.04.08	11.04.11	See below
	2,557,889	12.07.07	12.07.10	See below
George Watt	4,284,000	11.04.08	11.04.11	See below
	230,716	06.06.05	06.06.08	See below
	281,256	14.03.06	14.03.09	See below
	960,330	12.07.07	12.07.10	See below

With respect to the awards granted on 06.06.05, 14.03.06 and 11.04.08, 50 per cent. of the award is subject to TSR performance (***TSR award***). 50 per cent. of the TSR award is subject to SMG's performance against the competitor group and 50 per cent. against the comparator group. 50 per cent. of the award is subject to the average Return on Capital Employed (***ROCE***) of SMG.

With regard to the LTIP granted on 12.07.07, the award will be split into three parts:

Part of the award	*Measurement point*	*Percentage of award capable of release*
Part 1	Share price 12 months after grant	33%
Part 2	Share price 24 months after grant	33%
Part 3	Share price 36 months after grant	34%

The performance conditions for each part of the award are as follows:

Element	*Share price target*	*Percentage of part of award capable of release*
Part 1	52p	0%
	87p	100%
Part 2	70p	0%
	105p	100%
Part 3	87p	0%
	122p	100%

Parts of the Award will become capable of release proportionately between points.

The Company share price is measured against the relevant share price targets to determine whether the relevant part of the award is capable of release and will be based on the average of the closing prices of a Share over the 30 days ending on the date of the measurement point (set out above).

Any part of the award capable of release in accordance with the above schedule will be "banked". Banked parts of the award will be released on the third anniversary of the date of grant provided the Director remains employed by the Company.

Any part of the award not capable of release at a particular measurement point will be rolled over into the next part of the award. For example if 20 per cent. of the 33 per cent. of the award subject to Part 1 was deemed capable of release and banked the balance of 13 per cent. would be added to Part 2.

Any part of the award not released on the third anniversary of the date of grant will lapse.

4. Directors' Service Agreements and Letters of Appointment

The following tables set out the key provisions of the Directors' service agreements or letters of appointment (as appropriate):

i) ***Executive directors***

Name	*Current Annual Salary*	*Maximum bonus as % of salary*	*Benefits*	*Notice Period*	*Date of Contract*	*Potential termination Payment*
Rob Woodward	£380,000	100	£91,500	12 months by the employing company; 6 months by the executive director.	28.02.07	£471,500
George Watt	£214,200	100	£36,620	12 months by the employing company; 6 months by the executive director	27.02.01	£250,820

On either party serving notice to terminate an executive director's service contract for any reason, SMG may then or at any time thereafter during the period of notice, and in lieu of notice, elect to pay such executive director his salary, cash benefits allowance, cash pension supplement and other pension related benefits for the unexpired portion of his entitlement to notice and make such contribution to the pension fund in which he participates to procure benefits under the scheme as if he had been employed throughout the period of notice or to receive the equivalent pension contribution in cash.

Rob Woodward is not a member of a SMG Group pension scheme and receives a taxable pension supplement equivalent to 20 per cent. of his salary.

George Watt is a member of the SMG Group's principal pension scheme, the Scottish and Grampian Television Retirement Benefits Scheme (an Inland Revenue approved defined benefit occupational pension scheme) and receives a taxable pension supplement equivalent to 20 per cent. of his salary above the earnings cap which has been retained within all the SMG Group's pension schemes.

ii) ***Non Executive directors***

Name	*Basic fee £*	*Committee Chair fee £*	*Committee fee £*	*Total £*	*Effective date of appointment*
Richard Findlay	80,000	—	5,000	85,000	28.02.07
David Shearer	34,500	7,500	—	42,000	28.02.07
Matthew Peacock	27,000	7,500	—	34,500	28.02.07
Vasa Babic	27,000	7,500	—	34,500	28.02.07
Lord Alli	27,000	—	5,000	32,000	05.03.07
Jamie Matheson	27,000	—	5,000	32,000	05.03.07

The non executive directors are under fixed-term appointments of three years, subject to the terms of SMG's Articles of Association, the Companies Act and Shareholder approval. In respect of the termination of their appointments, there are no notice obligations and they are not entitled to any payments.

iii) ***Virgin Radio***

Under an agreement between SMG, Virgin Radio Limited and Richard Huntingford (the executive chairman of Virgin Radio) dated 3 December 2007, SMG has agreed to pay a transaction bonus of £600,000 to Richard Huntingford conditional on Completion.

5. Substantial Shareholdings

As at 29 May 2008 (being the latest practicable date prior to the publication of this document), so far as the Directors are aware, no person other than those listed below was interested, directly or indirectly, in 3 per cent. or more of the issued share capital of SMG:

Name	*Number of Ordinary Shares*	*Percentage of Share Capital Issued (exclusive of Treasury Shares)*
UBS Global Asset Mgt	175,584,730	18.45
Hanover Investors Partners	115,676,518	12.16
Fidelity International (UK)	103,371,179	10.86
Artemis Investment Mgt	74,079,581	7.78
Granada Media plc	53,019,236	5.57
Legal & General Inv Mgt	44,153,832	4.64
SISU Capital	38,135,363	4.01
DC Thomson & Co. Ltd	36,798,936	3.87
Murray International Holdings Ltd	29,307,666	3.08

6. Material contracts

i) ***SMG***

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Continuing Group in the last two years or have been entered into at any time and contain an obligation or entitlement which is material to the Continuing Group as at the date of this document:

(1) The Disposal Agreement which is summarised in Part 5 of this document;

(2) SMG is party to a secured term and revolving credit facility dated 29 November 2007 with the Governor and Company of the Bank of Scotland (the ***BOS Facility Agreement***). The BOS Facility Agreement is available until 31 December 2012 and makes available two different facilities to SMG:

- The first facility is a £40.0 million term loan. The applicable interest rate is based on EBITDA/Net asset ratio ratchet of between 1 per cent. and 2.75 over LIBOR per cent. with an initial margin in the period to 30 September 2008 of 2.5 per cent. over LIBOR.
- The second facility is a £50.0 million revolving credit facility and overdraft to be used to refinance in full the sums owed by SMG under its existing facilities. The applicable interest rate is based on EBITDA/Net asset ratio ratchet of between 1 per cent. and 2.75 over LIBOR per cent. with an initial margin in the period to 30 September 2008 of 2.5 per cent. over LIBOR.

Under the terms of the BOS Facility Agreement, £15.0 million of the proceeds of the Disposal shall be repayable following Completion. The BOS Facility Agreement also includes a "clean down" clause under which SMG must procure that for not less than 5 consecutive business days in each calendar year, the aggregate of the revolving credit facility outstanding is less than £20.0m in 2008, £10.0m in 2009 and nil in each calendar year thereafter.

(3) On 30 October 2007, SMG completed the sale of SMG's outdoor advertising business, Primesight, to Bell Bidco, a subsidiary of funds managed by GMT Communications Partners LLP (***GMT***) for £62.0 million before expenses (the ***Primesight Agreement***). The proceeds of the sale were used to reduce SMG's outstanding indebtedness. Under the terms of the Primesight Agreement, which was signed on 30 August 2007, SMG Out of Home conditionally agreed to sell Primesight to GMT. The consideration was, subject to adjustments as described below:

- £52.0 million payable in cash on completion;
- £5.0 million of deferred consideration in the form of loan notes bearing an annual coupon of 2.5 per cent. issued by a member of the purchaser's group to SMG Out of Home on completion and redeemable by SMG Out of Home at the earlier of a future sale of Primesight by GMT or the date five years after the date of completion;
- up to a further £5.0 million of additional deferred consideration may be payable on a *pro rata* basis in the form of loan notes bearing an annual coupon of 2.5 per cent. issued by a member of the purchaser's group to SMG Out of Home contingent upon Primesight achieving agreed target profits for the financial year ending 31 December 2007 and redeemable by SMG Out of Home at the earlier of a future sale of Primesight by GMT or the date five years after the date of completion. Due to the failure of Primesight to achieve their targets, this additional deferred consideration will not be payable to SMG Out of Home.

ii) ***Virgin Radio***

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by Virgin Radio in the last two years or has been entered into at any time and contains an obligation or entitlement which is material to Virgin Radio as at the date of this document:

(1) Virgin Radio entered into an agreement with Virgin Enterprises Limited (***VEL***) in December 1997 whereby an exclusive licence to use the "Virgin" brand in connection with radio broadcast services in the UK was granted to Virgin Radio for a period of 25 years, subject to renewal. Under the terms of the licence, Virgin Radio has to give notice to VEL at least six months prior to the expiration of the term if it wishes to renew the licence agreement. VEL has a termination right under the licence if it has reasonable grounds to believe that the use of the trademark has been or is likely to be materially damaging to the goodwill of VEL. The licence also contains a change of control clause under which VEL is entitled to terminate the licence following any change in control of Virgin Radio if it considers that the change:

(i) might prejudice the goodwill of the Virgin trademark or name;

(ii) would be a transfer to a competitor or potential competitor of any other licensee, or proposed licensee, of the Virgin trademark or name or any Virgin group company; or

(iii) VEL considers it otherwise reasonable in the circumstances to so refuse consent.

This agreement has been terminated with the consent of both parties, effective from and conditional on Completion.

7. Litigation

i) ***SMG***

Neither SMG nor any member of the Continuing Group is or has been engaged in any governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened of which SMG is aware which may have, or have had during the period of 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Continuing Group.

ii) ***Virgin Radio***

Virgin Radio is not and has not been engaged in any governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened of which SMG is aware which may have, or have had during the period of 12 months preceding the date of this document, a significant effect on the financial position or profitability of Virgin Radio.

8. Significant Changes

i) There has been no significant change in the financial or trading position of the Continuing Group since 31 December 2007, the date to which SMG's last audited financial statements have been published.

ii) There has been no significant change in the financial or trading position of Virgin Radio since 31 December 2007, the date to which the financial information in Part 3 to this document has been drawn up.

9. Working Capital

SMG is of the opinion that, taking into account available bank facilities and the net proceeds of the Disposal, the working capital available to the Continuing Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

10. Consents

i) Hoare Govett has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

ii) Jefferies International Limited has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

iii) PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this document of its letter, set out in Section 2 of Part 4 of this document, in the form and context in which it is included.

11. Incorporation by reference

Your attention is drawn to the interim management statement relating to the Company issued on 16 May 2008, which is available at www.smg.plc.uk.

12. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of SMG and at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting.

i) the Disposal Agreement;

ii) the Memorandum and Articles of Association of SMG;

iii) the material contracts referred to in paragraph 6 above;

iv) the audited report and accounts of SMG for each of the financial years ended 31 December 2005, 2006 and 2007;

v) the letters of consent referred to in paragraph 10 above; and

vi) this document.

Dated: 3 June 2008

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

Act	The Companies Act 1985 and/or the Companies Act 2006 (as appropriate) (in each case as amended)
Board or ***Directors***	The board of directors of SMG
Business Day	A day other than a Saturday or Sunday or public holiday in England and Wales on which banks are open in London for general commercial business
Completion	The completion of the sale of Virgin Radio in accordance with the terms and conditions of the Disposal Agreement
Continuing Group	The SMG Group after the Disposal
Disposal	The disposal of Virgin Radio by the SMG Group as described in this document
Disposal Agreement	The agreement between The Ginger Media Group Limited, TIML Golden Square Limited, SMG and TIML dated 30 May 2008 relating to the Disposal, described in more detail in Part 5 of this document
ENIL	Entertainment Network (India) Limited
Form of Proxy	The form of proxy to be used in connection with the General Meeting, as referred to in paragraph 11 of the letter from the Chairman of SMG in Part 1 of this document
FRS	The Financial Reporting Standards developed by the Accounting Standards Board
General Meeting	The general meeting of SMG at SMG plc, Pacific Quay, Glasgow, G51 1PQ on 20 June 2008 at 10.30 am, notice of which is set out at the end of this document
Group or ***SMG Group***	SMG and its group undertakings as at the date of this document
group undertakings	The meaning ascribed to it in the Act
Hanover	Hanover General Partners II
Hoare Govett	Hoare Govett Limited
IFRS	The International Financial Reporting Standards adopted for use in the European Union
Listing Rules	The rules and regulations made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 as amended from time to time
London Stock Exchange	London Stock Exchange plc
Notice of General Meeting	The notice of the General Meeting which appears at the end of this document
pounds sterling or ***£***	The lawful currency of the United Kingdom
Registrar	Capita Registrars

Resolution	The resolution to be proposed at the General Meeting to obtain the approval of SMG Shareholders for the Disposal, as set out in the Notice of General Meeting
Share Option Schemes	The SMG Sharesave Scheme, the SMG Company Option Scheme (Approved) and the SMG Executive Option Scheme (Unapproved)
SMG or the ***Company***	SMG plc, registered in Scotland with number SC203873 and whose registered office is at Pacific Quay, Glasgow, G51 1PQ
SMG Shareholder or ***Shareholder***	A holder of SMG Shares
SMG Shares or ***Shares***	The ordinary shares of 2.5 pence each in the capital of SMG
Subsidiaries	Subsidiaries, interpreted in accordance with section 736(1) of the Act
TIML	Times Infotainment Media Limited
UK or ***United Kingdom***	The United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	The Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000
Virgin Radio	The radio broadcasting business owned and operated by the SMG Group, comprising the entire issued share capital of Virgin Radio Holdings Limited and its subsidiaries, Virgin Radio Limited, Golden Square Networks Limited and SMG Digital Radio Limited

SMG PLC

(Incorporated and registered in Scotland
under the Companies Act 1985 with registered number SC203873)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting ("General Meeting") of SMG plc (the "Company") will be held at SMG plc, Pacific Quay, Glasgow, G51 1PQ on 20 June 2008 at 10.30 am to consider and, if thought fit, pass the following resolution which shall be proposed as an Ordinary Resolution:

Ordinary Resolution

That the proposed disposal by the Company and its subsidiaries of Virgin Radio as described in the circular to Shareholders of the Company dated 3 June 2008 (the "Circular") and on the terms and subject to the condition of the disposal agreement dated 30 May 2008 between the Company and TIML (as described in the Circular), be and is hereby approved, and the directors of the Company (or a duly authorised committee thereof) are authorised to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as they consider necessary or expedient for the purpose of giving effect to such disposal and this resolution and to carry the same into effect with such modifications, variations, revisions, waivers or amendments as the directors of the Company (or any duly authorised committee thereof) may in their absolute discretion think fit, provided such variations, revisions, waivers or amendments are not of a material nature.

Registered Office:

Pacific Quay,	By the Order of the Board
Glasgow,	Jane Tames
G51 1PQ	*Company Secretary*
	3 June 2008

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, your proxy form must be:
   - completed and signed;
   - sent or delivered to Capita Registrars at Proxies Department, The Registry, 34 Beckenham, Kent, BR3 4TU; and
   - received by Capita Registrars no later than 10.30 am on 18 June 2008.
7. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.

8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

9. As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 10.30 am on 18 June 2008.

10. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Capita Registrars, whose CREST participant ID is RA10, by 10.30 am on 18 June 2008.

11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

12. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.

13. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6 pm on 18 June 2008 or, in the event that this meeting is adjourned, in the register of members as at 6 pm on the day two days before the date of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after 6 pm on 18 June 2008 or in the event that this meeting is adjourned, in the register of members after 6 pm on the day two days before the date of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.