

## INTERIM REPORT FOR THE SIX MONTHS TO 30 SEPTEMBER 2005

### Financial Highlights

The main financial highlights for UBC Media Group for the six months to 30 September 2005 are as follows:

- Turnover increased 31.5% to £9.4 million (2004: £7.15 million).
- Reduction in operating loss in the period before goodwill amortisation to £58,000 (2004: loss of £247,000). The operating loss includes the investment in digital licences and digital music downloading totalling £747,000 (2004: £720,000).
- Exceptional profit of £629,000 in the period from the sale of 51% of Oneword Radio Limited to Channel 4 Television.
- Profit before taxation of £132,000 (2004: loss before taxation of £495,000).
- At 30 September 2005 UBC had cash in the bank of £2.5 million (2004: £2.3 million).

### Strategic Highlights

- Revenues from Networked Programming in the first six months are 71.4% ahead of the same period last year as the network of stations taking our syndicated programmes grows. This represents a like for like increase in advertising revenues of 20%. Overall, the industry has seen a decline in the period of -7.2%.
- Launch of 'Network News' bulletin from 1 October 2005, using Sky News content, adds a new advertising property to UBC's network.
- Sale of 51% shareholding in Oneword Radio to Channel 4 Television for £1 million delivers an exceptional profit of £629,000 and offers the prospect of creating a major cross-media brand.
- Significant contract awarded to Unique Interactive by BT Livetime to supply UBC's Electronic Programme Guide software for DAB-enabled mobile phones.
- Successful first stage technical trials for our innovative music downloading service completed.

Commenting on the performance of UBC Media Group in the six months to 30 September 2005, Simon Cole, Chief Executive, said,

"We believe that the radio industry is experiencing a far more rapid transition to digital than was previously expected. Digital listening and sales of DAB digital radios have both more than doubled in the past year, and UBC continues to benefit from this. Our modelling shows that most radio listening will be to digital services before the end of the decade. Already UBC is delivering growth from the evolving digital landscape. These early revenues, however, take no account of what we believe will prove to be substantial revenues from future services, such as music downloading".

Simon Cole  
Chief Executive

## Introduction

Radio listening on digital platforms has doubled in the last twelve months. 14.24 million people a week are now listening to digital services and their importance to advertisers is growing rapidly. The 'first wave' of significant digital revenues is now flowing into UBC.

Through the programme networks that the company has built up in the last three years, UBC is taking an increasing share of national advertising revenue. In a fragmenting radio industry with a multitude of new digital channels, our networks are delivering critical mass to advertisers and cost savings to radio stations whose margins are under increasing pressure.

UBC has also shown in this period that its careful preparations for the 'second wave' of digital revenues are well advanced. Much of these revenues will come from interactive services and the software that drives them. The company's software division, Unique Interactive, has signed significant contracts both in the UK and North America and is now a recognised market leader.

UBC has previously announced plans to invest approximately £400,000 in the six months to 30 September 2005 to create a service that will allow music to be downloaded to portable devices over digital radio. We can report good progress in the period, and 'proof of concept' and first stage technical trials have been successfully completed. To date, the level of investment has been less than that originally planned. We expect to have completed the final phase technical trials, thereby investing £400,000 in total, by the end of March 2006. We are confident this investment will lead to commercial services in 2006.

## Operating Review by Division

### NETWORKED & COMMISSIONED PROGRAMMING

UBC's Production Division encompasses both the Group's networked programmes produced for the commercial radio industry and commissioned radio programming for the BBC. The performance of both has been strong in the first half of the year. The Company has continued to outperform the rest of the radio industry as advertisers increasingly turn to networked programming to deliver market share in a multi-channel digital environment.

### Networked Programming

	2005	2004	% Change
	£m	£m	
Turnover	5.21	3.04	+71.4

Revenues from UBC's Networked Programming business were up 71.4% on the same period in 2004 at £5.21 million (2004: £3.04 million). Despite a difficult trading environment, UBC has continued to see strong growth in advertising revenues, with a 20% increase in like for like turnover in the first half of the financial year, compared to the same period last year.

UBC has been at the forefront of developing networked programming services for the commercial radio sector. We believe networked programming will be an increasingly important element of the commercial radio sectors' scheduling in the future, as radio groups seek cost-effective programming solutions and advertisers seek ways of reaching a fragmented market. At the start of the year we reported that UBC was actively exploring ways in which to grow its networked programming business further. In October 2005, UBC was appointed by Chrysalis Radio and Ulster Television's subsidiary, Wireless Group, to act as sales-point for a new syndicated news service using content from Sky News. 'Network News' adds a third major airtime sales property to UBC's Networked Programming business. Early indications are that advertisers have welcomed the launch of the 'Network News' service and the Company is optimistic about the prospects for growth in this service.

Sales of both the 'Traffic & Travel' and 'Entertainment News' network services in the second half of the year have started strongly. We have set ourselves challenging targets for the Networked Programming business for the full year, and with the momentum achieved to date we are confident of the outlook for the remainder of the year.

### Commissioned Programming

	2005	2004	
	£m	£m	% Change
Turnover	1.53	1.35	+13.3

UBC's Commissioned Programming business for the BBC comprises the production companies, Unique and Smooth Operations. The commissioned programming business reported revenues up 13.3% on the same period last year. In particular, the performance reflects a positive contribution from regionally-based Smooth Operations, underlining its successful integration into the group and the benefits of broadening the Commissioned Programming business. As expected, the BBC is concentrating growth in commissions outside London and this is particularly benefiting Smooth Operations.

With a strong order book of long-term commissions from the BBC, prospects for the Commissioned Programming division in the second-half of the year are positive. Looking ahead, the business is well placed to benefit from the BBC's commitment to increase the number of hours of programming it allocates to the independent radio production sector.

### RADIO STATIONS

In the first half of the year, the performance of UBC's two main radio stations, Classic Gold Digital and Oneword Radio, was once again closely linked to the growth of digital radio in the UK and, in the case of Classic Gold, to the rapid transition away from listening on AM.

#### Classic Gold Digital

	2005	2004	
	£m	£m	% Change
Turnover	2.10	2.22	-5.4

Classic Gold Digital broadcasts a Classic Hits format on a network of analogue and digital platforms across the UK. The task for UBC is to migrate listening from the original analogue AM licences to its digital platforms, thereby enabling Classic Gold to be heard across a larger area. This transition will not be an even one and, despite reporting encouraging RAJAR audience figures for the period, the long-term trend of a continuing decline in listening on AM frequencies has only partially been compensated for by growth in digital audiences. As part of its long-term strategy to limit the rate of audience erosion on AM and build its audiences on digital platforms, Classic Gold Digital continues to invest in the marketing and promotion of the network and maintaining the quality of programming on the station. Moreover, in common with the rest of the commercial radio sector, Classic Gold Digital was adversely affected by poor trading conditions in sponsorship and promotions in the first six months of the year. The Company has, however, experienced a recovery in revenues from sponsorship and promotions since October.

#### Oneword Radio

Oneword Radio is the UK's only national, digital spoken-word radio station. In April 2005, Channel 4 Television acquired a 51% interest in Oneword Radio for a cash consideration of £1 million. Since then there have been a number of initiatives to build on the progress achieved by Oneword Radio, including broadcasting from new offices in London's West End and the launch of a new programme schedule. UBC and Channel 4 are currently working closely together on plans to develop Oneword Radio - building on what we believe will be a core asset as the growth in digital listening accelerates in the next few years.

### RADIO SERVICES

UBC's Radio Services division comprises the Group's digital software development and facilities businesses.

	<b>2005</b>	2004	
	<b>£m</b>	£m	<b>% Change</b>
Turnover	<b>0.56</b>	0.53	<b>+5.7</b>

Turnover from Radio Services in the six-months to 30 September 2005 was £557,000 (2004: £530,000), representing an increase of 5.7% on the same period last year. The performance reflects the growth in the sale of software to the radio industry, which compensated for an anticipated decline in revenues from our facilities business.

### **Unique Interactive**

Sales of Unique Interactive's software products continue to show strong growth, as UBC continues to benefit from the growing levels of investment by radio broadcasters in their digital broadcasting services, and the launch of the first receivers capable of delivering television and radio to mobile telephone using DAB technology. UBC's position as a market leader in the development of software solutions for digital radio services was underlined during the period with major new contract awards in both UK and North America.

### **Unique Facilities**

UBC's facilities business continues to trade in line with expectations. Unique Facilities operates in a highly competitive market, and opportunities for significant organic revenue growth have historically been limited. However, occupancy rates have remained healthy for much of the period and the operating focus continues to be on providing higher margin audio services to customers.

## **Outlook**

In the last year the major features of the new landscape have become clearer. As with all new technologies, the emergence of digital radio presents both challenges and opportunities for the radio industry. The greatest opportunities revolve around the new revenue streams that arise as a result of the emergence of the new technology; whilst the challenge for many players is replacing traditional revenue models that will become obsolete as digital radio fragments listening whilst raising costs.

The performance in the six months to 30 September 2005 underlines how UBC continues to take advantage of the opportunities that have arisen from the development of digital radio. UBC is positioned to benefit from the development of the new technology: whether satisfying the demand for low-cost, high quality syndicated programming; providing software systems to drive the new digital radio services; operating radio stations that benefit from the rapidly growing digital audiences; or developing potential new revenue streams that will arise as a result of digital radio – such as music downloading on demand.

The first six months of the year has been a critical period for the Company. However, our continuing strong performance despite a difficult trading environment gives us confidence that our performance for the full year will be in line with expectations.

## **Financial Review**

### **Disposal**

In April 2005 UBC sold a 51% interest in Oneword Radio Limited to Channel 4 Television Corporation for a cash consideration of £1 million. As was reported at the time of the disposal, Channel 4's investment in Oneword Radio represents the first partnership of a national television and a commercial radio station.

### **Smooth Operations deferred consideration**

The acquisition of the business of Smooth Operations in August 2004 included a maximum deferred consideration of £1.9 million depending upon the profit growth achieved by Smooth Operations in each of the two years following the acquisition. The first part of the deferred consideration of £665,000 became payable in September 2005, comprising a cash payment of £399,000 and the issue of approximately 1.07 million new UBC ordinary shares. The maximum remaining deferred consideration is capped at £1.235

million. Any further consideration will be payable 60% in cash and 40% from the issue of new UBC ordinary shares.

### **Classic Gold Digital option**

As previously disclosed, GCap Media holds an option which it may exercise from November 2005 which would allow it to increase its shareholding in Classic Gold Digital from 20% to 75%. The agreement between UBC and GCap Media provides a formula to calculate the price GCap Media would pay UBC for the increased stake. This formula is based on the performance of Classic Gold Digital.

### **Investment in digital radio**

In the six-months to 30 September 2005 UBC invested the following amounts in development:

- Investment in Classic Gold Digital licences of £483,000 (2004: £481,000), which related to transmission of Classic Gold Digital on digital multiplexes primarily covering Northern England and London.
- Investment of £175,000 (2004: nil.) in Digital Music Downloading; and £89,000 (2004: £97,000) in data licence fees for broadcasting regional data services on five MXR digital multiplexes.
- Joint Venture Investment of £231,000 (2004: £278,000) in Oneword Radio. UBC's investment in Oneword Radio in the six-months to 30 September 2004 included investment in the station both as a joint venture and as a subsidiary.

### **Cash**

At 30 September 2005, UBC had cash in the bank of £2.5 million (2004: £2.3 million).

### **Payment of dividend**

The board is not recommending the payment of a dividend for the interim period.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005**

	<b>Unaudited Six months ended 30 September 2005 £'000</b>	Unaudited Six months ended 30 September 2004 £'000	Audited Full year ended 31 March 2005 £'000
<b>Turnover (including share of joint ventures)</b>			
Continuing operations	9,451	7,155	15,970
Less: Share of turnover of joint ventures	(56)	(10)	(10)
<b>Group turnover</b>	<b>9,395</b>	<b>7,145</b>	<b>15,960</b>
Cost of sales	(6,952)	(5,088)	(11,475)
<b>Gross profit</b>	<b>2,443</b>	<b>2,057</b>	<b>4,485</b>
Administrative expenses before goodwill amortisation, digital licence costs and development costs.	(1,754)	(1,584)	(3,410)
Digital licence costs	(572)	(720)	(1,501)
Development costs	(175)	-	-
Goodwill amortisation	(271)	(195)	(667)
<b>Total administrative expenses</b>	<b>(2,772)</b>	<b>(2,499)</b>	<b>(5,578)</b>
<b>Group operating loss</b>	<b>(329)</b>	<b>(442)</b>	<b>(1,093)</b>
Share of operating loss in joint ventures	(229)	(108)	(165)
<b>Total operating loss: Group and share of joint ventures</b>	<b>(558)</b>	<b>(550)</b>	<b>(1,258)</b>
Profit on sale of subsidiary	629	-	-
Interest receivable	62	55	106
Interest payable	(1)	-	(3)
Profit/(loss) on ordinary activities before taxation	132	(495)	(1,155)
Tax (charge)/credit	-	(5)	4
Profit/(loss) on ordinary activities after taxation	132	(500)	(1,151)
Equity minority interest	50	62	131
<b>Retained profit/(loss) for the financial year</b>	<b>182</b>	<b>(438)</b>	<b>(1,020)</b>
<b>Profit/(loss) per share</b>			
Basic-pence	0.11	(0.27)	(0.61)
Diluted-pence	0.10	(0.27)	(0.61)

**CONSOLIDATED BALANCE SHEET  
AS AT 30 SEPTEMBER 2005**

<b>Group</b>	<b>Unaudited As at 30 September 2005 £'000</b>	<b>Unaudited As at 30 September 2004 £'000</b>	<b>Audited As at 31 March 2005 £'000</b>
<b>Fixed assets</b>			
Goodwill and intangible assets	3,470	3,884	4,059
Tangible assets	197	251	183
	<b>3,667</b>	<b>4,135</b>	<b>4,242</b>
<b>Investments</b>	<b>266</b>	<b>266</b>	<b>266</b>
<b>Current assets</b>			
Work in progress	34	47	36
Debtors	4,210	4,461	3,282
Cash at bank and in hand	2,519	2,312	3,498
	<b>6,763</b>	<b>6,820</b>	<b>6,816</b>
<b>Creditors: amounts falling due within one year</b>	<b>(4,070)</b>	<b>(3,620)</b>	<b>(4,136)</b>
<b>Net current assets</b>	<b>2,693</b>	<b>3,200</b>	<b>2,680</b>
Total assets less current liabilities	<b>6,626</b>	<b>7,601</b>	<b>7,188</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(337)</b>	<b>(1,537)</b>	<b>(1,078)</b>
Investment in joint ventures			
Share of gross assets	110	35	-
Share of gross liabilities	(175)	(62)	(53)
<b>Provisions for liabilities and charges</b>	<b>(65)</b>	<b>(27)</b>	<b>(53)</b>
<b>Net assets</b>	<b>6,224</b>	<b>6,037</b>	<b>6,057</b>
<b>Capital and reserves</b>			
Called up share capital	1,717	1,707	1,707
Shares to be issued	494	-	760
Share premium account	15,325	15,062	15,034
Other reserves	(801)	(801)	(801)
Merger reserve	-	731	670
Profit and loss account	(10,086)	(10,356)	(10,938)
<b>Equity shareholders' funds</b>	<b>6,649</b>	<b>6,343</b>	<b>6,432</b>
Equity minority interest	(425)	(306)	(375)
<b>Capital employed</b>	<b>6,224</b>	<b>6,037</b>	<b>6,057</b>

**CONSOLIDATED CASH FLOW STATEMENT  
SIX MONTHS ENDED 30 SEPTEMBER 2005**

	<b>Six months ended 30 September 2005 £'000</b>	Six months ended 30 September 2004 £'000	Year ended 31 March 2005 £'000
<b>Net cash outflow from operating activities</b>	<b>(1,352)</b>	<b>(2,056)</b>	<b>(862)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received	62	55	121
Interest paid	(1)	-	(3)
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>61</b>	<b>55</b>	<b>118</b>
<b>Taxation</b>			
UK Corporation tax received/(paid)	8	-	(23)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(79)	(41)	(77)
Sale of tangible fixed assets	7	-	-
Purchase of fixed asset investment	-	(266)	(266)
Loans to joint ventures	-	(91)	(90)
Investment in joint ventures	(231)	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(303)</b>	<b>(398)</b>	<b>(433)</b>
<b>Acquisitions and disposals</b>			
Purchase of interest in joint ventures	-	(32)	(32)
Purchase of subsidiary undertakings	(399)	(1,297)	(1,279)
Sale of subsidiary undertakings	932	-	-
Net overdrafts disposed/(acquired) with subsidiary undertakings	39	-	(1)
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>	<b>572</b>	<b>(1,329)</b>	<b>(1,312)</b>
<b>Net cash outflow before financing</b>	<b>(1,014)</b>	<b>(3,728)</b>	<b>(2,512)</b>
<b>Management of liquid resources</b>			
Increase in short-term deposits with banks	-	1,000	1,000
<b>Financing</b>			
Issue of ordinary share capital	-	1,800	1,800
Expense of share issue	35	(84)	(114)
<b>Net cash inflow from financing</b>	<b>35</b>	<b>2,716</b>	<b>2,686</b>
<b>(Decrease)/increase in cash in the year</b>	<b>(979)</b>	<b>(1,012)</b>	<b>174</b>
Cash balances at the beginning of the year	3,498	3,324	3,324
<b>Cash balances at the end of the year</b>	<b>2,519</b>	<b>2,312</b>	<b>3,498</b>
<b>Represented by</b>			
Cash and bank balances	2,519	2,312	3,498

## NOTES

### 1 **Basis of Preparation**

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are unaudited. The figures for the year to 31 March 2005 have been extracted from the statutory accounts for that year that have been delivered to the Register of Companies and contain an unqualified audit report. The financial information contained in this interim statement does not constitute accounts as defined by Section 290 of the Companies Act 1985.

### 2 **Accounting Policies**

The statements have been prepared on the basis of the accounting policies applied at the year ended 31 March 2005.

### 3 **Goodwill amortisation and development costs**

Goodwill and Development costs include goodwill amortisation of £271,000 (2004: £195,000) and digital licence fees of £572,000 (2004: £720,000).

### 4 **Profit/(loss) per share**

The profit/(loss) per share for the six months ended 30 September 2005 is 0.11 pence (2004: loss per share of 0.27 pence). The profit/(loss) per share has been calculated based on the profit/(loss) for the period and the weighted number of shares in issue during the period.

### 5 **Taxation**

The group has trading losses for the period 30 September 2005 and has not provided for taxation for the period.

### 6 **Disposals**

In April 2005 UBC sold a 51% interest in Oneword Radio Limited to Channel 4 Television for a cash consideration of £1 million thereby reducing UBC's interest in Oneword Radio Limited to 49%.