

“It has been a rewarding six months in which UBC has once again shown that its core business is performing well and has enabled us to move towards operating profitability sooner than had originally been expected.

We have successfully integrated our acquisitions and identified key strategic partners.

Combined, the achievements of the first half of the year have strengthened our platform for the next phase of growth”.

Simon Cole  
Chief Executive

## **6 MONTHS FINANCIAL HIGHLIGHTS**

Turnover £4.96 million (2001: £4.09 million), up 21.3%

Gross Profits £1.62 million (2001: £1.28 million), up 26.6%

Loss before Amortisation and Development -£24,000 (2001: -£234,000)

Development Expenditure £489,000 (2001: £412,000)

Cash at 30 September 2002 £3.24 million (2001: £1.08 million)

## **STRATEGIC HIGHLIGHTS**

- UBC launches new national networked radio service in partnership with the Automobile Association. A number of radio groups, including GWR Group, have already signed to take the new *AA Roadwatch* traffic and travel information service, which will more than double the advertising inventory available for UBC's Commercial Division to sell to national advertisers.
- The Commercial Division achieves revenue growth of 5.5%, against an industry decline in total radio revenue of 2%, and signs the new LBC news stations to the *Bloomberg Business News* package.
- Classic Gold increases listening and revenues whilst securing digital carriage in London, confirming the network's ranking as the third largest format on local digital platforms.
- UBC's core commissioned programme business renews its major BBC commissions for the next 18 months and secures a new three-year contract for production of the national commercial radio chart show.

- Consumer uptake of digital radio commences with the launch of the first sub-£100 receivers, including a new range from Goodmans. Ford announces it will make digital radio a dealer fitted accessory across its entire range and in all dealerships from January 2003.
- The MXR Consortium, of which UBC is a shareholder, wins the digital multiplex licence for Yorkshire, covering a population of 4.3 million. UBC controls data services on all MXR multiplexes.
- Unique Interactive signs landmark deals with Capital Radio and Chrysalis for use of its Electronic Programme Guide (“EPG”) software.

## **OPERATIONAL REVIEW**

When we announced our results for the full year in July the City's expectation was that we hoped to return the Group to operating break-even, before digital costs and amortisation, by the end of this financial year, ahead of previous market estimates. The results for the six months to 30 September 2002 demonstrate that this expectation is realistic.

UBC now represents a truly integrated analogue and digital business. It has a strong core business and is positioned to fund the digital assets the Company has carefully built up since flotation two years ago. For the period to 30 September 2002 we are reporting continued growth in all areas of activity. With revenues up 21.3% against the same period last year at £4.96 million, and a continuing improvement in operating margins, the Company achieved an operating loss before development and amortisation of -£24,000, compared with a loss of -£234,000 in the six months to September 2001.

### **Production**

UBC's heritage business of audio programme production continued to perform strongly. The production operation benefits from a high level of forward visibility and a large element of its revenues are recurrent. During the period BBC Radio awarded UBC new long-term contracts for three of its flagship programmes, *Pick of the Pops*, *Pause for Thought* and the *Richard Allison Late Night Show*, reinforcing our position as the leading independent supplier of audio programmes to the BBC, supplying all five of its domestic radio networks. In the period to 30 September 2002 UBC experienced strong growth in its commissioned revenues from both BBC Radio 4 and FiveLive.

UBC has also been awarded a new three-year contract to produce the commercial radio chart show to be broadcast on 94 stations across the UK. We have produced the commercial radio sector's weekly chart show for nine years, and in that time it has grown to become the single most listened to commercial radio programme in the United Kingdom, with a weekly audience of 3.48 million.

### **Commercial**

In the six-month period to 30 September 2002 UBC's Commercial business, which sells airtime in UBC's networked radio programming, achieved revenue growth of 5.5%, against the same period last year. We achieved this in the face of a difficult market for the sale of advertising airtime, which saw the moving annual total revenue figure for commercial radio fall by over 2%. UBC's robust business performance in large part reflects the continuing strength of the Company's networked programme products, *Entertainment News*, *Bloomberg Business News* and *Billy Sparkle's Showbiz Circus*, which offer advertisers national radio campaigns from a single source and with a weekly adult audience that is larger than the combined audiences of the national commercial radio stations, TalkSport and Virgin.

UBC pioneered the market for the sale of bartered programming to the radio industry in the UK. In November 2002 we announced the launch of a fourth major bartered programming property of traffic & travel news, to be produced in conjunction with the Automobile Association. We expect this new bartered airtime property, which starts in January 2003, to result in a major increase in UBC's national airtime inventory and should generate significant additional revenues for the Company.

### **Classic Gold Digital**

UBC's primary role as a content provider is reinforced by the activities of its 80%-owned subsidiary undertaking, Classic Gold Digital Limited, which owns and produces the Classic Gold Digital format and which it broadcasts across a range of both analogue and digital radio platforms. Advertising sales for the stations are handled by GWR Group and in return Classic Gold Digital receives payment from GWR Group for its programming which relates directly to the number of listeners to the Classic Gold Digital network. The challenge of the past year has been to arrest the long-term decline of Classic Gold Digital's AM audiences in the years prior to UBC's acquisition of the stations. Early indications are that UBC's policy of investment in Classic Gold Digital is having a positive result, with the most recent RAJAR survey showing a 6.11% increase in listening hours on the previous quarter.

UBC's revenues from Classic Gold Digital in the period were £2.28 million (2001: £1.45 million), up 57.2% on the same period last year, and the Company recorded a profit before interest, goodwill amortisation and digital licence costs of £509,000 (2001: £203,000), reflecting in part a full contribution from the additional six AM stations acquired from GWR Group in October 2001.

Classic Gold Digital, in common with all 'Gold' formats in the UK, is broadcast on AM frequencies and consequently suffers from poor broadcast reception. By contrast, in the United States, where 'Gold' formats are commonly broadcast on higher quality FM frequencies, they regularly rank as top-performing stations in their market. It is UBC's belief that 'Gold' formats stand to benefit most from the migration of analogue radio to digital. In order to benefit from the take-up of digital radio, UBC has secured carriage for Classic Gold Digital in the past two years on digital platforms covering Southern England, the West and East Midlands and Northern England. In addition, in July 2002 UBC secured carriage for Classic Gold Digital in London, thereby significantly extending Classic Gold Digital's coverage to 29 million listeners across the UK population and positioning it as the third largest format on local digital multiplexes.

### **Radio Services**

UBC recognised early that one of the key areas of new revenue that would result from the radio industry's move to digital was in the creation of software and services that would be needed by new digital devices. Our software development

business, Unique Interactive, was created to pioneer this element of our digital radio strategy. In the last six months we have seen tangible benefits from this investment. During the period UBC announced a number of groundbreaking developments that reinforce our position as a market leader in this area and have created our first revenues from digital radio.

- In August 2002 Unique Interactive was awarded the contract to supply its proprietary software product, ManDLS, to SMG Radio. ManDLS is an innovative web-based system that allows the user to monitor and update the Dynamic Label Segment (DLS) text messages - such as track playing information and news bulletins - on its DAB services. UBC believes DLS data services will be a key element of every future digital radio service and one of the drivers for the take-up of digital radio by consumers.
- In October 2002 UBC and Capital Radio announced agreement with Chrysalis Radio to launch the world's first DAB Digital Radio Electronic Programme Guide (EPG) network. This service, again developed exclusively by Unique Interactive, will allow listeners to Capital Radio and Chrysalis Radio's DAB digital stations with an EPG-enabled receiver to access exclusive text, graphics and interactive content, and will also allow listeners to record programmes at will. The potential audience for the services is over 22.5 million and UBC expects the launch of the first portable EPG-capable devices from 2003 onwards.

UBC's original belief, expressed in our floatation prospectus in July 2000, that the potential for data services combining Digital Radio and 3G technologies is enormous, is now common currency in the radio industry. Because Digital Radio is a broadcast service, broadband data content transmitted from radio multiplexes can be sent instantly to an unlimited number of users, making the technology particularly suitable for time sensitive content such as sports results, photos and even video clips. Integrating Digital Radio technology into a 3G capable device would mean the user could interact with or forward this content over the telecoms network.

UBC's Radio Services division also includes our radio facilities businesses, which are engaged in the operation of studio facilities, in-store radio and broadcast services. For the first six months of the year UBC's facilities business reported strong growth in the area of external broadcast production services. In addition, despite the over-supply of studio facilities in the London market, the Company continued to maintain healthy occupancy rates over the period.

### **Outlook**

UBC has demonstrated that its varied but related business streams are capable of withstanding a prolonged downturn in the business environment, whilst still delivering growth. We continue to expect strong performance from both the production business and the Classic Gold Digital network. The outlook for

advertising sales revenues for the rest of the year remains depressed, with little sign of any improvement in sentiment. However we continue to note the resilience of our own barter network model and the addition of a new service with the *AA Roadwatch* network should enhance revenues further in this area.

A crucial development in the past six months for the wider digital radio industry has been the launch of the first sub-£100 digital radios and the enthusiastic response of consumers - demonstrating the considerable consumer demand that exists for affordable receivers. Early sales and pre-orders of digital radios substantially exceeded radio industry expectations. The weeks leading up to Christmas will see a number of manufacturers entering the field, including Grundig and Goodmans - whose new GPS280 battery portable goes on sale this week. UBC confidently expects that 2003 will see a rapid increase in the take-up of digital radio devices as more manufacturers release product to satisfy the demand that has been demonstrated this quarter.

2003 will be marked as the year in which the radio industry accelerates its transition to digital and sees the advent of a new regulatory environment, following the publication of the Communications Bill. In both respects, UBC is well placed to benefit, with robust core revenue models and a carefully constructed digital strategy.

## FINANCIAL REVIEW

The main financial highlights of the six-month period to 30 September 2002 are as follows:

- Turnover in the period increased 21.3% to £4.96 million (2001: £4.09 million).
- Gross Profits in the period increased 26.6% to £1.62 million (2001: £1.28 million).
- Operating loss before amortisation and development totalled -£24,000 (2001: -£234,000), and operating loss after amortisation and development totalled -£817,000 (2001: -£776,000).
- Development costs in the Interim Period totalled £489,000 (2001: £412,000).
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the Group in the six-month period were -£439,000 or £50,000 before development costs.
- At 30 September 2002 UBC had £3.24 million in cash in the bank.

At the start of the six-month period UBC received the proceeds of a Placing & Open Offer, which raised £4.93 million (net of expenses). Following the repayment of a loan note to GWR Group, which formed part of the consideration for the acquisition of the Classic Gold Digital network, the balance of the proceeds are committed to finance UBC's digital strategy through to the generation of digital revenues.

In the six-month period to 30 September 2002 UBC invested a total of £489,000 in digital carriage fees for audio and data. This represents an acceleration of our digital investment, in accordance with the business plan disclosed at the time of our fund-raising. In addition, in the six-month period UBC continued its investment in the development of its joint ventures, Oneword, The Digizone and Digital News Network, which together totalled £249,000.

# UBC MEDIA GROUP PLC

## Consolidated profit and loss account for the six months ended 30 September 2002

	Notes	Unaudited Six months ended 30 September 2002			Unaudited Six months ended 30 September 2001			Audited Year ended 31 March 2002
		Before Goodwill and Development Items £'000	Goodwill and Development Items (see note 3) £'000	Total £'000	Before Goodwill and Development Items £'000	Goodwill and Development Items (see note 3) £'000	Total £'000	Total £'000
Turnover: Group and share of joint ventures								
Continuing operations		4,960		4,960	4,139		4,139	9,281
Less: share of joint ventures' turnover								
Continuing operations		(3)		(3)	(45)		(45)	(94)
<b>Group turnover</b>		<b>4,957</b>		<b>4,957</b>	<b>4,094</b>	<b>-</b>	<b>4,094</b>	<b>9,187</b>
Cost of sales		(3,336)		(3,336)	(2,813)		(2,813)	(6,198)
<b>Gross profit</b>		<b>1,621</b>		<b>1,621</b>	<b>1,281</b>	<b>-</b>	<b>1,281</b>	<b>2,989</b>
Administrative expenses		(1,645)	(793)	(2,438)	(1,515)	(542)	(2,057)	(5,323)
<b>Group operating (loss) / profit</b>		<b>(24)</b>	<b>(793)</b>	<b>(817)</b>	<b>(234)</b>	<b>(542)</b>	<b>(776)</b>	<b>(2,334)</b>
Share of operating (loss) / profit in joint ventures		-	(249)	(249)	(56)	(299)	(355)	(697)
<b>Total operating (loss) / profit: group and share of joint ventures</b>		<b>(24)</b>	<b>(1,042)</b>	<b>(1,066)</b>	<b>(290)</b>	<b>(841)</b>	<b>(1,131)</b>	<b>(3,031)</b>
Interest receivable		41	-	41	33	-	33	52
Interest payable		(4)	-	(4)	(4)	-	(4)	(47)
<b>(Loss) / Profit on ordinary activities before taxation</b>		<b>13</b>	<b>(1,042)</b>	<b>(1,029)</b>	<b>(261)</b>	<b>(841)</b>	<b>(1,102)</b>	<b>(3,026)</b>
Taxation	5	-		-	-		-	(43)
<b>(Loss) / profit on ordinary activities after taxation</b>		<b>13</b>	<b>(1,042)</b>	<b>(1,029)</b>	<b>(261)</b>	<b>(841)</b>	<b>(1,102)</b>	<b>(3,069)</b>
Equity minority interest		(95)	138	43	(37)	28	(9)	257
Equity Dividends Paid		-		-	-		-	-
Retained (loss) / profit for the financial year		(82)	(904)	(986)	(298)	(813)	(1,111)	(2,812)

# Balance sheet at 30 September 2002

Notes	Group		
	Unaudited 30 September 2002	2001	Audited 31 March 2002
	£'000	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	868	551	1,160
Tangible assets	338	548	344
Investments	-	-	-
Share of gross assets	84	108	51
Share of gross liabilities	(1,290)	(829)	(1,031)
Goodwill arising on acquisition	57	64	60
Interest in joint ventures	(1,149)	(657)	(920)
	57	442	584
<b>Current assets</b>			
Work in progress	60	57	54
<b>Debtors</b>			
- due after more than one year	1,089	660	856
- due within one year	1,573	1,452	1,332
	2,662	2,112	2,188
Cash at bank and in hand	3,238	1,084	1,173
	5,960	3,253	3,415
<b>Creditors: amounts falling due within one year</b>	(1,471)	(1,470)	(2,027)
<b>Net current assets/(liabilities)</b>	4,489	1,783	1,388
<b>Total assets less current liabilities</b>	4,546	2,225	1,972
<b>Creditors: amounts falling due after more than one year</b>	(368)	(64)	(1,734)
<b>Net assets</b>	4,178	2,161	238
<b>Capital and reserves</b>			
Called up share capital	1,465	1,262	1,264
Share premium account	11,103	6,295	6,335
Other reserves	(801)	(801)	(801)
Profit and loss account	(7,448)	(4,761)	(6,462)
Equity shareholders' funds	4,319	1,995	336
Equity minority interest	(141)	166	(98)
<b>Capital employed</b>	4,178	2,161	238

# Consolidated cash flow statement for the six months ended 30 September 2002

1.

	Unaudited Six months ended 30 September		Audited Year ended 31 March 2002
Note	2002 £'000	2001 £'000	2002 £'000
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(1,174)</b>	<b>(797)</b>	<b>(293)</b>
<b>Returns on investment and servicing of finance</b>			
Interest received	14	35	58
Interest paid on finance leases	(3)	(3)	(9)
Interest paid	(48)	(1)	-
<b>Net cash (outflow) / inflow from returns on investment and servicing of finance</b>	<b>(37)</b>	<b>31</b>	<b>49</b>
<b>Taxation</b>			
UK Corporation tax (paid)/received	14	-	(43)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(66)	(84)	(117)
Purchase of intangible fixed assets	(10)	(23)	(37)
Purchase of investments	-	(56)	(56)
Proceeds on sale of fixed assets	-	-	31
Loans to joint ventures	(240)	(305)	(581)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(316)</b>	<b>(468)</b>	<b>(760)</b>
<b>Acquisitions and disposals</b>			
Purchase of business	-	-	(1,686)
Purchase of interest in joint ventures	(22)	(58)	(15)
Sale of tangible fixed assets	-	31	(96)
<b>Net cash outflow from acquisitions and disposals</b>	<b>(22)</b>	<b>(27)</b>	<b>(1,797)</b>
<b>Financing</b>			
Unsecured loan stock	-	-	1,686
Issue of ordinary share capital	5,471	-	1
Expenses of share issue	(502)	-	-
Repayment of long-term loan	(1,349)	-	-
Capital element of finance lease payments	(20)	(22)	(37)
<b>Net cash inflow from financing</b>	<b>3,600</b>	<b>(22)</b>	<b>1,650</b>
<b>Increase/ (decrease) in cash in year</b>	<b>2,065</b>	<b>(1,283)</b>	<b>(1,194)</b>
Cash balances at the beginning of the year	1,173	2,367	2,367
<b>Cash balances at the end of the year</b>	<b>3,238</b>	<b>1,084</b>	<b>1,173</b>
<b>Represented by</b>			
Cash and bank balances	3,238	1,084	1,173
Bank overdraft	-	-	-
	<b>3,238</b>	<b>1,084</b>	<b>1,173</b>

## Basis of preparation

The interim accounts for the six months ended 30 September 2002 and comparatives for 2001 are unaudited and do not constitute statutory accounts in accordance with section 240 of the Companies Act 1985. The comparatives for the year ended 31 March 2002 are extracted from the audited financial statements for that year.

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

### 2. Basis of consolidation

On 22 June 2000 the Company acquired, in exchange for shares, the entire issued share capital of The Unique Broadcasting Company Limited. This has been accounted for in accordance with merger accounting principles.

Joint ventures are accounted for by the equity method from the date of their formation up to the date of sale. A fair value is attributed to the investment acquired and any excess of consideration over this fair value is disclosed in the balance sheet.

### 3. Goodwill and Development

Goodwill and development costs include goodwill of £304,000 (2001: £130,000), digital audio licence fees of £391,000 (2001: £216,000) and digital data licence fees of £72,000 (2000: £117,000), software development costs of £nil (2001: £52,000) and other costs of £26,000 (2001: £27,000).

### 4. Loss per share

The loss per share (annualised) for the six months ended 30 September 2002 is 1.42 pence (2001: loss per share 1.76 pence and year ended 31 March 2001, loss per share of 2.23 pence). The loss per share for the six month periods for 2002 and 2001 have been calculated based on the loss for the period and the weighted average of shares in issue during the respective periods.

### 5. Taxation

No provision has been made for taxation due to current trading losses for the period to 30 September 2002.