SOUNDING OFF ABOUT RADIO

Annual Report and Accounts 2004

UBC media group

UBC is a leading player in the rapidly emerging digital radio marketplace. Having identified digital assets early in the cycle, UBC has evolved from being a production business into one that encompasses both production and station ownership. UBC owns the national digital stations, Classic Gold Digital and Oneword Radio, and is also a leading supplier of software that drives digital radio data services. Meanwhile, UBC's core production business is a leading supplier to the BBC and the commercial radio industry.

Contents

Classic Gold Digital's AM and DAB digital radio coverage area

Oneword Radio's DAB national digital radio coverage area

Coverage area of UBC's Data spectrum

Production

Unique is one of the largest independent radio production companies in the UK. The company ranks as a leading supplier of both commissioned programmes to the BBC and syndicated programmes to the commercial radio sector.

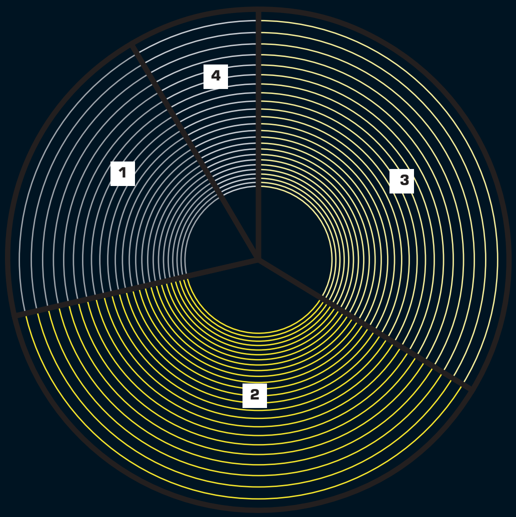
Unique Facilities operates UBC's analogue and digital radio facilities and provides broadcast services for both the Group's internal use and for external clients.

Broadcasting

Classic Gold Digital is one of the most successful classic hits radio formats in the UK. Classic Gold Digital is broadcast on both analogue and digital platforms, and ranks amongst the largest formats on digital radio.

The Sony Radio Academy Award-winning station, Oneword Radio, is the only national commercial digital radio station dedicated to the spoken word.

Breakdown of Turnover by Division



1. Production – £2.18m
2. Commercial – £5.24m
3. Classic Gold Digital – £4.69m
4. Facilities and Radio Services – £1.18m

Data services

UBC operates the DNN rolling-news service that is broadcast on each MXR regional multiplex.

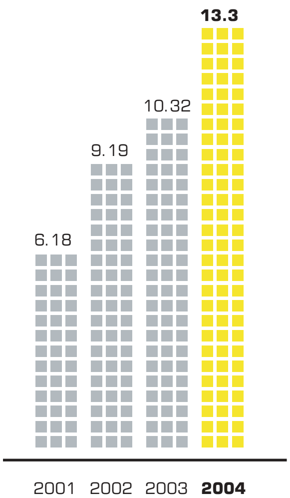
Unique Interactive specialises in the development and sale of software for the management and delivery of media content to both the analogue and digital radio sectors.

UBC is a member of the MXR consortium, which operates regional digital radio multiplexes covering North East and North West England, the West Midlands, South Wales and the Severn Estuary and Yorkshire.

Financial Highlights

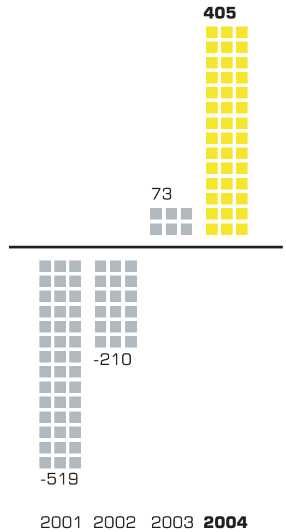
Group Turnover 2001 – 2004

(£ million)



Operating Profit/(Loss)* 2001 – 2004

(£'000)

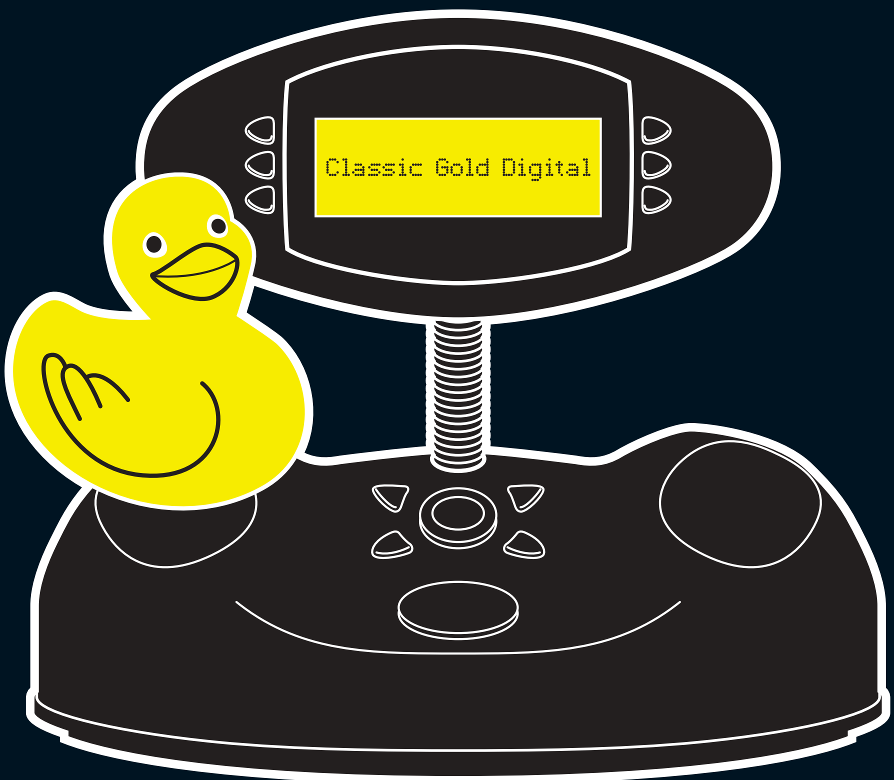


*Operating profit/(loss) before goodwill and development

- Turnover increased 29.1% to £13.30 million (2003: £10.32 million)
- Operating Profit for the year before goodwill and development expenditure totalled £405,000 (2003: £73,000) and operating loss after amortisation and development expenditure totalled -£1.02 million (2003: -£1.53 million)
- Development expenditure in the year totalled £1.08 million (2003: £1.0 million)
- At 31 March 2004 UBC had cash in the bank of £4.32 million (2003: £3.35 million)

Sounding off about quality programming

In 2004 UBC was commissioned by the BBC to produce approximately 400 hours of programming. UBC's output includes some of the BBC's flagship radio programmes and a wide range of one-off series and programmes, including the award-winning programmes, 'The History of Psychedelia' and 'The Real Alex Ferguson'.



Sound facts
There are now over 70 different kinds of DAB digital radio available in the market, including 'The Bug', which features a live radio pause, rewind and record function.

Chairman's Statement

I am delighted to be able to report another strong performance from UBC Media Group in the year to 31 March 2004. Revenues for the Group increased 29.1% to £13.3 million (2003: £10.3 million), and profit before development and goodwill increased to £405,000 compared to £73,000 in the previous year. During the year UBC maintained the momentum behind its strategy of building a business that delivers organic growth, while positioning it to benefit from the ongoing transition of analogue to digital radio. A detailed report on the Company's performance in the year to 31 March 2004 is contained in the Chief Executive's Review of Operations.

When I reported to shareholders last year on prospects for digital radio, I welcomed the launch of the first DAB digital radio costing under £100, and reported on what I expected would be the impact of the entry into the digital radio market of the first household brand names in consumer electronics manufacturing. Since then, the pace of change has accelerated considerably and a year on it can now be said with confidence that "digital radio has arrived".

The latest research by the Digital Radio Development Bureau shows that sales of digital radios in the past twelve months have pushed penetration in the UK over the half a million mark. DAB digital radios are now available across the entire audio range, with the launch of products by a growing roster of leading consumer electronics manufacturers, including Roberts Radios, Philips, Samsung, TEAC, Grundig, Bush and Hitachi; with others, including Sony and Sharp, due to launch DAB products in the next few months. Moreover, as the market has grown, so the retail price for receivers has fallen, and DAB digital radios are now retailing for as little as £60. At the current rate of growth, we can expect sales of digital radios to double again this year, reaching cumulative sales of one million units in the next twelve months.

In UBC's opinion, digital radio has the potential to be much more than just a medium for better quality sound broadcasting and the platform for numerous new stations that extend listener choice. We believe the next important stage of development for digital radio will be the exploitation of digital radio's potential as a medium to broadcast data. UBC holds a substantial share of the data broadcasting capacity on the digital radio spectrum and is, therefore, particularly well positioned to benefit from developments in this area. We believe the first prototype devices capable of receiving data services will be available in the next year. We are confident that the launch of data applications on digital radio will transform consumer perceptions of the technology.

I am pleased to report that UBC's performance in the past year has again demonstrated the robustness of the Company's mix of businesses, and UBC's ability to innovate while also delivering strong organic growth. UBC is now firmly established as a strongly positioned player in the digital radio market. I believe this is a particularly exciting stage in the development of the Company. The way in which UBC has responded to the challenges and opportunities of the past year gives me confidence that the next twelve months will see continuing progress. The board is optimistic that prospects for the Company are good.

On behalf of the board, I would like to express my thanks to all the employees of the Company. As a creative business, UBC is first and foremost a people business, and the achievements of the past year are a tribute to the hard work and commitment of all the staff at UBC, their innovation and their shared vision of the future.

Michael Peacock
Chairman

Chief Executive's Review of Operations

2004 is the year in which digital radio came of age. Our vision for the future of radio, which we spelt out in previous annual reports, has continued to take shape.

During the year UBC reported continuing strong growth, with revenues 29.1% ahead on the previous year at £13.30 million (2003: £10.32 million) and operating profit before goodwill and development totalling £405,000 (2003: £73,000). During the year we generated the first revenues from our digital assets.

The performance of the Company has again demonstrated the strength of our mix of businesses: both their defensive qualities and resilience when trading conditions are difficult, as well as their ability to respond swiftly to new opportunities as they arise. This ability to deliver growth through innovation is a theme that runs through all of UBC's businesses, and is reflected in how they have performed in the past year.

Production

UBC's radio production business performed in line with expectations during the year. Revenues in the year to 31 March 2004 were ahead by 10.7% at £2.18 million (2003: £1.97 million) and operating margins were stable.

UBC is one of the leading independent audio production companies in the UK. In the year to 31 March 2004 UBC was commissioned by the BBC to produce approximately 400 hours of programmes for broadcast across the BBC's network of national analogue and digital stations. Much of UBC's programming output is long-term commissions for some of the BBC's flagship radio programmes, including 'Pick of The Pops' and 'Pause for Thought' on Radio 2 and 'Something Understood' on Radio 4. Traditionally, long-term programme contracts have given this business a good degree of forward visibility. During the year UBC also won commissions from the BBC to produce a wide and eclectic range of one-off series and programmes, ranging from comedy to current affairs and from classical music to the contemporary. Importantly, these included a number of commissions for the BBC's new digital radio channels.

UBC believes that spending by the BBC on its digital services will be a key area of revenue growth for the production business in the future. We estimate that BBC Radio's annual spending on programming for their digital radio channels will grow substantially from its current levels, and we expect to gain a share of the new business the BBC commissions from the independent production sector. Across all its activities, UBC's core strengths are its creative skills and ability to grow through innovation, and nowhere is this more important than in the area of radio programming. A flavour of the range of our programme output during the year can be gauged from just two of UBC's programmes which won Sony Radio Academy Awards this year: 'The History of Psychedelia', broadcast on BBC Radio 2, and 'The Real Alex Ferguson', one of Unique's 'The Real' series broadcast on Radio FiveLive.

Since the start of the new financial year one of UBC's long-standing programme series for the BBC has expired. The Company is actively pursuing a number of options to recover the resulting loss of revenues in the current financial year, and any impact on the Production Division's margins have been largely mitigated by cost savings. Given our long experience of replacing contracts when they expire, we are confident of being able to recover any lost revenues that arise as a result of this, and that prospects for UBC's radio production business for the remainder of the year are good.

UBC's Commercial Division creates and supplies two syndicated programmes, comprising the 'Entertainment News' and 'Traffic & Travel News' services, which it provides free of charge to a network of radio stations across the UK, retaining airtime within each bulletin that it then sells as a national advertising product. The 'Entertainment News' service is carried by 80 stations reaching 6.83 million adults, while the 'Traffic & Travel News' service, with information supplied by AA Roadwatch, is carried by 75 stations, reaching 7.8 million adults, ranking both programme networks amongst the largest national radio advertising opportunities in the UK.

The Commercial Division reported that revenues in the year to 31 March 2004 more than doubled to £5.24 million (2003: £2.59 million). The growth in our airtime sales business in the year is a direct result of the contribution of the 'Traffic & Travel News' service, which we launched in the final months of the previous financial year in anticipation of a recovery in the advertising market. The launch of the 'Traffic & Travel News' service significantly changes the scale of UBC's airtime sales business and greatly increases our share of the national radio advertising market. The improvement in radio advertising in the second half of the financial year enabled us to recover the start-up costs associated with the launch of the service. In the second half of the year our airtime sales business experienced a sharp recovery

Sound facts
Recent RAJAR audience research shows that 25% of Classic Gold Digital's listeners now listen to the station on digital receivers.

and the Commercial Division is well positioned to benefit from any continued growth in the national radio advertising market.

The network of relationships the Commercial Division have built up through its airtime sales service has enabled it to diversify and grow its commercial activities into such areas as radio marketing and sponsorship & promotions. During the year the Commercial Division provided services to a broad range of blue chip clients, including Proctor & Gamble, Sky+, BT and Coca Cola.

Classic Gold Digital
Classic Gold Digital once again delivered a strong performance, with revenues up 4.2% on the previous year, at £4.69 million (2003: £4.5 million), and profit before interest, goodwill and digital licence costs in the year of £1.09 million (2003: £1.04 million). Classic Gold Digital owns and produces the Classic Gold Digital radio format, which broadcasts Classic Hits on a network of analogue AM and digital platforms across the UK. Unlike the rest of the commercial radio sector, the financial performance of Classic Gold Digital is not based on the sale of advertising, but instead is linked directly to the number of listeners to the network, in the form of an audience fee that GWR Group pays to Classic Gold Digital in return for selling airtime on the network.

As a result of the inferior reception associated with broadcasting on AM frequencies, Classic Hits formats in the UK have traditionally suffered from long-term audience declines. In overseas markets where 'Gold' formats are broadcast on higher quality FM frequencies, their market share is significantly higher than in the UK. It is UBC's belief that Classic Gold Digital stands to benefit disproportionately from the migration of radio listening from analogue to digital radio, with its improved reception quality. In addition to broadcasting the service on its historic network of 18 local AM stations, in the past three years UBC has built up coverage of Classic Gold Digital on a network of local and regional digital multiplexes which gives it a combined potential audience of 29 million, and provides the platform to create Classic Gold Digital as the leading national Classic Hits radio brand in the UK.

Evidence of the success of the strategy of building a digital audience for the network was seen in the strong audiences for Classic Gold Digital reported in January 2004, with the publication of the first RAJAR audience research to include digital listening to Classic Gold Digital. These showed that 25% of Classic Gold Digital's listeners now listen to the station on digital receivers, on both Sky and via DAB digital radios. We expect to begin generating digital revenues from Classic Gold Digital in the forthcoming year. The creation of a national radio brand is an important step in the strategic positioning of Classic Gold Digital, as we expect the increase in listener choice that comes with digital radio will also mean a fragmentation of the radio market and a multiplication of different local brands and specialist stations. We believe that in this environment, national brands with the ability to customise content and sell advertising locally will be of key strategic importance.

The year to 31 March 2004 was a transitional period for Classic Gold Digital, as we managed the long-term decline in audiences for Classic Gold Digital on our analogue frequencies, whilst the network began to build for the first time significant digital audiences. We were aided during the year by a strong contribution from sponsorship and promotions revenues. A decision in the final quarter of the year to strengthen further the management team at Classic Gold Digital has delivered early results, and we are confident that the network is on target to deliver a strong contribution in the year ahead.

Facilities and Radio Services
UBC's Facilities & Services businesses performed well in the year, with profit margins ahead on revenues that were down by 7% at £1.18 million (2003: £1.27 million), as we focused our efforts on higher margin business. UBC has for a long time believed that software and radio services will be important areas of growth in the emerging digital radio arena. Last year we generated our first revenues from the sale of digital radio software and services, securing a substantial share of the investment that has been made to date and positioning the Company to benefit from what we expect will be a significant area of growth in the future.

During the year to 31 March 2004 UBC's software development division, which trades as Unique Interactive, made good progress, particularly in the final quarter of the year. Unique Interactive specialises in the development and sale of software applications for the management and delivery of media content to both the analogue and digital radio sectors. In the past year Unique Interactive has continued to focus on the development of its pioneering 'ManDLS' software, which is used to manage the scrolling text that forms part of every digital radio service; and the development of the electronic programme guide (EPG), which we believe will form a key part of the interactive capability of the next generation of EPG-enabled digital devices. The first generation of EPG digital receivers, capable of downloading and storing content, have been launched since the year end, and we expect they will be a major driver for the consumer take-up of digital radio in the next 12 months.

Unique Interactive is gaining increased recognition as one of the leading software developers in the digital radio arena, and during the year signed a number of landmark deals underlining its prominence in both the UK and overseas. In December 2003 Unique Interactive was awarded a three-year contract to license its ManDLS scrolling text management software to the BBC Nations & Regions network, to add to our existing customers, which include Emap, Virgin Radio, Classic Gold Digital and DNN. In addition, during the year Unique Interactive signed a further extension of its licensing deal with Emap to supply dynamic text services for Emap's radio services broadcasting on Freeview.

We believe that the launch of DAB data and EPG services opens up a huge range of opportunities for digital broadcasters both in the UK and overseas, and that Unique Interactive is now well positioned to benefit from the growing investment in digital radio. As an indication of UBC's leadership in this area, during the year Unique Interactive signed deals with Digital Radio Broadcasting Australia to trial its ManDLS proprietary software; with the Canadian public broadcaster, CBC Radio-Canada, to use its EPG data management software, and for its scrolling text software with Digital SkyNet in South Korea.

UBC's radio services division, which trades as Unique Facilities, operates studio facilities for both UBC's internal use and for external clients. Despite operating in the highly competitive London facilities market, during the year we successfully grew both occupancy rates and yields for the studio facilities business. In November 2003 Unique Facilities was awarded a further three-year contract by Gala Group to provide bespoke in-club audio services to its chain of 169 bingo clubs throughout the UK. In addition, an important area of growth for the radio services division continues to be providing outside broadcast facilities to events such as the Ideal Home Show, the Boat Show and the Daily Mail Ski & Snowboard Show. In keeping with the culture of innovation across the Group, during the year Unique Facilities launched a bespoke music composition service, further extending the Group's radio services offering to clients.

Oneword Radio

Oneword Radio broadcasts a critically acclaimed national commercial radio station on terrestrial digital radio, Sky and Freeview. For the fourth consecutive year Oneword Radio was a finalist for the prestigious Sony Radio Academy Award – Digital Terrestrial Radio Station of the Year, an award it has won on two successive occasions.

The past year has marked a number of important milestones in the development of Oneword Radio, including the publication of the first RAJAR audience figures, which were viewed as encouraging, particularly in view of the very modest amounts invested so far in marketing and promoting the station. Subsequent RAJAR surveys show continuing strong audience growth, with audiences up 18.8% in the final quarter. Based on these initial audience figures, during the year Oneword generated its first revenues. UBC has announced its intention to acquire full control of Oneword Radio, with the purchase at the end of June 2004 of the 50% interest in the station held by our Hong Kong-based partner. Securing full control of Oneword Radio is an important step in ensuring the long-term viability of this exclusive, spoken word licence on the national digital multiplex, Digital One. We believe this licence is a key asset in UBC's digital portfolio and will benefit from the management focus which will result from our taking full control.

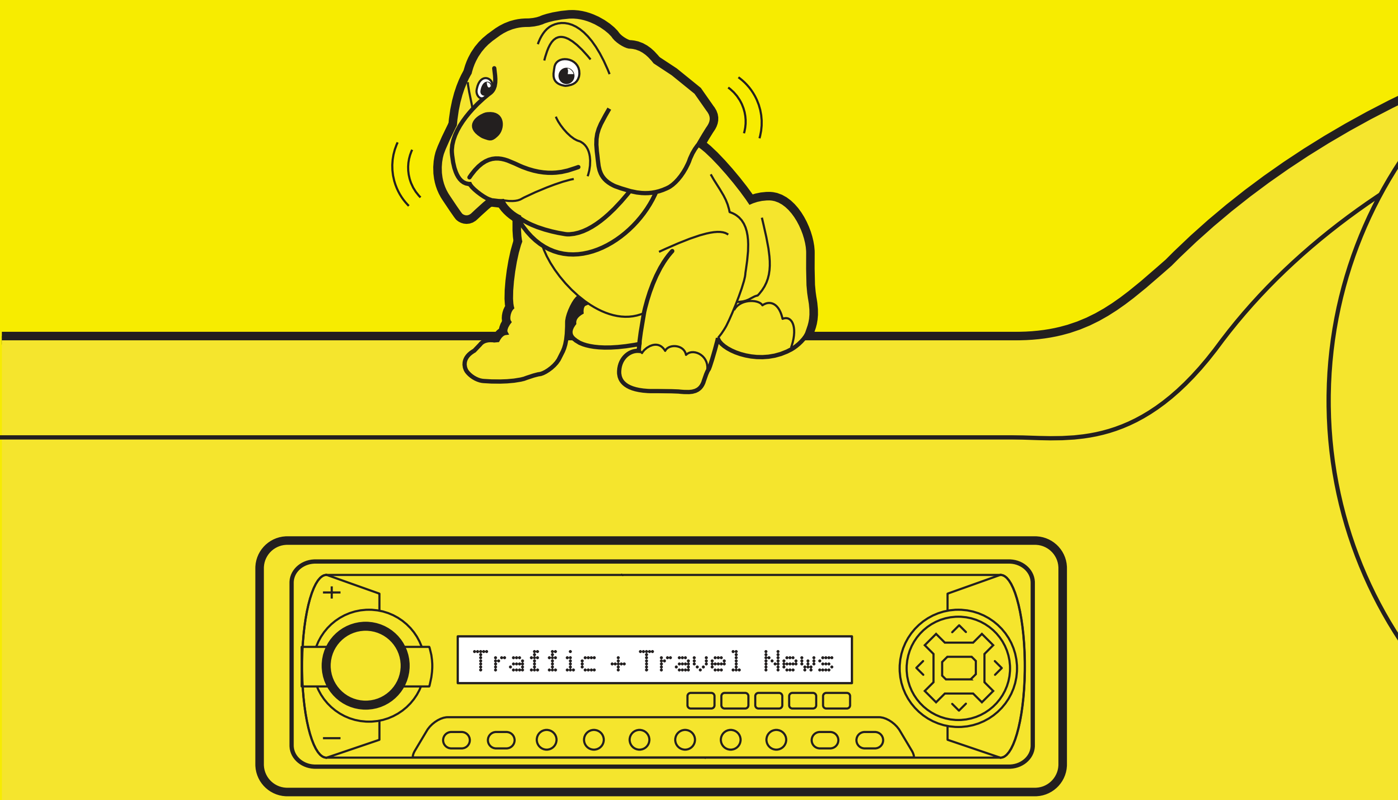
Outlook

Our aim continues to be to grow the business, by both organic development and acquisition. We have a clear vision of how digital radio will develop and remain ready to respond should the right opportunity arise. UBC started the new financial year with a mix of businesses that have demonstrated their ability to respond to the challenges of the markets in which they operate. The performance of the Group last year, often in the face of difficult trading conditions, demonstrated the resilience of this business mix. Since the start of the new financial year the prospects for the markets in which the Group operates have continue to show signs of improvement and we believe the outlook for the remainder of the year is positive.

Simon Cole
Chief Executive

Sounding off about record airtime sales

UBC's Commercial Division's revenues more than doubled in 2004, as the result of the launch of the 'Traffic & Travel News service'. UBC's 'Entertainment News' and 'Traffic & Travel News' services are amongst the largest national radio advertising opportunities in the UK.

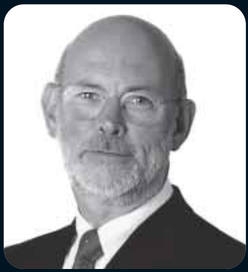


Sound facts
UBC's 'Traffic & Travel News' service is carried by 75 stations, reaching 7.8 million adults.

Board of Directors

Michael Peacock
Non-Executive Chairman

Simon Cole
Chief Executive



Tim Blackmore
Non-Executive Director &
Group Editorial Director

Jennifer Donald
Finance Director

Matthew Honey
Managing Director,
Unique Interactive

Michael Peacock (74)
Non-Executive Chairman
Michael Peacock has had a long and distinguished career in the media industry and is a former Controller of BBC1. Other senior management positions held by him include Managing Director of London Weekend Television and Executive Vice President of Warner Bros TV. Michael has been chairman of Unique Broadcasting since 1989 and is also a Governor of the London School of Economics. Michael is Chairman of the Nominations Committee and a member of the Audit and Remuneration Committees.

Simon Cole (46)
Chief Executive
Simon Cole founded Unique Broadcasting in 1989 in partnership with Tim Blackmore, having pioneered the market for national sponsored programmes whilst at Piccadilly Radio, where he was Head of Programmes. Simon has been awarded a fellowship of the Radio Academy. Simon is a member of the Nominations Committee.

Tim Blackmore MBE (59)
Non-Executive Director & Group Editorial Director
Tim Blackmore founded Unique Broadcasting in 1989 with Simon Cole, after a career in radio production with BBC Radio One and Capital Radio. In April 2004 Tim was appointed as a Non-Executive Director, having stepped down from day-to-day executive responsibilities. He continues to act as Group Editorial Director for UBC Media Group and as Chairman of Classic Gold Digital and Oneword Radio. Tim served as the first Director of the Radio Academy and was awarded an MBE for services to independent radio production. Tim has also been awarded a fellowship of the Radio Academy and is Chairman of the Sony Radio Academy Awards.

Jennifer Donald (49)
Finance Director
Jennifer Donald qualified as a chartered accountant with KPMG and has held directorships in a number of private and publicly owned companies. Prior to joining the Board in December 2000, Jennifer was Finance Director of McCarthy Corporation plc. Jennifer is a member of the Nominations Committee.

Matthew Honey (38)
Managing Director, Unique Interactive
Matthew Honey is Managing Director of Unique Interactive, with responsibility for the Group's Radio Services and Facilities activities. Matthew joined Unique Broadcasting in 1992 and prior to his appointment as Managing Director of Unique Interactive in December 2000 served as Finance Director of the Group. Matthew qualified as a chartered accountant with Coopers & Lybrand.

John Quinn (47)
Commercial Director
John Quinn has overall responsibility for the Group's commercial airtimes sales. John joined Unique Broadcasting in 1996. He was formerly Sales Controller for Virgin Radio and Atlantic 252 and launch Sales Director of Kiss FM.

John Quinn
Commercial Director

Professor Roger Silverstone
Non-Executive Director

Paul Pascoe
Non-Executive Director

Keith Harris
Non-Executive Director

Kelvin Harrison
Non-Executive Director

Professor Roger Silverstone (59)
Non-Executive Director
Roger Silverstone is Professor of Media and Communications at the London School of Economics, having previously worked in television research and production for London Weekend Television, Associated Television and the BBC. Roger Silverstone is a former non-executive director of Freeserve plc. Roger is a member of the Audit and Remuneration Committees.

Noel Edmonds (55)
Non-Executive Director
During a 30-year career with the BBC, Noel Edmonds presented some of the Corporation's highest rating entertainment shows. In 1986 Noel established the Unique Group of companies, a privately owned media and communications group engaged in television and event production, video communication and talent management.

Paul Pascoe (43)
Non-Executive Director
Paul is Chief Executive Officer of the Unique Group of companies, which are engaged in television and event production, video communication and talent management. Paul serves as a Non-Executive Director of UBC Media Group and is Chairman of the Remuneration Committee and a member of the Audit Committee.

Keith Harris (51)
Non-Executive Director
Keith has worked in investment banking for twenty-five years and has held senior executive positions at Morgan Grenfell, Drexel Burnham Lambert, Apax Partners & Co. and HSBC. Keith is Chairman of Seymour Pierce, secondary brokers to the Company. He is Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.

Kelvin Harrison (49)
Non-Executive Director
Kelvin Harrison was appointed to the Board as a Non-Executive Director in June 2003. He is a chartered engineer with significant experience of the software, electronics and communications sectors in various positions, including chief executive of public and private companies. Kelvin is also Chief Executive of Azur Group Limited. Kelvin is a member of the Audit and Remunerations Committees.

Finance Director's Report

The main financial highlights of UBC Media Group for the year to 31 March 2004 are as follows:

- Turnover increased 29.1% to £13.30 million (2003: £10.32 million)
- Gross Profit increased 9.6% to £3.55 million (2003: £3.24 million)
- Operating Profit for the year before amortisation and development expenditure totalled £405,000 (2003: £73,000) and operating loss after amortisation and development expenditure totalled -£1.02 million (2003: -£1.53 million)
- Development expenditure in the year totalled £1.08 million (2003: £1 million)
- Administration Expenditure before goodwill and development marginally decreased by 0.6% to £3.15 million (2003: £3.17 million)
- Losses before Interest, Tax, Depreciation and Amortisation (EBITDA) in the period were -£520,000 (2003: -£738,000) or a Profit before Interest, Tax, Depreciation and Amortisation of £560,000 (2003: £266,000) before development costs.
- At 31 March 2004 UBC had cash in the bank of £4.32 million, (2003: £3.35 million).

Fund Raising and Use of Proceeds

In July 2003 UBC placed a total of 3,500,000 new ordinary shares with institutional investors, raising an additional £1.01 million (net of expenses) for the Company, as well as receiving proceeds of approximately £600,000 from the exercise of warrants for 2.4 million new ordinary shares that had been issued at the time of the Company's admission to AIM in June 2000. The proceeds of both the share placing and exercise of warrants will be used to finance the Company's ongoing digital strategy.

Investment in Digital Radio

During the year to 31 March 2004 UBC invested the following amounts in its development strategy:

- Investment of £614,000 (2003: £679,000) towards the development of Oneword, The Digizone and the Digital News Network.
- Licence fees totalling £947,000 (2003: £814,000) for carriage of Classic Gold Digital on seven digital multiplexes covering Northern England and Greater London
- Data licence fees of £133,000 (2003: £165,000) for broadcasting a regional data service on five MXR digital multiplexes.

In January 2004 UBC announced an agreement with its joint venture partner to increase its shareholding in Oneword Radio Limited to 100% at the end of June 2004, with the acquisition of USI Holdings Limited's 50% shareholding in Oneword Radio. In consideration for which, UBC will issue USI Holdings with approximately 2.44 million new ordinary shares in UBC, valuing USI Holdings' 50% interest in Oneword Radio at approximately £750,000.

Cash Flow

During the year UBC had a cash inflow from operating activities of £91,000, compared to an outflow of -£884,000 in 2003. This represents an increase of £975,000 over the preceding period.

Intangibles and Development

In keeping with our practice in previous years, UBC follows an accounting policy involving the write-off of development costs and digital intangibles to the Profit & Loss Account as they are incurred or acquired. This is done on the basis that, although technical feasibility has been proven, until DAB Digital Radio has a wider user-base than it currently has, its economic viability is not assured. In accordance with this accounting policy, during the year UBC expensed the following items:

- Goodwill amortisation of £341,000, primarily relating to the Classic Gold Digital stations;
- £1,080,000 development expenditure incurred by the Group; and
- £614,000 comprising UBC's share of the investment in Oneword, The Digizone and the Digital News Network.

UBC expects to begin generating digital revenues in the forthcoming year. Accordingly, the Board of UBC has re-assessed the accounting treatment of development costs and decided that in future years the Company will not identify these expenses separately in the Profit and Loss Account.

Payment of Dividend

The Board is not recommending the payment of a dividend for the year.

Jennifer Donald
Finance Director

Financial Statements

Report of the Directors
For the year ended 31 March 2004

The directors present their report and the audited financial statements for the year ended 31 March 2004.

Principle activities

The principle business of the Group is the ownership and operation of the digital and analogue commercial radio stations, radio programming and the provision of audio and data services to the radio industry.

Directors and their interests

The names of the directors serving in the year and their interests at 31 March 2004 were as follows:

	Number of ordinary shares as at 31 March 2003	**Number of ordinary shares as at 31 March 2004**	Ordinary shares under option as at 31 March 2004
I.M. Peacock	11,231,000	**9,431,000**	–
S.A. Cole	28,498,714	**21,627,884**	–
J.H. Donald	18,800	**19,225**	3,225,299
M.A. Honey	4,121,429	**4,481,429**	417,935
J.P. Quinn	3,525,000	**2,850,000**	3,406,530
T.J. Blackmore	27,580,857	**20,080,857**	–
N.E. Edmonds	15,733,714	**13,848,714**	–
K.R. Harris	4,500,000	**3,700,000**	3,000,000
K.F. Harrison	–	**2,500**	–
P.H.B. Pascoe	–	**–**	–
R.S. Silverstone	–	**–**	–

At 31 March 2004, the following directors' interests were also noted:

1. Of the ordinary shares shown as beneficially held by I.M. Peacock, 3,411,000 are registered under the name of Investec Trustees (Jersey Limited) as trustees of the I.M. and D.J.I Peacock Voluntary Settlement.
2. Of the ordinary shares shown as beneficially held by T.J. Blackmore, 3,344,226 are registered in the name of his wife Margaret Blackmore.
3. The ordinary shares shown as beneficially held by N.E. Edmonds are registered under the name of Unique Communications Limited.
4. Of the ordinary shares shown as beneficially held by M.A. Honey 423,000 are registered in the name of his wife, Shona Paterson.
5. Of the ordinary shares shown as being under option to J.P. Quinn, M.A. Honey and J.H. Donald 3,649,604 are under option to the trustees of the Company's Employee Benefit Trust (3,020,299 for J.H. Donald, 95,355 for M.A. Honey and 533,950 for J.P. Quinn) who have confirmed their intention to hold the options in trust for the above named and their families. The Employee Benefit Trust is a discretionary trust for the benefit of the Company's employees, former employees, their families and dependents.

Share options

Details of share options and warrants held by directors during the year over the ordinary shares of 1p each in the Company are set out below. The options were issued for no consideration.

	Options outstanding 1 April 2003	Options granted in year	Options relinquished in year	Options exercised in year	**Options outstanding 31 March 2004**	Exercise price (pence)	Date from which exercisable	Expiry date
J.H. Donald	205,000***	–	–	–	**205,000**	48.50	20/11/02	07/12/10
K.Harris	3,000,000**	–	–	–	**3,000,000**	3.13	22/06/00	30/09/04
M.A. Honey	600,000*	–	–	600,000	**–**	1.00	29/09/97	29/09/04
	3,000,000*	–	–	3,000,000	**–**	1.33	26/09/97	26/09/04
	322,580***	–	–	–	**322,580**	31.0	02/04/03	02/04/11
J.P. Quinn	300,000*	–	–	–	**300,000**	1.03	31/03/02	26/03/05
	2,250,000**	–	–	–	**2,250,000**	1.66	26/03/00	30/09/05
	322,580***	–	–	–	**322,580**	31.0	02/04/03	02/04/11

* Granted under the Unapproved Executive Share Scheme.

** Granted under the Unapproved Executive Share Scheme Number Two.

*** Granted under the Enterprise Management Incentive Share Option Scheme ("EMI" options).

**** The Company's share price as at 31 March 2004 was 32p.

Substantial shareholders
At 1 June 2004 the Company has been informed of the following interests of 3% or more in its 1p ordinary shares in issue at that date:

	Number of shares	% of issued share capital
S.A. Cole	21,627,884	13.69
T.J. Blackmore	20,080,857	12.71
Unique Communications Limited	13,848,714	8.77
I.M. Peacock	9,431,000	5.97
State Street Nominees Limited	7,367,532	4.66
Standard Life Nominees Limited	6,360,000	4.03
BNT (OCS) Nominees Limited	5,845,306	3.70
Chase Nominees Limited	5,670,154	3.59
SocGen Nominees Limited	5,000,000	3.17
GWR Group plc	4,878,051	3.09

Re-election of directors
In accordance with the Articles of Association I.M. Peacock, T.J. Blackmore and N.E. Edmonds offer themselves for re-election at the forthcoming AGM, details of which are set out at the back of this annual report. Brief particulars of all directors can be found on pages 8 and 9.

Corporate governance
As an AIM listed company, UBC Media Group plc is not required to comply with the main provisions of the principles of good governance and code of best practice prepared by the Committee on Corporate Governance (the 'Combined Code'). However, insofar as they are able for a company of its size, the Board complies with the provisions of the Combined Code. The Board of Directors is responsible to the shareholders for the Group's management and internal control systems. The Board discharges its responsibilities for internal financial control through the following procedures:–

- a clear division of responsibilities between Executive Directors,
- a system of financial reporting, budgeting and forecasting coordinated by the Finance Director,
- the presentation of financial statements to all attendees of Board Meetings
- the establishment of an Audit Committee.

The Board of Directors meets formally approximately six times a year and all key managers serve on the Board. During the year attendance at formal meetings of the Board was as follows: I.M. Peacock, S.A. Cole, T.J. Blackmore, J.H. Donald, M.A. Honey and J.P. Quinn attended on six occasions; P.H.B. Pascoe, K.F. Harrison and R.S. Silverstone attended four meetings of the Board; and K.R. Harris attended three meetings of the Board. N.E. Edmonds did not attend any formal meetings of the Board. In previous years P.H.B. Pascoe also served as an alternate director to N.E. Edmonds. In addition there were a number of informal meetings of the Board.

The Audit Committee consists of K.R. Harris, as chairman, K.F. Harrison, I.M. Peacock, P.B.H. Pascoe and R.S. Silverstone. The Audit Committee has primary responsibility for monitoring the quality of internal financial controls and ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal financial controls. The Finance Director and other senior management also attended committee meetings by invitation. The Committee has unrestricted access to the Company's auditors. The Audit Committee met formally twice during the year.

The Remuneration Committee consists of P.H.B. Pascoe, as chairman, K.R. Harris, K.F. Harrison, I.M. Peacock and R.S. Silverstone. Further details of the Committee's remit are contained in the Remuneration Committee report on page 16. The Remuneration Committee met formally once during the year.

The Nominations Committee consists of I.M. Peacock, as chairman, K.R. Harris, S.A. Cole and J.H. Donald. It meets as and when required. The Committee oversees the selection and appointment of directors, making its recommendations to the full Board. The Nominations Committee did not meet during the year.

The Company has adopted the Model Code for Directors' dealings as applicable to AIM companies.

Annual General Meeting
The following special business is being proposed at this year's Annual General Meeting:

Authority to Directors to allot shares: Resolution 7
The Companies Act 1985 provides that the directors may not allot shares unless empowered to do so by the shareholders. Such a power cannot be given for longer than five years at any one time and the total nominal value of shares that can be allotted must be specified.
In order to renew the Board's powers in respect of unissued shares it is, accordingly, proposed that the directors be granted general authority at any time prior to the expiry of fifteen months following the forthcoming Annual General Meeting (or prior to the next Annual General Meeting of the Company, if earlier) to allot shares up to an aggregate nominal value of £315,874 representing approximately 20% of the current issued share capital.

Disapplication of pre-emption rights: Resolution 8
This resolution is proposed for two reasons. Firstly, it renews the directors' authority to implement rights issues without complying fully with the technical requirements of section 89 of the Companies Act 1985 (relating to the allotment of shares for cash). Secondly, the resolution gives the directors authority to allot shares for cash other than by way of rights to existing shareholders up to an aggregate nominal amount of £157,937. This power will provide the directors with the flexibility to take advantage of business opportunities as they arise. Shareholders should note that the London Stock Exchange does not require shareholders' specific approval for each issue of shares for cash on a pre-emptive basis to the extent that under section 95 of the Companies Act 1985 the provisions of section 89 are disapplied generally. If given, this authority will expire fifteen months from the date of passing of the special resolution or, if earlier, on the date of the next Annual General meeting of the Company.

Research and development
The Group has continued to focus its development expenditure in the digital radio and data broadcasting arena during the year. It is the Group's policy to write off such development costs as they are incurred. Whilst the directors believe technical feasibility has been proven, it is the directors' view that in the year to 31 March 2004 until digital broadcasting has a wider user-base, economic viability is not assured. In the current year £1,080,000 of development expenditure was incurred.

Employee involvement
The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through both formal and informal meetings. It is the Group's policy to ensure that employees are made aware of significant matters affecting the performance of the Group through information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Employment policy
The Group acknowledges the vital role that all employees play in its success through their skills, initiative and commitment. The group endorses and supports the principles of equal opportunities and always fully considers applications by disabled persons. The policy in respect of staff who become disabled whilst employed is to train and assist them wherever practicable to continue within the Group.
It is the policy of the group to consider individuals on their merit and to make employment decisions on a non-discriminatory basis in compliance with its legal obligations. The Group's policy is to ensure that, as far as is reasonably practicable, working environments exist which will minimise risk to the health and safety of employees.

Going concern
After reviewing the Group's budget for the year to 31 March 2005 and its medium-term plans, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Therefore they have adopted the going concern basis in preparing the accounts.

Charitable donations
The Group made charitable contributions of £738 (2003: £3,251) during the year, of which £708 was donated to Macmillan Cancer Relief. The Group made no political donations during the year.

Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Policy and practice on payment of creditors
Each Group company is responsible for agreeing the details of terms and conditions relating to transactions with its suppliers where goods and services have been supplied in accordance with the relevant terms and conditions of the contract. Trade creditors for the Company at 31 March 2004 represented 24 days of purchases (31 March 2003: 15 days of purchases).

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Group will continue in business.

The directors confirm that, in preparing the financial statements, suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2004 and that applicable accounting standards have been followed.

The maintenance and integrity of the Company's websites is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Simon Howell
Company Secretary

50 Lisson Street
London NW1 5DF

21 June 2004

Remuneration Report

As an AIM listed company, the directors' Remuneration Report regulations do not formally apply in 2004. However, we voluntarily disclose the following information.

The Board has established a Remuneration Committee with formally delegated duties and responsibilities, consisting of P.H.B. Pascoe, as chairman, K.R. Harris, K.F. Harrison, I.M. Peacock and R.S. Silverstone. The remuneration Committee has responsibility for determining non-executive and executive directors' terms and conditions of service, including remuneration and grant of options under the Share Option Schemes.

Remuneration policy for executive directors
The Company's policy on executive director remuneration is to:

- attract and retain high quality executives by paying competitive remuneration packages relevant to each director's role, experience and the external market; and
- incentivise directors to maximise shareholder value through share options.

The remuneration of each of the directors for the year ended 31 March 2004 was as follows:

	Salary & fees £'000	Bonus £'000	Taxable benefits £'000	Pension contribution £'000	**2004 Total £'000**	2003 Total £'000
Executive						
S.A. Cole	140	17	1	4	**162**	141
T.J. Blackmore (appointed as a non-executive director on 5 April 2004)	76	11	–	2	**89**	74
J.H. Donald	100	12	1	3	**116**	109
M.A. Honey	95	14	1	3	**113**	97
J.P. Quinn	111	15	1	3	**130**	115
P.L. Sands (resigned 1 May 2002)	–	–	–	–	**–**	60
Non-Executive						
I.M. Peacock (chairman)	33	–	–	–	**33**	28
N.E. Edmonds(1)	–	–	–	–	**–**	–
K.R. Harris	19	–	–	–	**19**	15
K.F. Harrison (appointed 26 June 2003)	13	–	–	–	**13**	–
P.H.B Pascoe	19	–	–	–	**19**	5
R.S. Silverstone	18	–	–	–	**18**	16
	624	**69**	**4**	**15**	**712**	**660**

(1) No benefits are provided for under the terms of N.E. Edmonds' engagement

Directors' service contracts
On 6 June 2004 the executive directors, S.A. Cole, J.H. Donald, M.A. Honey and J.P. Quinn, each entered into 12 month fixed term rolling service agreements with the Company. On 6 June 2004 the non-executive directors, I.M. Peacock, N.E. Edmonds, K.R. Harris, K.F. Harrison, P.H.B. Pascoe, Prof. R.S. Silverstone and T.J. Blackmore were appointed as non-executive directors of the Company for a one-year period expiring on 5 June 2005.

Directors and Advisors
For the year ended 31 March 2004

Executive directors

Simon A. Cole	Chief Executive
Jennifer H. Donald	Finance Director
Matthew A. Honey	Managing Director, Unique Interactive
John P. Quinn	Commercial Director

Non-Executive directors

I. Michael Peacock	Non-executive Chairman
Timothy J. Blackmore	Group Editorial Director
Noel E. Edmonds	
Keith R. Harris	
Kelvin F. Harrison	
Paul H.B. Pascoe	
Roger S. Silverstone	

Company Secretary
Simon J. Howell

Registered Office
50 Lisson Street
London NW1 5DF

Nominated Adviser and Nominated Broker
Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Secondary Broker
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Solicitors to the Company
Wragge & Co LLP
55 Colmore Row
Birmingham B3 2AS

Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Principal Bankers
Coutts & Co.
440 Strand
London WC2R 0QS

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Financial Public Relations
Portland
Bloomsbury House
4 Bloomsbury Square
London WC1A 2RP

Independent Auditors' Report

Independent auditors' report to the members of UBC Media Group plc

We have audited the financial statements, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, and the related notes.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the operating and financial review, the Report of the Directors, and the Remuneration Report.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of the state of affairs of the Company and the Group at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 June 2004

Consolidated Profit and Loss Account

For the year ended 31 March 2004

	Notes	**Year ended 31 March 2004** Before goodwill and development items £'000	Goodwill and development items (Note 6) £'000	Total £'000	Year ended 31 March 2003 Before goodwill and development items £'000	Goodwill and development items (Note 6) £'000	Total £'000
Turnover (including share of joint ventures)	1,3,4						
Continuing operations		**13,332**	**–**	**13,332**	10,375	–	10,375
Less: Share of turnover of joint ventures		**(42)**	**–**	**(42)**	(52)	–	(52)
Group turnover		**13,290**	**–**	**13,290**	10,323	–	10,323
Cost of sales	4	**(9,738)**	**–**	**(9,738)**	(7,080)	–	(7,080)
Gross profit	4	**3,552**	**–**	**3,552**	3,243	–	3,243
Administrative expenses	4	**(3,147)**	**(1,421)**	**(4,568)**	(3,170)	(1,599)	(4,769)
Group operating profit/(loss)	4,5	**405**	**(1,421)**	**(1,016)**	73	(1,599)	(1,526)
Share of operating profit/(loss) in joint ventures	6	**–**	**(614)**	**(614)**	4	(683)	(679)
Total operating profit/(loss):							
group and share of joint ventures		**405**	**(2,035)**	**(1,630)**	77	(2,282)	(2,205)
Interest receivable		**123**	**–**	**123**	124	–	124
Interest payable	7	**(3)**	**–**	**(3)**	(16)	–	(16)
Profit/(loss) on ordinary activities							
before taxation		**525**	**(2,035)**	**(1,510)**	185	(2,282)	(2,097)
Tax (charge)/credit	10	**(22)**	**–**	**(22)**	(55)	82	27
Profit/(loss) on ordinary activities							
after taxation		**503**	**(2,035)**	**(1,532)**	130	(2,200)	(2,070)
Equity minority interest		**(198)**	**256**	**58**	(178)	266	88
Retained profit/(loss) for the financial year	21	**305**	**(1,779)**	**(1,474)**	(48)	(1,934)	(1,982)
Profit/(loss) per share							
Basic – pence	11	**–**	**–**	**(0.95)**	–	–	(1.39)
Diluted – pence	11	**–**	**–**	**(0.95)**	–	–	(1.39)

All activities relate to continuing operations. The Group has no recognised gains and losses other than those included in the profit/(loss) above, and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated Balance Sheet
As at 31 March 2004

Group	Notes	As at 31 March 2004 £'000	As at 31 March 2003 £'000
Fixed assets			
Goodwill and intangible assets	12	**332**	645
Tangible assets	13	**210**	209
		542	854
Current assets			
Work in progress	15	**34**	52
Debtors			
– due after more than one year	16	**2,300**	1,605
– due within one year	16	**1,854**	2,092
		4,154	3,697
Cash at bank and in hand		**4,324**	3,351
		8,512	7,100
Creditors: amounts falling due within one year	17	**(2,917)**	(2,634)
Net current assets		**5,595**	4,466
Total assets less current liabilities		**6,137**	5,320
Creditors: amounts falling due after more than one year	18	**(337)**	(341)
Provisions for liabilities & charges	14	**(2,334)**	(1,720)
Net assets		**3,466**	3,259
Capital and reserves			
Called up share capital	20	**1,579**	1,471
Share premium account	21	**12,850**	11,219
Other reserves	21	**(801)**	(801)
Profit and loss account	21	**(9,918)**	(8,444)
Equity shareholders' funds	25	**3,710**	3,445
Equity minority interest		**(244)**	(186)
Capital employed		**3,466**	3,259

Company Balance Sheet
As at 31 March 2004

	Notes	**As at 31 March 2004 £'000**	As at 31 March 2003 £'000
Investments	14	**1,142**	1,142
Current assets			
Debtors			
– due after more than one year	16	**1,197**	1,197
– due within one year	16	**4,857**	3,819
		6,054	5,016
Cash at bank and in hand		**4,055**	3,397
		10,109	8,413
Creditors: amounts falling due within one year	17	**(27)**	(34)
Net current assets		**10,082**	8,379
Total assets less current liabilities		**11,224**	9,521
Net assets		**11,224**	9,521
Capital and reserves			
Called up share capital	20	**1,579**	1,471
Share premium account	21	**12,850**	11,219
Profit and loss account	21	**(3,205)**	(3,169)
Equity shareholders' funds		**11,224**	9,521

These financial statements, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cashflow statement and related notes including the directors' remuneration disclosures were approved by the board of directors on June 21 2004 and were signed on its behalf by:

J.H. Donald
Director

S.A. Cole
Director

Consolidated Cash Flow Statement
Year ended 31 March 2004

	Notes	Year ended 31 March 2004 £'000	2003 £'000
Net cash inflow/(outflow) from operating activities	22	**91**	(884)
Returns on investments and servicing of finance			
Interest received		**107**	124
Interest paid		**(3)**	(54)
Net cash inflow from returns on investment and servicing of finance		**104**	70
Taxation			
UK Corporation tax paid		**(39)**	(27)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(158)**	(84)
Purchase of intangible fixed assets		**(28)**	(10)
Sale of tangible fixed assets		**6**	–
Loans to joint ventures		**(695)**	(549)
Net cash (outflow) from capital expenditure and financial investment		**(875)**	(643)
Acquisitions and disposals			
Purchase of interest in joint ventures		**–**	(38)
Net cash (outflow) from acquisitions and disposals		**–**	(38)
Net cash (outflow) before financing		**(719)**	(1,522)
Management of liquid resources			
Increase in short-term deposits with banks		**(1,000)**	–
Financing			
Unsecured loan stock		**–**	(1,349)
Issue of ordinary share capital		**1,760**	5,592
Expense of share issue		**(21)**	(502)
Capital element of finance lease		**(47)**	(41)
Net cash inflow from financing		**692**	3,700
(Decrease)/increase in cash in the year	23	**(27)**	2,178
Cash balances at the beginning of the year		**3,351**	1,173
Cash balances at the end of the year		**3,324**	3,351
Represented by			
Cash and bank balances		**3,324**	3,351
Short term deposits		**1,000**	–
		4,324	3,351

Notes to the Financial Statements
For the year ended 31 March 2004

1 Principal accounting policies
The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. The financial statements of each subsidiary company have been prepared to 31 March for 2003 and 2004. Intra-group sales and profits are eliminated on consolidation.

As permitted by Section 230 of the Companies Act, a separate profit and loss account is not presented for UBC Media Group plc.

Joint ventures are accounted for by the gross equity method from the date of their formation to the date of their sale. A fair value is attributed to the group's share of separable assets and liabilities acquired on the formation of the joint venture and any excess of consideration over this fair value is disclosed in the balance sheet.

Digital and data broadcasting expenditure
During this early investment stage of digital radio and data broadcasting the Group policy is to write off investments, development costs and intangibles relating to digital broadcasting as they are incurred or acquired. Whilst the Directors believe technical feasibility has been proven, until digital broadcasting has a wider user-base, economic viability is not assured.

Digital and data broadcasting expenditure includes impairments in respect of investments made in the digital broadcasting arena; digital licence fees; directly attributable software development and staff costs; and professional fees relating to acquisition or pursuit of digital radio and data broadcasting.

Development costs will continue to be separately identified and disclosed until such time as the licence fees and direct transmission costs are recovered by revenue from digital broadcasting, at which time revenues and expenditure will be classified within normal operations.

Turnover
Turnover excludes intra-group sales, Value Added Tax and trade discounts and comprises:

– sale of programmes and content. The value of goods and services supplied, are recognised in accordance with contract terms, which is generally on delivery. Production costs are recognised on the same date as the relevant turnover.
– sale of advertising time. The amount invoiced to customers is recognised on the date the relevant advertisement is aired.

1 Principal accounting policies continued

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The residual value is estimated taking into account obsolescence, technological development and expected proceeds on disposal. The principal annual rates used for this purpose are:

	%
Technical equipment	50
Motor vehicles	25
Computer equipment	33⅓
Office equipment	20

The short leasehold refurbishment costs are amortised over the period of the extended lease.

The short leasehold building was fully amortised over the period of the original lease.

The group selects its depreciation rates carefully and reviews them regularly to take into account any changes in circumstances. When setting useful economic lives, the principal factors the group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The carrying value of the tangible fixed assets is assessed annually and any impairment in value is charged to the profit and loss.

Intangible assets

Intangible assets are included at cost less provision for impairment, if applicable. The provision for impairment is assessed by reference to an estimate of the present value of future cashflows projected to arise from the relevant intangible assets.

Amortisation is calculated to write off the cost of intangible assets on a straight-line basis over its expected useful economic life. The useful economic life is estimated by reference to the period over which each asset is estimated to be capable of earning revenue. The carrying value of intangible assets is assessed annually and any impairment in value is charged to the profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired. Goodwill arising on consolidation has been capitalised and is being written off over its expected useful economic life. The expected useful economic life is 10 years based on future expected profits. The amortisation expense in respect of goodwill relating to joint ventures is included as part of the Group's share of operating loss of the joint venture. The carrying value of the goodwill is assessed annually and any impairment in value is charged to the profit and loss account. None of the goodwill arising on the consolidation is in respect of digital broadcasting business.

Purchased goodwill in relation to the Classic Gold analogue service is included at cost and is amortised over the life of the underlying analogue radio licences, ranging from 5 months to 33 months. Purchased goodwill in relation to the Classic Gold digital service has been fully impaired in line with expected future cash flows from digital radio in the short term. The carrying value of the goodwill is assessed annually and any impairment in value is charged to the profit and loss account.

Work in progress

Programmes in production are stated at the lower of cost and net realisable value and included in work in progress. Programme material is written off fully on first transmission or sale. Expenditure relating to programmes that have been commissioned for production is carried forward at cost.

Deferred taxation

Deferred taxation arises as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. The deferred tax liability that is the result of timing differences that are not permanent is recognised in full. Deferred tax assets are only recognised to the extent that, on the basis of all available evidence, they are recoverable. Deferred tax assets and liabilities recognised have not been discounted.

1 Principal accounting policies continued

Pension scheme

The Group operates a money purchase pension scheme. The contributions are accounted for as they fall due.

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Where tangible fixed assets are financed by leasing agreements, which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Costs of share options schemes

As a result of the grant of share options under an unapproved share option scheme since 6 April 1999, the group will be obliged to pay National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised. The liability is estimated using the market value of the Company's shares at each balance sheet date. The movement in the provision is charged to the profit and loss account as a staff cost.

The group is also obliged to pay National Insurance contributions on the difference between the market value at the date of the grant (or the market value at each balance sheet date, if lower) and the option price for share options issued under the Enterprise Management Incentive Scheme.

Costs incurred on issue of shares

The share premium account has been credited with £21,000 (2003: £502,000) being the costs associated with the raising of new equity funds. These include fees from professional advisors.

Financial instruments

The group does not use or trade in derivative financial instruments.

Capital instruments that contain an obligation to transfer economic benefit, such as debt issues, are classified as liabilities and are recorded at their net proceeds. The finance costs in respect of such liabilities recognised in the profit and loss account are allocated to periods over the term of the instrument at a constant rate on the carrying amount. Financial assets are recorded at cost and the return on such assets is accrued in the period to which it relates.

2 Merger accounting

UBC Media Group plc merged with The Unique Broadcasting Company Limited on 22 June 2000 and has accounted for the combination using merger accounting principles as a result of the group reconstruction. The issue of 100,635,000 equity shares with a nominal value of 1p each satisfied the consideration. The fair value of the consideration was £6,038,000 at 22 June 2000. No significant adjustments were deemed necessary to the assets and liabilities of The Unique Broadcasting Company Limited which have been recorded at their book values immediately prior to their merger and no adjustments were required to be made to the net assets of UBC Media Group plc. The book value of net assets of UBC Media Group plc and The Unique Broadcasting Company Limited at the date of the combination were £2 and £308,000 respectively. The other reserve of £801,350 arises on consolidation due to the difference between the nominal value of the shares issued by the Company of £1,006,350 and the nominal value of The Unique Broadcasting Company Limited's shares and share premium acquired of £205,000. The Unique Broadcasting Company Limited's financial year began on 1 April 2000.

3 Turnover

	2004 £'000	2003 £'000
Geographical analysis by destination		
United Kingdom	**13,141**	10,223
Europe	**48**	57
Rest of the World	**101**	43
	13,290	10,323
Joint ventures		
United Kingdom	**42**	52
	13,332	10,375

The Directors consider that the Group's business consists of one business segment. All the activities are carried out in the United Kingdom from continuing operations.

4 Cost of sales, gross profit, administrative expenses and operating (loss)

The cost of sales for the year is £9,738,000 (2003: £7,080,000) and administration costs £3,147,000 (2003: £3,170,000).

5 Operating (loss)

	2004 £'000	2003 £'000
Operating (loss) is stated after charging/(crediting):		
Staff costs (Note 8)	**3,063**	2,855
Amortisation of intangible assets	**25**	33
Amortisation of goodwill	**316**	492
Impairment of goodwill	**–**	74
(Profit) on disposal of fixed assets	**(4)**	–
Depreciation of tangible fixed assets		
– held under finance leases	**4**	39
– owned assets	**151**	180
Auditors' remuneration – audit fees parent company	**6**	6
Auditors' remuneration – audit fees subsidiaries	**56**	56
Auditors' remuneration – non audit fees	**31**	30
National Insurance liability on future exercise of share options	**10**	(10)
Operating lease charges		
– plant and machinery	**3**	4
– other	**1,019**	950

6 Goodwill and development items

Goodwill and development costs comprise the following:

Continuing operations

- Development costs of £1,080,000 (2003: £1,004,000) include digital licence fees, staffing and professional fees for the development of data broadcasting and digital delivery systems for broadcast content.
- Amortisation of £310,000 (2003: £485,000) of goodwill relating to analogue licences in Classic Gold Digital Limited ("CGDL") over the remaining economic life of the eighteen licences and £6,000 (2003: £7,000) amortisation of goodwill arising on consolidation.
- Amortisation of £25,000 (2003: £29,000) relating to other intangible assets acquired by CGDL.
- Impairment of G-One in 2003 of £48,000.

Share of operating loss in joint ventures

- Oneword Radio Limited: The Group's share of development costs in Oneword Radio Limited amounted to £580,000 (2003: £377,000). Impairment of £nil (2003: £153,000) of goodwill relating to the acquisition of a supplementary shareholding during the year.
- The Digizone Limited: The Group's share of development costs of The Digizone Limited was £22,000 (2003: £110,000).
- The Digital News Network Limited: The Group's share of development costs of The Digital News Network Limited was £12,000 (2003: £31,000).
- Amortisation of goodwill on consolidation of joint ventures amounted to £nil (2003: £12,000).

7 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest on finance leases	**2**	7
Interest on bank overdraft	**1**	–
Interest payable on loan notes	**–**	9
	3	16

8 Employee information

The average weekly number of persons employed by the group during the year, including executive directors, is 73 (2003: 73).

Staff Numbers	**2004**	2003
Management and administration	**15**	14
Production, editorial and sales	**58**	59
	73	73

	2004 £'000	2003 £'000
Wages and salaries	**2,680**	2,507
Social security costs	**319**	274
Pension costs	**64**	74
	3,063	2,855

9 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments (excluding pensions)	**697**	646
Gains made on exercise of share options	**1,271**	–
Company contributions to money purchase pension scheme	**15**	14

Retirement benefits are accruing to 5 directors (year ended 2003: 6) under a money purchase pension scheme.

Emoluments payable to the highest paid director are as follows:

	2004 £'000	2003 £'000
Aggregate emoluments	**158**	137
Company contributions to money purchase pension scheme	**4**	4

No share options were exercised by the highest paid director during the year.

10 Taxation

	2004 £'000	2003 £'000
United Kingdom Corporation tax at 30% (2003: 30%)		
Current – group companies	**22**	37
– share of joint ventures	**–**	(17)
Prior years – group companies	**–**	18
– share of joint ventures	**–**	(65)
Tax charge/(credit)	**22**	(27)

The tax for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	**(1,510)**	(2,097)
Tax on above (loss) at standard UK Corporation tax rate of 30% (2003: 30%)	**(453)**	(629)
Effects of:		
Adjustments to tax in respect of prior years	**–**	(47)
Deferred tax asset not provided in respect of losses and capital allowances	**370**	423
Expenses not deducted for tax purposes	**101**	226
Difference in tax rate	**4**	–
	22	(27)

11 (Loss) per share

Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. In 2004 and 2003, the options or warrants outstanding were anti-dilutive. Reconciliation of the loss and weighted average number of shares used in the calculation are set out below.

	2004 Earnings £'000	**2004 Weighted average number of shares million**	**2004 Per share amount pence**	2003 Earnings £'000	2003 Weighted average number of shares million	2003 Per share amount pence
Basic EPS						
Loss attributable to shareholders	**(1,474)**	**155**	**(0.95)**	(1,982)	143	(1.39)

12 Goodwill and intangible assets

Group	**Purchased intangible assets £'000**	**Purchased goodwill £'000**	**Goodwill arising on consolidation £'000**	**Total £'000**
Cost				
At 1 April 2003	967	4,486	150	5,603
Additions	28	–	–	28
At 31 March 2004	**995**	**4,486**	**150**	**5,631**
Amortisation				
At 1 April 2003	879	3,991	88	4,958
Charge for year	25	310	6	341
At 31 March 2004	**904**	**4,301**	**94**	**5,299**
Net book value				
At 31 March 2004	**91**	**185**	**56**	**332**
At 31 March 2003	88	495	62	645

13 Tangible assets

Group	Short leasehold refurbishment £'000	Short leasehold building £'000	Computer equipment £'000	Office equipment £'000	Technical equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 April 2003	63	25	860	617	124	32	1,721
Additions	–	–	126	26	6	–	158
Disposals	–	–	(90)	–	–	–	(90)
At 31 March 2004	**63**	**25**	**896**	**643**	**130**	**32**	**1,789**
Depreciation							
At 1 April 2003	49	25	794	524	112	8	1,512
Charge for year	10	–	67	52	10	16	155
Disposals	–	–	(88)	–	–	–	(88)
At 31 March 2004	**59**	**25**	**773**	**576**	**122**	**24**	**1,579**
Net book value							
At 31 March 2004	**4**	**–**	**123**	**67**	**8**	**8**	**210**
At 31 March 2003	14	–	66	93	12	24	209

Included within the office equipment at 31 March 2004 are assets held under finance lease at a cost of £8,000 (2003: £8,000), accumulated depreciation of £8,000 (2003: £8,000) and net book value of £nil (2003: £nil) and computer equipment at a cost of £182,000 (2003: £182,000), accumulated depreciation of £182,000 (2003: £178,000) and net book value of £nil (2003: £4,000).

14 Fixed asset investments

Group
Interests in joint ventures

	2004 £'000	2003 £'000
At 1 April		
– Net liabilities	**(1,720)**	(980)
– Goodwill	**–**	60
Additions		
– Net liabilities	**–**	(336)
– Goodwill	**–**	153
Disposals		
– Net liabilities	**–**	26
– Goodwill (transferred on consolidation)	**–**	(48)
Share of losses retained	**(614)**	(430)
Amortisation charge for the year		
– Amortisation	**–**	(91)
– Impairment	**–**	(74)
At 31 March		
– Net liabilities	**(2,334)**	(1,720)

14 Fixed asset investments continued

The gross liabilities of the joint ventures exceed 25% of the gross liabilities of the Group. Under the terms of FRS 9 the following additional disclosure is required:

Group's share of	**2004 £'000**	2003 £'000
Turnover	**42**	52
(Loss) before taxation	**(614)**	(514)
Taxation	**–**	–
(Loss) after taxation	**(614)**	(514)
Fixed assets	**2**	3
Current assets	**94**	101
Liabilities due within one year	**(91)**	(180)
Liabilities due after more than one year	**(2,339)**	(1,644)
Net liabilities	**(2,334)**	(1,720)
Group's share of operating results	**(614)**	(514)

A list of the principal subsidiaries, joint ventures and associates is contained in note 34.

Company fixed asset investments

	2004 £'000	2003 £'000
At 1 April	**1,142**	1,197
Additions in year	**–**	38
Write down of investments	**–**	(93)
At 31 March	**1,142**	1,142

15 Work in progress

	Group		**Company**	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Work in progress	**34**	52	**–**	–

16 Debtors
Due after more than one year

Group
Debtors due after more than one year for the Group of £2,300,000 (2003: £1,605,000) consist of a loan of £1,842,000, (including £341,781 of re-assigned loan from Guardian Media Group Plc) to the joint venture Oneword Radio Limited (2003: £1,245,000) and a loan to The Digizone Limited of £458,000 (2003: £360,000).

The loans are interest free and repayable at the discretion of the Board of Oneword Radio Limited and The Digizone Limited.

Company
Debtors due after more than one year for the Company consist of two unconvertible loan notes owed by a group undertaking. The first, for £2,042,000 (2003: £2,042,000) is repayable on 30 October 2010. The loan has been stated at a fair value of £550,000 (2003: £550,000), following a write-down in the year ended 31 March 2002. Repayment of the loan can be made quarterly in complete multiples of £50,000 from 30 October 2002 onwards. The loan attracts interest on a straight-line basis at 4% per annum. The second loan note for £1,349,000 (2003: £1,349,000) is to be repaid or redeemed at par on 1 October 2011. The loan has been stated at a fair value of £647,000 (2003: £647,000) following a write-down in the year ended 31 March 2002. The loan may be repayable earlier. The loan is interest free, unless the note is not repaid on or before 1 October 2011.

Debtors due after more than one year for the Company also include a loan to The Digizone Limited of £458,000 (2003: £360,000). This loan is interest free and repayable at the discretion of the Board of The Digizone Limited. This loan has been written down in line with expected future cash flows from digital radio in the short term, which is consistent with other digital investments made by the Group.

Due within one year	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Trade debtors	**1,527**	1,511	**–**	–
Amounts owed by group undertakings	**–**	–	**4,840**	3,805
Other debtors	**43**	10	**2**	–
Prepayments and accrued income	**284**	571	**15**	14
	1,854	2,092	**4,857**	3,819

Amounts owed by joint ventures are interest free and repayable on demand.

17 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Trade creditors	**1,220**	434	**–**	–
Corporation tax	**19**	36	**–**	–
Obligations under finance leases	**–**	43	**–**	–
Other taxes and social security	**374**	270	**–**	–
Other creditors	**352**	834	**–**	–
Accruals and deferred income	**952**	1,017	**27**	34
	2,917	2,634	**27**	34

Other creditors include £274,000 (2003:£822,000) owed to the minority interest partner in Classic Gold Digital Limited.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Loan notes	**337**	337	**–**	–
Obligations under finance leases	**–**	4	**–**	–
	337	341	**–**	–

Full details on the loan notes are provided in note 31. The maturity profile of the Group's financial liabilities at 31 March 2004 is detailed in note 31.

19 Provisions for liabilities and charges

Investments in joint ventures

Provisions include share of net liabilities in joint ventures. These are detailed in note 14.

Deferred taxation

A deferred tax asset for losses available for carry forward against future UK taxable profits of £1,898,000 (2003: £1,520,000) and on capital allowances of £92,000 (2003: £102,000) has not been recognised in respect of the trading losses in the Group on the basis that deferred tax assets are only recognised to the extent that the transfer of economic benefits in future is more likely than not.

Similarly, for the Company, a deferred tax asset for losses available for carry forward against future UK taxable profits of £137,000 (2003: £127,000) has not been recognised in respect of trading losses on the basis that deferred tax assets are only recognised to the extent that the transfer of economic benefits in future is more likely than not.

20 Called up share capital

Group and Company	**2004 £'000**	2003 £'000
Authorised:		
200,000,000 ordinary shares of 1p each	**2,000**	2,000
Allotted, called up and fully paid:		
157,937,228 ordinary shares of 1p each (2003: 147,106,158)	**1,579**	1,471

Issued share capital

During the year ended 31 March 2004, 10,831,070 new shares were issued.

Five employees exercised their share options for a total of 4,898,370 shares at exercise prices ranging from 1.0 – 15.5 pence per share.

As a result of the placing and open offer on 1 July 2003, 3,500,000 shares were issued.

On July 3 2003, Seymour Pierce, stockbrokers for the Group, exercised a warrant instrument for 2,412,700 issued to them at the time of the admission of the Group to the Alternative Investment Market of the London Stock Exchange.

At the same time Holborn Public Relations Limited (former public relations advisers to the Group) also exercised a warrant instrument under which they could subscribe for 20,000 ordinary shares. The price at which the warrants were exercised was 25p per ordinary share, which was equivalent to the issue price at the time.

20 Called up share capital continued

Potential issue of ordinary shares

Certain members of staff and the Employee Benefit Trust hold options to subscribe for shares in the Company at prices ranging from 1p to 48.5p per share under the unapproved share option scheme approved on 6 June 2000 and the Enterprise Management Incentive Scheme approved on 20 October 2000 and the Employee Benefit Trust approved on 12 December 2000. Options on 4,898,370 shares were exercised in the year. 450,000 shares lapsed in the year. The number of shares subject to options, the years in which they were granted and the periods in which they may be exercised are given below:

Year of the grant (Year ended)	Exercise price (pence)	Exercise period	31 March 2004 number	31 March 2003 number
31 March 1996	1.0	1997–2003	–	600,000
31 March 1998	1.03–1.33	1997–2005	300,000	3,300,000
31 March 1999	1.06–2.46	1998–2006	2,346,875	2,615,000
31 March 2000	3.13–6.40	2001–2007	2,944,755	3,950,000
31 March 2001	6.40–48.50	2002–2010	6,000,000	6,150,000
31 March 2002	15.50–31.00	2003–2011	1,670,160	1,995,160
31 March 2003	24.50–27.50	2004–2012	1,299,604	1,299,604
31 March 2004	33.00–36.00	2005–2013	400,000	–
			14,961,394	19,909,764

21 Share premium account and reserves

	Group and company Share premium account £'000	**Group** Other reserve £'000	**Group** Profit & loss £'000	**Company** Profit & loss £'000
At 1 April 2003	11,219	(801)	(8,444)	(3,169)
Premium on issue of shares	1,631	–	–	–
Retained (loss) for the year	–	–	(1,474)	(36)
At 31 March 2004	**12,850**	**(801)**	**(9,918)**	**(3,205)**

Included with the share premium are professional fees of £21,000 associated with the Placing and Open Offer. These costs were deducted from the share premium.

22 Reconciliation of operating (loss) to net cash flow from operating activities

	2004 £'000	2003 £'000
Operating (loss)	**(1,016)**	(1,526)
(Profit) on sale of fixed assets	**(4)**	–
Amortisation of intangible assets	**25**	33
Amortisation of goodwill	**316**	492
Impairment of goodwill	**–**	74
Depreciation of tangible fixed assets	**155**	219
Decrease in work in progress	**18**	2
(Increase)/Decrease in debtors	**254**	(724)
Increase/(Decrease) in creditors	**343**	546
Net cash inflow/(outflow) from operating activities	**91**	(884)

23 Reconciliation of movement in net funds/(debt)

	2004 £'000	2003 £'000
Increase/(Decrease) in cash in year	**(27)**	2,178
Movement in finance leases	**47**	41
Movement in long term debt	**–**	1,349
Opening net funds/(debt)	**2,967**	(601)
	2,987	2,967
Liquid resources	**1,000**	–
Net funds at 31 March	**3,987**	2,967

Liquid resources comprise short-terms deposits with Coutts Bank which mature within 6 months of the date of inception.

Analysis of net funds/(net debt)	As at 1 April 2003 £'000	Cash flow £'000	Other non-cash changes £'000	**As at 31 March 2004 £'000**
Cash in hand and at bank	3,351	(27)	–	3,324
Debt due after one year	(337)	–	–	(337)
Finance leases due after 1 year	(4)	4	–	–
Finance leases due within 1 year	(43)	43	–	–
	2,967	**20**	**–**	**2,987**

24 Acquisitions

There were no acquisitions during the period.

25 Reconciliation of movements in group shareholders' funds

	2004 £'000	2003 £'000
Opening Equity Shareholders' Funds	**3,445**	336
Issue of new shares	**108**	207
Share Premium	**1,631**	4,884
(Loss) for the Financial Year	**(1,474)**	(1,982)
Closing Equity Shareholders' Funds	**3,710**	3,445

26 Operating lease commitments

At 31 March 2004 the Group has lease agreements in respect of licence fees, properties, vehicles, plant and equipment, for which the payments extend over a number of years:

Annual commitment under non-cancellable operating leases expiring:

	As at 31 March 2004			As at 31 March 2003		
	Land and buildings £'000	**Other £'000**	**2004 Total £'000**	Land and buildings £'000	Other £'000	2003 Total £'000
Within 1 year	**–**	**–**	**–**	85	–	85
Within 2 to 5 years	**57**	**3**	**60**	51	–	51
After 5 years	**–**	**857**	**857**	–	827	827
	57	**860**	**917**	136	827	963

Lisson Street rental agreement expired on 31 March 2004 and the company is in negotiations to renew the lease agreement.

27 Contingent liabilities

Legal claim

The directors have sought legal advice in connection with legal claims being brought against The Unique Broadcasting Company Limited ("Unique") by one of their customers for services provided by Unique. In November 1999, Radio Dimensione Soun ("RDS") commenced proceedings against Unique and against Elemedia SpA in the court of Milan for £800,000. Unique has denied the claims. A hearing was held on 6 February 2002, which decided against the Italian courts having jurisdiction to try the case under all counts with the exception of pre-contractual liabilities. Having considered legal advice, the directors believe there is a strong chance of successfully defending this claim, however they have now indicated their willingness to settle for Euro 15,000 to overcome the aggravation factor associated with legal action. Therefore the directors have provided for Euro 15,000 in the profit & loss account in the year-ended 31 March 2004. Currently a response is awaited from RDS who had previously indicated their willingness to settle but have failed to indicate whether the current offer is or is not satisfactory. The directors have been advised that the Italian courts will issue its judgement on the final outstanding claim of pre-contractual liability by 31 December 2004.

28 Pension commitments

The assets of the money purchase pension schemes are held in separate trustee-administered funds. The Group made contributions of £64,000 (2003: £74,000) into the money purchase scheme.

29 Dividends and appropriations

No dividends have been proposed for the year ended 31 March 2004 (2003: £nil).

30 Related party transactions

FRS8 "Related Party Transactions" requires the disclosure of the details of transactions between the reporting entity and related parties. The Group has taken advantage of the exemption under FRS8 not to disclose transactions between group companies.

Transactions with directors

During the year, £nil (2003: £2,000) was paid by Unique Artistes and £nil (2003: £27,000) by Video Meeting Company, companies associated with Noel Edmonds, a director of the Company. Transactions were in respect of software, studio and technology services provided by the Group.

During the year, the Group was charged £nil (2003: £5,000) by Unique Communications for professional fees for the services of Paul Pascoe, a non-executive director and representative of Unique Group.

Transactions with joint ventures

During the year the Group charged Oneword Radio Limited £136,000 (2003: £160,000) and the Digizone Limited £41,000 (2003: £78,000) for the provision of management, technical and administration services and studio facilities.

Details of balances held with Group companies at the year-end are disclosed in notes 16 and 17.

31 Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources and various items, including trade debtors and trade creditors that arise directly from the operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

Objectives, policies and strategies

It is, and has been throughout the year under review, the group's policy not to use or trade in derivative financial instruments.

The Group's financial instruments comprise its borrowings, consisting of its loan and convertible loan notes, bank overdrafts and finance lease liabilities, cash and short-term deposits, loans to its joint ventures and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial liabilities is to provide finance for the Group's operations in the year between raising equity funding. The main purpose of the financial assets is to provide some finance to its joint ventures or as a store of liquid resources.

The Group has no exposure to foreign currency risk; thus the main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing these risks and they are summarised below. These policies have remained unchanged throughout the year under review.

Interest rate risk

The Group primarily finances its operations through raising of equity finance from its shareholders and thus is not generally exposed to interest rate risk on financial liabilities. However, some financing of fixed assets has been achieved using floating rate finance leases and in the past a small amount of temporary funding has been taken through a bank overdraft. For the remaining loan note of £337,000 with market interest rates at their current low level, the group has not sought to protect itself from the adverse cash flow effects should market interest rates rise.

In respect of its loans to its joint ventures these are in the nature of quasi-equity and do not bear interest. Consequently, the Group bears the loss of a return on these investments

The Group's policy is to ensure that to the best of its ability it maximises the interest income on its surplus cash. This involves placing cash in a mix of fixed rate and floating rate short-term deposits. There is no prescribed ratio of fixed to floating rate.

Liquidity risk

The Group's policy throughout the year under review has been to ensure the continuity of funding. Of the convertible loan debt financing of £1,686,000 secured in October 2001, £1,349,000 was repaid in May 2002 out of the proceeds of the equity financing completed in April 2002. The directors consider that they have raised sufficient funding from the equity financing in April 2002 to provide funds for the Group's operations without having to resort to further debt financing in the near future. The remaining debt financing of £337,000 is interest-free if repaid before 1 October 2011.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the disclosures.

31 Financial instruments continued
Interest risk profile
Financial assets

The interest rate profile of the Group's financial assets at 31 March 2004 was:

	2004 £'000	2003 £'000
Cash and short term deposits – floating rate	**3,324**	3,351
Short term deposits – floating rate	**1,000**	–
Loans to joint ventures		
– book value	**2,300**	1,605
	6,624	4,956

All of the above are in sterling.

At 31 March 2004, £3,324,000 was placed on overnight deposit at an average of 3.38% per annum. Floating rate cash earns interest based on the relevant LIBID equivalents or government bond rates. The loans to joint ventures are interest free and repayable at the discretion of the Board of Oneword Radio Limited and The Digizone Limited.

Financial liabilities
Floating rate liabilities comprise finance leases bearing interest at NatWest Bank Rate plus a margin of 2.85% per annum which are fixed in advance for periods of between one month and six months.

The interest rate profile of the Group's financial liabilities was:

	2004 £'000	2003 £'000
Loans – floating rate	**337**	337
Finance lease obligations – fixed rate	**–**	47
	337	384

All of the above are in sterling.

At 31 March 2004, the Loan – floating rate liability comprises one loan note. This was issued by Classic Gold Digital Limited to GWR plc for £337,000. The loan note is to be redeemed or repaid at par on or before 1 October 2011. If the loan is repaid on or before that date then no interest accrues on this loan. Otherwise interest accrues at 2% per annum above the Barclays Bank plc base rate.

A second loan note existed at year-end March 31 2002 of £1,349,000. This was a convertible loan note issued by the company to GWR plc. Interest was payable twice yearly with interest accruing at 1.125 % per annum above LIBOR at the payment date for the period to 31 March 2002 and 1.75 % above LIBOR at the payment date from 1 April 2002 onwards. The loan was repaid on 9 May 2002 out of the proceeds of the equity financing completed in April 2002.

There are no undrawn facilities at the year ended 31 March 2004.

There are no material differences between the fair value and the book value of the Group's financial assets and liabilities as at 31 March 2004 and 31 March 2003.

31 Financial instruments continued

Maturity of financial liabilities

The loan note of £337,000 issued by CGDL to GWR plc is to be redeemed or repaid at par on or before 1 October 2011.

The obligations under finance leases fall due as follows:

	2004 £'000	2003 £'000
Within 1 year	–	43
Between 1 and 2 years	–	4
	–	47

32 Future liabilities

On exercise of share options after 6 April 1999, the Company will be required to pay National Insurance on the difference between the exercise price and the market value of the shares issued. As described in note 20 the options issued by the Company since 6 April 1999 will vest at various dates. The Company will become unconditionally liable to pay the National Insurance upon exercise of the options. The amount of National Insurance payable will depend upon the number of employees who remain with the Company and exercise their options, the market value of the Company's ordinary shares at the time of exercise and the prevailing National Insurance rate at that time. At 31 March 2004 an amount of £32,000 (2003: £22,000) was provided based on the year-end share price of 32 pence (2003: 24 pence).

33 Post balance sheet events

No significant events took place after 31 March 2004 and before 21 June 2004.

34 Principal subsidiaries, joint ventures and associates

	Ordinary shares held 2004 %	Ordinary shares held 2003 %	Principal activity %
Subsidiaries: immediate holding company UBC Media Group plc			
The Unique Broadcasting Company Limited	100	100	Radio production and advertising sales
Classic Gold Digital Limited	80	80	Radio broadcasting
Gilmour Broadcasting Limited	75	75	Dormant
UBC Digital Limited	100	100	Dormant
Network Radio Sales Limited	100	100	Dormant
UBC Media Group Trustees Limited	100	100	Dormant
Unique Digital Limited	100	100	Dormant
Subsidiaries: immediate holding company The Unique Broadcasting Company Limited			
Unique Facilities Limited	100	100	Dormant
Gilmour Broadcasting Limited	25	25	Dormant
Unique Interactive Limited	100	100	Dormant
G-One Limited	50	50	Dormant
Joint venture of UBC Media Group plc			
The Digizone Limited	50	50	Digital data broadcasting
Digital News Network Limited	22	22	Provision of news programmes to digital radio
Joint ventures of the Unique Broadcasting Company Limited			
Oneword Radio Limited	50	50	Digital radio

All subsidiaries are consolidated into the financial information of the Group.

All joint ventures companies are registered in England and Wales as private companies limited by shares. The joint ventures have been included in the Group accounts for the year ended 31 March 2004 using the following accounting periods:

Oneword Radio Limited	Year ended 31 March 2004
The Digizone Limited	Year ended 31 March 2004
Digital News Network Limited	Year ended 31 March 2004

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the fourth Annual General Meeting of the Company will be held at the offices of Wragge & Co LLP, at 3 Waterhouse Square, 142 Holborn, London EC1N 2NH on 23 July 2004 at 11.00a.m. for the following purposes:

Ordinary business:

1. To receive the report of the directors and the financial statements of the Company for the year ended 31 March 2004.
2. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.
3. To re-elect I.M. Peacock who retires by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
4. To re-elect T.J. Blackmore who retires by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
5. To re-elect N.E. Edmonds who retires by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
6. To approve the Directors' Remuneration Report for the year ended 31 March 2004.

Special business:

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to a maximum nominal amount of £315,874 provided that this authority shall expire fifteen months from the date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company 2005, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

THAT, subject to and conditionally upon the passing of resolution No.7 above, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 (2) of that Act) for the cash pursuant to the authority conferred by that resolution as if section 89 (1) of the said Act did not apply to such allotment, PROVIDED that the power hereby conferred shall be limited:

i) to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to their holdings of such shares subject to such exclusions or entitlements, statutory restrictions or legal or practical problems under or resulting from the application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory, and
ii) to the allotment (otherwise than pursuant to the sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £157,937 being 10% of the issued share capital as shown by the latest published annual accounts of the Company;

and shall expire fifteen months from that date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2005, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated 21 June 2004

By Order of the Board,

Simon Howell

S.J. Howell
Company Secretary

Registered Office:
50 Lisson Street
London
NW1 5DF

Notice of the Annual General Meeting continued

Notes:

1 A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.

2 To be effective, a proxy card must be deposited at the registered office of the Company not less than 48 hours before the time fixed for the Meeting. A proxy card is enclosed.

3 The Register of Directors' Interests in shares of the Company and copies of the service agreements between the Company and its Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) until the date of the Meeting and also on the date and at the place of the Meeting from fifteen minutes prior to its commencement until the conclusion of the Meeting.

4 The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only shareholders registered in the register of members of the Company at 11:00 am on 21 July 2004 shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 11:00 am on 21 July 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

UBC Media Group plc – Proxy Form

For use by Shareholders at the Annual General Meeting, to be held on 23 July 2004

I/We (name in full) .... (in BLOCK CAPITALS please) of ....

.... being (a) holder(s) of Ordinary Shares of

1p each of the Company, hereby appoint **the duly appointed Chairman* of the Meeting** or ....

to act as my/our proxy at the Annual General Meeting of the Company to be held on 23 July 2004, and at any adjournment thereof.

* see Note 7 below

RESOLUTIONS	FOR	AGAINST
Ordinary business		
1. To receive the Directors' Report and Accounts	☐	☐
2. To re-appoint auditors	☐	☐
3. To re-elect I.M. Peacock as a Director	☐	☐
4. To re-elect T.J. Blackmore as a Director	☐	☐
5. To re-elect N.E. Edmonds as a Director	☐	☐
6. To approve the Directors' Renumeration Report	☐	☐
Special business		
7. To give an allotment authority	☐	☐
8. To disapply pre-emption rights	☐	☐

Dated .... 2004 Signature ....

Please mark "X" how you wish your votes to be cast (see Note 6 below)

NOTES:

1 A proxy need not be a member of the Company.

2 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.

3 In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.

4 To be effective, this form must be lodged at the address overleaf not later than 48 hours before the time of the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.

5 Any alterations made on this form should be initialled.

6 Please indicate with an X how you wish your votes cast. Unless otherwise instructed, the proxy will vote or abstain as the proxy thinks fit. On any motion to amend any resolution, to propose a new resolution, to adjourn the Meeting, or any other motion put to the Meeting the proxy will act at his/her/their discretion.

7 If it is desired to appoint as proxy any person other than the Chairman of the Meeting, his/her name and address should be inserted in the relevant place, reference to the Chairman deleted and the alteration initialled.

8 The completion and return of this form will not prevent you from attending in person and voting at the Meeting should you subsequently decide to do so.

Tear along perforation

Third fold (tuck in)

First fold

BUSINESS REPLY SERVICE
Licence No MB122

1

Capita Registrars
Proxy Department
P.O. Box 25
Beckenham
Kent BR3 4BR
England

Second fold

First fold

Designed and produced by Loewy Group +44 (0)20 7798 2000

UBC Media Group plc
50 Lisson Street
London NW1 5DF
T. 020 7453 1600
F. 020 7723 6132
www.ubcmedia.com