

6 MONTHS FINANCIAL HIGHLIGHTS

- Turnover £7.15 million (2003: £6.51 million), up 9.8%
- Profit before Goodwill Amortisation and Development Expenditure £551,000 (2003: £152,000), up 262.5%
- Development Expenditure £798,000 (2003: £503,000)
- Retained Loss for the period -£438,000 (2003: -£778,000)
- Cash at 30 September 2004 £2.31 million (2003: £3.52 million)

STRATEGIC HIGHLIGHTS

- UBC's Production Division benefits from new digital customers and a strong growth in airtime sales. Revenues in the first six months 22.9% ahead of the same period last year
- UBC consolidates supply of traffic & travel bulletins to commercial radio and launches the 'Network Drive' national advertising package. Like for like advertising revenues up 30.6%
- Advertising revenues in the current quarter are expected to be 10% up on the same period last year.
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- The recently acquired business, Smooth Operations performing strongly in the two months following its acquisition
- Classic Gold Digital generating initial digital revenues

"We are encouraged by the continuing success of our production and commercial sales business, and are particularly pleased with the performance of Smooth Operations since we acquired it in July. The recent research by the Digital Radio Development Bureau estimates that 29% of households in the UK will be digital radio households by 2008, and our digital radio stations, digital data capacity and digital radio technology will all benefit from such rapid take-up. We are in a strong position to deliver for our shareholders as the digital radio revolution progresses".

Simon Cole
Chief Executive

REVIEW OF OPERATIONS FOR THE SIX MONTHS TO 30 SEPTEMBER 2004

The Digital Radio Development Bureau recently estimated that by 2008 29% of British households will have access to a DAB Digital Radio. This, added to the increasing importance of listening to digital services on other platforms, such as BSKyB and Freeview, means that the next four years will see a transformation of the radio industry into a multi-channel digital business. UBC has built its business to be ready for this.

The strong start to this financial year shows that the Company is benefiting from increased sales and growing profitability as the investments made over the last four years begin to deliver new revenue streams.

An increase in the number of potential customers as a result of the launch of new digital services and the growing demand for network programming has benefited our Production Division. Particularly significant has been the increase in advertising revenue generated by new stations added to our traffic & travel network, with 9% of our revenues in this area generated from digital listening.

The audience for the national digital channels owned by UBC is growing, and in this period these services have begun to deliver revenues for the first time. UBC is one of only two public companies with its services available on all broadcast digital platforms.

Our software division is now the leading supplier of data and interactive software to the UK radio industry, with a 45% market share amongst multiplex operators. In this period we have launched the industry's first Electronic Programme Guide and manufacturers have committed to this being standard on digital sets appearing from January 2005.

There is no doubt that the digital future for which UBC has prepared is fast becoming reality.

Production

In the first half of the year UBC's Production Division performed well with revenues up 22.9% at £4.4 million (2003: £3.58 million). The Production Division supplies programming to the BBC and commercial radio stations and has benefited from the increase in the number of commercial stations and BBC networks as the radio industry goes digital. UBC now supplies the BBC through both its original production business, Unique, which is based in London, and through Smooth Operations, the leading regional production company, which was acquired in August. During the period Unique secured two major contracts from the BBC to produce a weekly Sunday afternoon show hosted by Lulu on BBC Radio 2 and a weekly Saturday evening "Alternative Sixties" show presented by Mark Lamarr. Both programmes were launched in September and so made only a small contribution in the first six months of the new financial year.

During the period Unique produced a total of nine programmes for the BBC's new digital channels and although revenue from these services represents only 2.8% of the Production Division's total BBC revenues, this is expected to grow as the BBC spends more on its digital services.

The BBC committed this year to increase the amount it spends on regional programme production by one third. In August 2004 UBC acquired the leading regional independent radio production business, Smooth Operations, and is well placed to benefit from this commitment. As a result of the acquisition of Smooth Operations the Group has the potential to significantly grow the scale of its production business, which has historically been characterised by high recurring revenues and good forward visibility, but where prospects of achieving significant organic growth have been limited. Smooth Operations produces a variety of programmes across a number of BBC radio networks, including the nightly *Mark Radcliffe Show* on BBC Radio 2, the BBC's coverage of the Annual Country Music Awards and the Cambridge Folk Festival. Smooth Operations was acquired for an initial consideration in cash and shares of £1.8 million, with a further maximum payment of £1.9 million depending upon future profit growth in each of the next two years. Following the acquisition in August the integration of Smooth Operations has progressed well and early indications are that the Company will deliver a good contribution for the year.

Revenues of the Company's airtime sales business were up 27.2% to £3.04 million (2003: £2.39 million), in addition to which UBC made agency billings of £750,000 in the period. UBC operates two networks of syndicated programmes, *Entertainment News* and the *Network Drive* traffic & travel news service, both of which it supplies free of charge to radio stations across the UK while retaining airtime within each bulletin that is then sold to national advertisers. The supply of programming to commercial radio has been a major driver of growth for the Group in the first six months of the year as the number of commercial digital radio channels has increased.

The increase in airtime sales revenues against the corresponding period last year reflects the substantial growth delivered by the Group's traffic and travel news service. In July we announced an agreement with Emap to consolidate the radio airtime sales of their competing Trafficlink radio network with our Traffic & Travel network, with the combined package to be sold by UBC. The new package, which includes over 170 commercial radio stations, was launched in August and offers advertisers one of the largest network packages in the United Kingdom, delivering a weekly reach of over 14.75 million adults and over 140 million adult impacts. The consolidation of the national sales networks of the two competing traffic and travel news services has the potential to deliver a step change in the scale of UBC's airtime sales business and the early response of advertisers has been extremely positive. Furthermore, since September UBC has announced the appointment of Trafficlink as the sole supplier of traffic and travel data to the *Network Drive* service, which we expect will result in costs savings

and an improvement in the quality of the service. The financial benefits of consolidating both sales networks and the appointment of a single supplier of traffic and travel news to the *Network Drive* service are expected to flow in the next financial year.

UBC ranks as one of the largest suppliers of syndicated programming in the United Kingdom and it is a business model we believe has the potential to continue to deliver significant growth in the future. In particular, with the development of digital radio and the consequent growth in the number of radio stations in each market, we believe that the need for syndicated content and demand from advertisers for advertising properties that can deliver national reach will increase. An example of this in practice can be seen in the United States where, despite the concentration of ownership, the supply of network programming is a larger feature of the radio market than in the UK.

Radio Stations

Sales of DAB digital radios are predicted to reach 1 million by the end of this year and are now outselling analogue radios on the High Street. In addition, there is increased listening to digital radio services via BSkyB, Freeview and Cable and these new platforms are already making a significant contribution to today's listening figures. UBC is well positioned to benefit from this growth as a result of its ownership of a network of local stations and a national digital licence.

Classic Gold Digital broadcasts one of the UK's leading Classic Hits formats on a network of analogue and digital radio stations across the UK, reaching a population of 30 million. GWR sells the advertising on the network and pays Classic Gold Digital a fee based on the network's audience as measured by RAJAR. The RAJAR results for Classic Gold Digital for the first half of the new financial year were encouraging, with the national audience up 3% in the second quarter at 8.26 million listener hours. Moreover, in areas where Classic Gold is available only on digital platforms the growth rate was 6%, demonstrating that listeners are taking advantage of the better sound quality that is available on digital compared to AM reception. Some 28% of Classic Gold's listening is now on digital platforms.

Analogue listening on AM will continue to decline. However, we expect that during the period of transition from analogue to digital, Classic Gold's digital revenues will begin to offset the decline in analogue revenues. This process has started, with Classic Gold Digital performing in line with expectations. Total revenues in the six months to 30 September 2004 were £2.22 million (2003: £2.40 million).

UBC's national digital licence, which is the only commercial digital-only speech licence, currently broadcasts the critically acclaimed Oneword Radio national commercial radio station. This service is available on all digital platforms,

including Freeview, and UBC is one of only two public radio companies with access to this important and rapidly growing platform.

We believe Oneword Radio is an important asset of the Company and during the first half of the year UBC increased its shareholding in the station to 100%. In August 2004 UBC announced a development agreement with Channel 4 to explore the potential of using Oneword as the vehicle for a Channel 4 radio station. Discussions are continuing with Channel 4 on developing programming ideas and the creative proposition for what would be the UK's first bi-media commercial channel.

Facilities & Radio Services

The increasing investment by broadcasters in their digital services has benefited UBC's Services Division, which includes Unique Interactive - the Group's digital software business. Revenues in the six months to 30 September 2004 were flat against the same period last year at £529,000 (2003: £530,000).

Unique Interactive's development focus continues to be on the Company's pioneering 'ManDLS' software, which is used to manage the scrolling text element (Dynamic Label Segment) of a digital radio service, together with the development of software to operate electronic programme guide (EPG) services that will form a key part of the interactive capability of the new generation of EPG-enabled digital devices. Unique Interactive's EPG software, the only commercially available radio EPG, was successfully demonstrated on consumer receivers during the period and we expect EPG enabled receivers to be in the shops in the first quarter of 2005. Both Capital Radio and Chrysalis have already licensed Unique Interactive's EPG software.

We believe that the launch of the first EPG digital radio marks the start of a process that could fundamentally change the development of DAB digital radio. There is the prospect that in the future an EPG capability will be as common in radio as it is today in digital television and that all digital radios will offer its capabilities as standard. These include rewind, record and download, together with access to the range of additional information services, which are similar to those now available through the 'red button' on digital television. Transforming the capability of digital radio, so that it offers the consumer more than just greater listener choice and better quality sound, brings with it opportunities and challenges for the radio industry. As a result of our early investment in this area, Unique Interactive is a clear market leader and has an international profile in the delivery of software solutions to the industry. UBC is well placed to build on its achievements to date in this area.

During the first six months of this financial year, Unique Interactive increased its international customer base with the announcement of an agreement with the Spanish financial news broadcaster, Intereconomia, to use ManDLS software on its national DAB Digital Radio service. Intereconomia is the first Spanish radio

broadcasting company to make use of the advanced data features that are available on DAB. This contract builds on agreements last year with broadcasters in Australia, Canada and South Korea.

At our studios business, Unique Facilities, we have continued to grow occupancy rates and yields. Despite operating in a highly competitive market, UBC's facilities have operated at full capacity for extended periods during the first six months of the year. Furthermore, in the period Unique Facilities has launched a number of new audio creative services, including the composition of theme and incidental music for television programmes, bespoke jingle packages and radio commercials.

Outlook

The Digital Radio Development Bureau, the joint industry body responsible for the development of digital radio in the United Kingdom, recently published the first independently audited forecast for the adoption of digital radio. This research predicts that by 2008 there will be more than 13 million digital radios in UK homes and 29% of British homes will have at least one DAB digital radio. We believe UBC is very well positioned to benefit from the radio industry's expected transition to digital.

Our programme supply businesses, with revenue generated from both commissioned programming and advertising, will benefit from both the growing number of commercial services and the BBC's commitment to increase regional spending. In addition, as radio listening moves increasingly towards digital, we believe UBC's significant radio broadcasting assets will deliver increases in listening and consequent revenue growth. Furthermore, the data services that can be delivered by the new generation of digital radios expected to be launched next year should provide an opportunity for growth in software sales and interactive services, where UBC is already a market leader.

This is an important year for UBC in which we expected to see improving returns from past investment in our digital assets. We remain confident of the Group's prospects in its chosen markets.

FINANCIAL REVIEW

The financial highlights of the six month period to 30 September 2004 are as follows:

- Turnover in the period increased 9.8 % to £7.15 million (2003: £6.51 million)
- Gross profit in the period increased 27.3% to £2.1 million (2003: £1.65 million)
- Operating profit before goodwill amortisation and development expenditure for the six months to 30 September 2004 was £551,000 (2003: £152,000) and the operating loss after goodwill amortisation and development expenditure was -£442,000 (2003: -£530,000)
- Development expenditure in the six month period was £798,000 (2003: £503,000), which includes development expenditure of £220,000 on Oneword Radio Limited, following the acquisition of full control of that business from 1 July 2004
- Administrative expenses excluding goodwill amortisation and development costs were stable at £1.55 million (2003: £1.50 million)
- Losses before interest, tax, depreciation and amortisation (EBITDA) in the period were -£171,000 (2003: -£267,000)
- Profit before development costs, interest, tax, depreciation and amortisation was £627,000 (2003: £236,000)
- At 30 September 2004 UBC had cash in the bank of £2.31 million (2003: £3.52 million)

Acquisitions and Investments

UBC increased its shareholding in Oneword Radio Limited to 100% on 30 June 2004 when it acquired the 50% shareholding of USI Holdings Limited for £755,000. In consideration, UBC issued approximately 2.44 million new UBC ordinary shares.

In July 2004 UBC increased its shareholding in Digital News Network, which broadcasts a regional data service on five MXR multiplexes, from 21.95% to 28.05% at a cost of approximately £32,000.

In August 2004 UBC acquired the business of Smooth Operations, a leading UK independent regional radio producer. The acquisition consideration comprised an initial payment of £1.8 million, with a further maximum payment of £1.9 million depending upon the profit growth in each of the two years following the

acquisition. A cash payment of £1.2 million and the issue of approximately 2.45 million new ordinary shares satisfied the initial acquisition consideration. Any further consideration will be payable as to 60% in cash and 40% by the issue of new UBC ordinary shares.

Finally in September 2004 UBC announced the acquisition of a 12.5% shareholding in Popworld Limited, which owns and controls the music programme, *Popworld*, broadcast on Channel 4 and MTV. The consideration of £250,000 was settled in cash and UBC has an option to increase its shareholding in Popworld further to 25% at any time up to the end of December 2004 for a further consideration of £250,000.

Fund Raising and Use of Proceeds

In July 2004 UBC placed approximately 7.8 million new ordinary shares with institutional investors, raising an additional £1.8 million (before expenses) for the Company. The proceeds of the placing were used to satisfy the initial cash consideration and related costs of the acquisition of Smooth Operations and a 12.5% shareholding in Popworld Limited. The balance of the proceeds will be used to fund the balance of any deferred cash consideration of the acquisition.

Investment in Digital Radio

During the six months to 30 September 2004 UBC invested the following amounts in its development strategy:

- Investment of £108,000 (2003: £278,000) in Oneword Radio, The Digizone and Digital News Network. Additional investment of £220,000 in Oneword Radio is shown in the development cost of the Group, as disclosed above, as a result of the purchase of full control of Oneword Radio Limited from 1 July 2004
- Development expenditure of £798,000 (2003: £503,000), of which £481,000 relates to carriage of Classic Gold Digital on seven digital multiplexes covering Northern England and Greater London; £220,000 to development expenditure on Oneword Radio; £65,000 to data licence fees for broadcasting regional data services on five MXR digital multiplexes; and £32,000 related to development expenditure on Digital News Network.

Payment of Dividend

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

**Consolidated Profit & Loss Account
for the six months ended 30 September 2004**

	Unaudited Six months ended 30 September 2004 £'000	Unaudited Six months ended 30 September 2003 £'000	Audited Full year ended 31 March 2004 £'000
Turnover (including share of joint ventures)			
Continuing operations	7,155	6,514	13,332
Less: Share of turnover of joint ventures	(10)	-	(42)
Group turnover	7,145	6,514	13,290
Cost of sales	(5,042)	(4,860)	(9,738)
Gross profit	2,103	1,654	3,552
Administrative expenses before goodwill amortisation and development costs	(1,552)	(1,502)	(3,147)
Development costs	(798)	(503)	(1,080)
Goodwill amortisation	(195)	(179)	(341)
Total administrative expenses	(2,545)	(2,184)	(4,568)
Group operating (loss) - continuing operations	(442)	(530)	(1,016)
Group operating (loss)	(442)	(530)	(1,016)
Share of operating (loss) in joint ventures	(108)	(277)	(614)
Total operating (loss): group and share of joint ventures	(550)	(807)	(1,630)
Interest receivable	55	49	123
Interest payable	-	-	(3)
(Loss) on ordinary activities before taxation	(495)	(758)	(1,510)
Tax (charge)	(5)	(20)	(22)
(Loss) on ordinary activities after taxation	(500)	(778)	(1,532)
Equity minority interest	62	-	58
Retained (loss) for the financial period	(438)	(778)	(1,474)
Earnings per share (pence)	(0.27p)	(0.51p)	(0.95p)

**Consolidated Balance Sheet
as at 30 September 2004**

	Unaudited As at 30 September 2004 £'000	Unaudited As at 30 September 2003 £'000	Audited As at 31 March 2004 £'000
Fixed assets			
Goodwill and intangible assets	3,884	492	332
Tangible assets	251	198	210
Investments			
Share of gross assets	301	115	-
Share of gross liabilities	(520)	(2,109)	(2,334)
Net interest in joint ventures	(219)	(1,994)	(2,334)
	3,916	(1,304)	(1,792)
Current assets			
Work in progress	47	-	34
Debtors			
- due after more than one year	458	1,966	2,300
- due within one year	4,461	2,476	1,854
	4,919	4,442	4,154
Cash at bank and in hand	2,312	3,516	4,324
	7,278	7,958	8,512
Creditors: amounts falling due within one year	(3,620)	(2,129)	(2,917)
Net current assets	3,658	5,829	5,595
Total assets less current liabilities	7,574	4,525	3,803
Creditors: amounts falling due after more than one year	(1,537)	(337)	(337)
Net assets	6,037	4,188	3,466
Capital and reserves			
Called up share capital	1,707	1,591	1,579
Share premium account	15,062	12,806	12,850
Merger reserve	731	-	-
Other reserves	(801)	(801)	(801)
Profit and loss account	(10,356)	(9,408)	(9,918)
Equity shareholders' funds	6,343	4,188	3,710
Equity minority interest	(306)	-	(244)
Capital employed	6,037	4,188	3,466

**Consolidated Cash Flow Statement
for the six months ended 30 September 2004**

	Unaudited six Months ended 30 September 2004 £'000	Unaudited six Month ended 30 September 2003 £'000	Audited Full year ended 31 March 2004 £'000
Net cash (outflow)/inflow from operating activities	(2,056)	(1,132)	91
Returns on investments and servicing of finance			
Interest received	55	92	107
Interest paid	-	(43)	(3)
Net cash inflow from returns on investment and servicing of finance	55	49	104
Taxation			
UK Corporation tax paid	-	-	(39)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(41)	(78)	(158)
Purchase of intangible fixed asset	-	(27)	(28)
Sale of tangible fixed assets	-	5	6
Loans to joint ventures	(91)	(360)	(695)
Net cash (outflow) from capital expenditure and financial investment	(132)	(460)	(875)
Acquisitions and disposals			
Purchase of interest in subsidiary	(1,297)	-	-
Purchase of interest in joint ventures	(298)	-	-
Net cash (outflow) from acquisitions and disposals	(1,595)	-	-
Net cash (outflow) before management of liquid resources and financing	(3,728)	(1,543)	(719)
Management of liquid resources			
Reduction/increase in short-term deposits with banks	1,000	0	(1,000)
Net cash inflow/(outflow) from management of liquid resources	1,000	-	(1,000)
Financing			
Issue of ordinary share capital	1,800	1,708	1,760
Repayment of long term loan	-	-	(21)
Expense of share issue	(84)	-	(47)
Net cash inflow from financing	1,716	1,708	1,692
(Decrease)/increase in cash in the year	(1,012)	165	(27)
Cash balances at the beginning of the year	3,324	3,351	3,351
Cash balances at the end of the year	2,312	3,516	3,324
Represented by	2,312	3,516	3,324
Cash and bank balances	-	-	1,000
Short term deposits	2,312	3,516	4,324

NOTES

1 **Basis of Preparation**

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are unaudited. The figures for the year to 31 March 2004 have been extracted from the statutory accounts for that year that have been delivered to the Register of Companies and contain an unqualified audit report. The financial information contained in this interim statement does not constitute accounts as defined by Section 290 of the Companies Act 1985.

2 **Accounting Policies**

The statements have been prepared on the basis of the accounting policies applied at the year ended 31 March 2004.

3 **Goodwill amortisation and development costs**

Goodwill and Development costs include goodwill amortisation of £195,000 (2003: £179,000), digital licence fees of £546,000 (2003: £503,000). Oneword development costs of £220,000 (2003: £nil) and write off of an additional investment in DNN £32,000 (2003: £nil).

4 **Loss per share**

The loss per share for the six months ended 30th September 2004 is 0.27 pence (2003: 0.51 pence). The loss per share has been calculated based on the loss for the period and the weighted average of shares in issue during the period.

5 **Taxation**

A provision of £5,000 has been made for taxation for CGDL. The rest of the group has trading losses for the period to 30th September 2004.

6 **Acquisitions and goodwill**

During the period an additional 50% shareholding was acquired in Oneword Limited for £755,000, taking the group to 100% ownership. Goodwill of £710,000 was created. Also during the period the Group acquired the business of Smooth Operations for total initial consideration of £1.8 million, with a maximum deferred consideration of £1.9 million, payable within a 3 year period subject to performance criteria. Goodwill arising on this acquisition was £3,038,000.