UBC Media Group plc

Interim results for the six months
to 30 September 2011

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Contents

Chief Executive's report

Strategic and Operational review

During a period when the business climate continues to be especially challenging, UBC has managed to make progress in the areas we have identified as strategically important, whilst continuing to reduce our cost base and improve profitability.

Following the sale two years ago of our commercial business, we still have a significant cash balance, no debt and a company infrastructure, which, although we have reduced overheads, is ready for growth. As we have identified previously, organic growth will come slowly in this climate. We have continued to explore acquisitions but remain cautious about exposing ourselves to unnecessary risk by paying unjustified multiples in uncertain economic conditions.

Our core business of programme production – with the BBC as our largest customer – provides a strong base with good visibility and multiple recurrent contracts. As market leader in radio production, we do not expect to see significant growth here, although the BBC's recent announcements about increasing outsourcing are encouraging.

We moved successfully into video with the acquisition of the Lynx business in 2009 and we have seen our revenues from video grow consistently since that time. We see the production model changing in television and video with a lower cost more multi-skilled model emerging for which we are well positioned.

We have declared a dividend of 0.07 pence per share, reduced from last year but still offering an improved yield set against our current share price. We believe that in the current economic environment, corporate opportunities are becoming available which will allow us to use our cash to create shareholder value.

Divisional report

Revenues at our content companies are traditionally weighted towards H2 because of the commissioning cycle and this is especially true in this financial year. Several important new commissions were launched in this period, including the new daily Radcliffe and Maconie programme for BBC 6 Music, the BBC Radio 2 Saturday breakfast show Sounds of the Sixties, and a new satirical comedy programme for BBC Radio 4 featuring Rory Bremner. We have launched a situation comedy series – Pollyoaks – for BBC Radio 4, which has already been re-commissioned for next year and have won drama commissions from both BBC Radios 3 and 4.

Where we can, we are developing our radio work into digital video. Our daily service of entertainment news, supplied to most of the UK's commercial radio stations, has now been augmented with a twice-daily video bulletin for stations' websites. Meanwhile, Smooth Operations, our Manchester based production company, once again produced the Cambridge Folk Festival for both BBC Radio 2 and Sky Arts, retaining rights in all of the material in order to produce CDs and DVDs of the event which will go on sale at the end of this year.

Later this month, the BBC begins transmission from its new base at Media City in Salford. Smooth Operations will be co-locating at Media City and we are confident in an increase of BBC commissioning from the new base.

Chief Executive's report (continued)

Overall, our revenues from digital video production have increased by 43% from £280,000 in the first half of 2010 to £400,000 in this period. Much of this growth has come at Lynx Content where we supply branded video content to advertising clients for use on websites and social media. With average monthly revenues of £45,000 in this area, the growing client list includes Jaguar Land Rover, Hyundai Motors, Ebay, and Tesco.

We have also seen a return in this period of the sponsorship and promotions business, which was a large part of the Lynx business before the advertising downturn. It is too early to say whether this momentum will be maintained but we have forward bookings representing an increase in revenues compared to last year so we would expect to see growth in this area.

Our mobile revenues from content and technology have climbed by 85% in this period. Our mobile network in Canada, announced at this time last year, is now bringing regular revenue and profit as our apps for Astral Radio come on stream. We now have experience in continental Europe, the UK and Canada and this allows us to understand the revenue models available. Globally, mobile is a nascent area with heavy expectations weighing on it; our experience leaves us confident of revenue streams for UBC from mobile in the future.

We announced with our trading statement in October an extension of our work with the UK radio industry on the Radioplayer project. Counting as it does the entire UK radio industry, Astral Media in Canada and Sirius XM in the USA as clients, our Interactive division has built up a strong global software and services business, which complements our content offerings.

Simon Cole
Chief Executive
11 November 2011

Financial review

Financial summary (6 months ended 30 September)

	2011 £000	2010 £000
Revenues	**2,004**	2,095
Gross profit	**276**	417
Administrative expenses	**(723)**	(1,137)
Profit/(loss) from continuing operations	**(447)**	(720)
Investment income	**9**	98
Profit from discontinued operations	**2**	886
Tax	**–**	9
Profit/(loss) after tax in the period from continuing and discontinued operations	**(436)**	273

Reconciliation with underlying and reported operating figures	2011 £000	2010 £000
Statutory operating loss	**(447)**	(720)
Return on investment	**–**	(136)
Amortisation of Intangible assets	**100**	100
Share Option IFRS charge	**–**	33
Restructuring costs	**3**	86
One-off professional and acquisition costs	**16**	166
Share buy back costs	**1**	–
	120	249
Underlying operating profit/(loss)	**(327)**	(471)

Profit attributable to discontinued operations	2011 £000	2010 £000
Commercial Division	**–**	(2)
Cliq music downloading service	**–**	379
Classic Gold Digital	**–**	509
Above The Title Audiobook service	**2**	–
Profit/(loss) in the period from discontinued operations	**2**	886

In the period to 30 September 2011 Group revenues from continuing operations fell by 4.5% to £2.00m (H1 2010: £2.10m).

Revenues by segment for the period were as follows:

- Content £1.66m (H1 2010: £1.83m)
- Software and Interactive £0.35m (H1 2010: £0.27m)

Financial review (continued)

Cash flow

In the six months to 30 September 2011 UBC had a cash outflow from continuing operations of £196,000 (2010: £333,000).

Cash

At 30 September 2011, UBC had cash in the bank of £3.78m (2010: £5.11m). During the last 12 months almost £1m was returned to shareholders through dividends of £489K and a share buy back of £454K.

Loss per share

In the six months to 30 September 2011 UBC reported a basic loss per share of 0.25 pence (H1 2010: 0.31 pence) and diluted loss per share of 0.25 pence (H1 2010: 0.31 pence) from continuing operations and basic loss per share of 0.24 pence (H1 2010: earnings 0.14 pence) and diluted loss per share of 0.24 pence (H1 2010: earnings 0.13 pence) from continuing and discontinued operations.

Dividend

Subsequent to 30 September 2011, the Board has approved the payment of an interim dividend of 0.07 pence per ordinary share at a total cost of £125,134. The dividend timetable is:

- Ex-dividend date 23 November 2011
- Record date 25 November 2011
- Payment date 19 December 2011

Principal risks and uncertainties

The principal risks and uncertainties which could affect the business for the remainder of the financial year remain unchanged from those set out on page 5 of the UBC Media Group plc Annual Report and Financial Statements 2011. Risks include:

- There is a risk that the Group will lose key programming contracts with the BBC, but this is mitigated by the fact that the majority of contracts by value are long-term and the BBC has committed to increase the percentage of its output that is commissioned from the independent radio production sector. The Group is also seeking to increase its revenues from programming commissions from parties other than the BBC;

- There are uncertainties surrounding the ultimate size of the markets for the Groups digital software products. However, the Group believes there is commercial potential for these products and continues to invest in both product and market development; and

- The other main risks to the Group are people, especially key executives. Retention of the key executives of the Group is recognised as a risk and is managed by the incentive and remuneration arrangements referred to in the UBC Media Group plc Annual Report and Financial Statements 2011.

Jenny Donald
Finance Director
11 November 2011

Consolidated statement of comprehensive income

For the six months ended 30 September 2011

	Unaudited Six months ended 30 Sept 2011 £'000	Unaudited Six months ended 30 Sept 2010 £'000	Audited Full year ended 31 Mar 2010 £'000
Continuing operations			
Revenue	**2,004**	2,095	4,460
Cost of sales	**(1,728)**	(1,678)	(3,317)
Gross profit	**276**	417	1,143
Administrative expenses	**(723)**	(1,137)	(2,046)
Operating loss	**(447)**	(720)	(903)
Investment income	**9**	98	109
Loss before tax	**(438)**	(622)	(794)
Taxation on continuing operations	**–**	9	56
Loss for the period from continuing operations	**(438)**	(613)	(738)
Discontinued operations			
Profit for the period from discontinued operations	**2**	886	797
(Loss)/profit for the period	**(436)**	273	59
(Loss)/earnings per share (pence)			
From continuing operations			
Basic	**(0.25)**	(0.31)	(0.38)
Diluted	**(0.25)**	(0.31)	(0.38)
From continuing and discontinued operations			
Basic	**(0.24)**	0.14	0.03
Diluted	**(0.24)**	0.13	0.03

Consolidated statement of financial position

As at 30 September 2011

	Unaudited Six months ended 30 Sept 2011 £'000	Unaudited Six months ended 30 Sept 2010 £'000	Audited Full year ended 31 Mar 2010 £'000
Assets			
Non-current assets			
Goodwill	**4,081**	4,233	4,081
Intangible assets	**583**	783	683
Property plant and equipment	**218**	280	250
Investments	**229**	200	229
Long term receivable	**400**	–	400
Deferred tax asset	**419**	293	345
	5,930	5,789	5,988
Current assets			
Inventory: work in progress	**210**	155	156
Trade and other receivables	**766**	1,114	877
Cash and cash equivalents	**3,778**	5,105	4,279
	4,754	6,374	5,312
Total assets	**10,684**	12,163	11,300
Liabilities			
Current liabilities			
Trade and other payables	**(1,083)**	(994)	(1,047)
Provisions – current	**(129)**	(108)	(137)
	(1,212)	(1,102)	(1,184)
Net current assets	**3,452**	5,272	4,128
Non-current liabilities			
Deferred tax liability	**(869)**	(757)	(795)
Provisions – non-current	**–**	(103)	–
	(869)	(860)	(795)
Total liabilities	**(2,081)**	(1,962)	(1,979)
Net assets	**8,603**	10,201	9,321
Equity			
Share capital	**1,953**	1,953	1,953
Share premium account	**2,587**	2,587	2,587
Own shares	**(454)**	–	(454)
Other reserves	**27**	33	27
Retained earnings	**4,490**	5,628	5,208
Total equity	**8,603**	10,201	9,321

Consolidated cash flow statement

For the six months ended 30 September 2011

	Unaudited Six months ended 30 Sept 2011 £'000	Unaudited Six months ended 30 Sept 2010 £'000	Audited Full year ended 31 Mar 2010 £'000
Cash flows from operating activities			
Cash used in continuing operations	**(196)**	(333)	(12)
Taxation rebate	**–**	20	52
Net cash used in operating activities	**(196)**	(313)	40
Investing activities			
Interest received	**9**	19	31
Dividends received	**–**	79	79
Purchase of property, plant and equipment	**(34)**	(62)	(108)
Deferred consideration	**–**	(500)	(500)
Investment	**–**	(200)	(229)
Cash advances to other parties	**–**	–	(400)
Net cash from investing activities	**(25)**	(664)	(1,127)
Financing activities			
Dividends paid	**(282)**	–	(206)
Share buy back	**–**	–	(454)
Net cash from financing activities	**(282)**	–	(660)
Net cash flow from discontinued operations	**2**	(2,332)	(2,388)
Net decrease in cash and cash equivalents	**(501)**	(3,309)	(4,135)
Cash and cash equivalents at beginning of period	**4,279**	8,414	8,414
Cash and cash equivalents at end of period	**3,778**	5,105	4,279

Consolidated statement of changes in equity

For the six months ended 30 September 2011

	Share capital £'000	Share premium account £'000	Treasury Reserves £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
At 1 April 2010	1,953	2,587	–	–	5,355	**9,895**
Profit for the period	–	–	–	–	273	**273**
Share options IFRS charge	–	–	–	33	–	**33**
At 30 September 2010	1,953	2,587	–	33	5,628	**10,201**
(Loss) for the period	–	–	–	–	(214)	**(214)**
Share buy back	–	–	(454)	–	–	**(454)**
Share options IFRS charge	–	–	–	(6)	–	**(6)**
Dividends	–	–	–	–	(206)	**(206)**
At 1 April 2011	1,953	2,587	(454)	27	5,208	**9,321**
Profit for the period	–	–	–	–	(436)	**(436)**
Dividends	–	–	–	–	(282)	**(282)**
At 30 September 2011	1,953	2,587	(454)	27	4,490	**8,603**

Notes to the financial statements

For the six months ended 30 September 2011

1. PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING POLICIES

Basis of preparation

The combined financial information has been prepared in accordance with the UBC Media Group plc accounting policies. The UBC Media Group plc accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board, and are set out in the UBC Media Group plc Annual Reports and Financial Statements 2011 on pages 17 to 20, except as described below.

In the previous financial year, the Group has adopted International Financial Reporting Standard 3 "Business Combinations" (revised 2008) and International Accounting Standard 27 "Consolidated and Separate Financial Statements" (revised 2008).

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Unaudited six months ended 30 Sept 2011	Content	Software and Interactive	Unallocated	**Total**
Revenue	1,657	347	–	**2,004**
Segment Result (gross profit)	198	77	275	
Unallocated corporate expense	–	–	(723)	**(723)**
Operating loss				**(448)**
Investment income				**9**
Income Tax expense				**–**
Profit for the period from discontinued operations				**2**
Loss for the period				**(437)**

Unaudited six months ended 30 Sept 2010	Content	Software and Interactive	Unallocated	Total
Revenue	1,828	267	–	2,095
Segment Result (gross profit)	329	88	–	417
Unallocated corporate expense	–	–	(1,137)	(1,137)
Operating loss				(720)
Investment income				98
Income Tax expense				9
Profit for the period from discontinued operations				886
Profit for the period				273

Notes to the financial statements (continued)

For the six months ended 30 September 2011

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Audited full year ended 31 March 2010	Content	Software and Interactive	Unallocated	Total
Revenue	3,846	614	–	4,460
Segment Result (gross profit)	911	232	–	1,143
Unallocated corporate expense	–	–	(2,046)	(2,046)
Operating loss				(903)
Investment income				109
Income Tax expense				56
Profit for the period from discontinued operations				797
Profit for the period				59

3. OPERATING LOSS IS STATED AFTER CHARGING THE FOLLOWING ITEMS TO ADMINISTRATIVE EXPENSES

	Six months ended 30 Sept 2011 £'000	Six months ended 30 Sept 2010 £'000	Full year ended 31 Mar 2011 £'000
Administrative expenses			
Operating expenses	**603**	888	1,638
One-off professional and acquisition costs	**16**	166	202
Intangibles amortisation	**100**	100	200
Share based payments – IFRS 2 charge	**–**	33	38
Restructuring costs	**3**	86	94
Return on investment	**–**	(136)	(136)
Share buy back costs	**1**	–	12
	723	1,137	2,046

4. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

Continuing operations	**Six months ended 30 Sept 2011 £'000**	Six months ended 30 Sept 2010 £'000	Full year ended 31 Mar 2011 £'000
Operating loss before interest and tax	**(447)**	(720)	(903)
Loss on sale of fixed assets	**–**	–	2
Amortisation of intangible assets	**100**	100	200
Depreciation of tangible fixed assets	**67**	74	148
(Increase) in work in progress	**(54)**	(80)	(82)
Decrease in trade and other receivables	**110**	403	640
Increase/(decrease) in trade and other payables	**37**	(112)	(48)
Increase/(decrease) in provisions	**(8)**	2	31
Net cash outflow from operating activities	**(196)**	(333)	(12)

5. GOODWILL

	£'000
Cost	
As at 30 September 2010	4,757
Derecognised on disposal of business	(50)
Reduction in costs	(576)
As at 31 March 2011	4,131
As at 30 September 2011	4,131
Accumulated Impairment losses	
As at 30 September 2010	524
Impairment losses for the period	(474)
As at 31 March 2011	50
Impairment losses for the period	–
As at 30 September 2011	50
Carrying value	
At 30 September 2010	4,233
At 31 March 2011	4,081
At 30 September 2011	4,081

5. GOODWILL (CONTINUED)

Following the integration of the acquisitions and restructuring of the content business, it was no longer appropriate to present goodwill allocations on the same basis. After reduction in costs, the carrying amount of goodwill has been allocated to the following CGUs:

	Six months ended 30 Sept 2011 £'000	Six months ended 30 Sept 2010 £'000	Full year ended 31 Mar 2011 £'000
Content			
Commissioned Content	**2,928**	3,080	2,928
Ad Funded Content	**1,153**	1,153	1,153
	4,081	4,233	4,081

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using benchmark cost of capital for the sector along with the cost of capital of the group. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for year, applies industry growth rates and extrapolates cash flows into perpetuity. The Group then prepares sensitivity analysis on the variables to ensure robustness of the carrying value.

The results of the impairment reviews are available on page 27 of the 2011 Group report and accounts.

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