2009
INTERIM REPORT

UBC media group

Contents

Interim results for the six months to 30 September 2009

Financial highlights

- Group revenue up 9.0% at £1.94m (2008: £1.78m).
- Profit for the period £0.62m (2008: £2.04m loss).
- Dividend announced – interim distribution of 0.102 pence per ordinary share, a total interim dividend of £200,000.
- Cash position £9.69m with no debt (2008: £2.46m).
- Operating loss for the period improved by 46.2% at £0.33m (2008: £0.61m).
- Loss for the period from continuing operations improved by 36.9% at £0.33m (2008: £0.53m).
- Group overheads for the period down 17.3% at £0.83m (2008: £1.01m).

Strategic highlights

- Earn-out arrangement with GTN agreed with further payment to UBC of £1.95m, return of IntaMedia sponsorship business and release from those elements of the restrictive covenants that cover this area of business.
- Acquisition of ad funded content business Radio Lynx for £1.6m with an additional deferred consideration of up to £800,000.
- Renewal of key software contract with XM Sirius following the consolidation of the US satellite radio providers.
- First commission from BBC interactive to provide all BBC online music reviews.
- All major BBC programme strands have been renewed.

Chief Executive's report

Since the start of the year UBC has completed the disposal of its Commercial Division and has begun transforming the business, using the cash from that transaction to fund acquisitions and create new earnings streams.

We have delivered a net profit and reduced our operating loss through tight cost control, reducing administrative expenses by just over 23% resulting in improved margins. The Company has announced its maiden dividend, an interim payment of 0.102 pence per share at a total cost of £200,000 and has set a target to pay a total dividend of 0.256 pence per share at a total cost of £500,000 for the full year to 31 March 2010. In the light of our current cash balance, our growth strategy and our view on trading we intend to progressively increase the dividend per share.

We have begun a process which will re-position the Group as a profitable content and software business with a global client base. Despite using £1.6m of cash in the period to fund the acquisition of content business Radio Lynx, our cash balance in the period has only decreased by £780,000 and stands at nearly £10m, leaving us with a strong balance sheet from which to finance further acquisitions and enhance our strategic offering whilst continuing to improve earnings.

The rapid changes taking place in the media sector play to the Group's core strengths: focus and value are moving from broadcast transmission licences to content and the distribution of content over an increasing number of outlets. The traditional market for content producers has been broadcasters who commission programmes. UBC has always had a market-leading position in commissioned radio content and we continue to do so. In the last six months we have delivered some of the highest profile programmes for clients like MTV, the five BBC radio networks and some 250 of the UK's top commercial radio stations. Although revenues here have been virtually flat during a challenged time for broadcasters (2009 £1.42m, 2008 £1.46m) we continue to believe that commissioned content production will form an important part of future revenues as the broadcasting market recovers. Contracts here tend to be long term, underpinning revenues and giving us the ability to plan resources. We already have, for example, over 60% of this year's BBC revenues re-confirmed for the next twelve months.

However, the relationship between broadcasters, the content that they provide and consumers is changing. At the heart of this change is the rapidly growing market for 'Internet Protocol (IP) delivered' content – covering everything from the BBC iPlayer to YouTube and web radio streaming. Internet content – whether delivered to a PC, a Wi-Fi radio or a mobile device like the iPhone, creates an entirely different content market.

In this environment, previously niche content strands find a new global audience. For this reason, in the last six months, our production company Smooth Operations has negotiated to retain the rights to the many hours of folk music it produces for the BBC. We will soon use this material to launch a new service for folk music fans around the world to download their favourite tracks. We will move increasingly to retain rights in the content we produce for our broadcast clients, but only when we have identified a profitable activity enabled by the rights.

The consumption of content has now become genuinely multi-platform and without doubt the most exciting area of development is mobile. We have worked in the last six months to identify how we can both help our broadcast clients develop in this area and provide new markets for our own content. Our Interactive division, working with partner companies, has developed an iPhone application for radio stations which will be launched in the coming weeks. Again, our development in this area is global, leveraging our relationships with broadcasters in the US and the UK.

Our acquisition of Radio Lynx in this period demonstrates our desire to move into the rapidly developing area of video as well as audio content on the internet and to take advantage of new revenue streams for content producers. In its first month under UBC's ownership, Radio Lynx has delivered gross profits of £45,000 on a turnover of £139,000 – a 32% margin. Radio Lynx, like the IntaMedia business, creates content on behalf of advertisers and this is an area where we see great growth potential as the advertising industry moves towards the internet and new media platform model where traditional spot advertising is less relevant. Clients including Nokia, Sainsbury's, Tesco, Disney, Land Rover and the Canadian Tourist Commission have used our Group companies in the last six months to create branded content which is then distributed by us on their behalf to both traditional and new media platforms. Our revenues in this period, from only a few weeks of inclusion, is £232,000 (2008: n/a) and we are hopeful that Radio Lynx and IntaMedia will make substantial contributions to the second half of the year.

At the heart of all these changes and our ability to understand them is technology. UBC, through our Unique Interactive subsidiary, has built a global client base for the provision of software and interactive services. Broadcasters around the world have found it difficult in the recession and resulting consolidation that has swept the industry, to continue investment in this area and we have seen revenues decline marginally from £310,000 in 2008 to £280,000 in 2009. However, the division continues to be profitable and we have worked hard with existing clients to help them through a tough year, emerging with strengthened relationships. Our major US supply contract, with XM Satellite Radio, has been re-signed after its merger with Sirius Satellite Radio to form Sirius-XM Satellite Radio and its subsequent emergence from nearing filing under Chapter 11. In the UK, we have agreed a deal with the new Bauer Radio group and have renewed agreements with the BBC for provision of software for certain services on the iPlayer confirming our position as the leading supplier of digital radio software services. In the last six months, both the UK and French governments have announced timetables for the transition of the radio industry to digital and this has re-ignited the market for our services both in the UK and on the continent.

Our investment in interactive services in the last 7 years has also enabled us to move quickly into areas like the development of music purchase systems for radio – which are finally becoming a reality – and to develop iPhone applications for our clients. In an environment where our traditional broadcasters are grappling with the need to implement new interactive technologies, I believe that we are well positioned to offer the whole range of services that clients will require.

Simon Cole
Chief Executive
16 November 2009

Financial summary (6 months ended 30 September)

	2009 £000	2008 £000
Revenues	**1,935**	1,776
Gross profit	**556**	548
Administrative expenses	**(885)**	(1,159)
Loss from continuing operations	**(329)**	(611)
Investment income	**71**	83
Profit/(loss) from discontinued operations	**951**	(1,511)
Tax	**(75)**	–
Profit/(loss) after tax in the period from continuing and discontinued operations	**618**	(2,039)

Profit/(loss) attributable to discontinued operations	**2009 £000**	2008 £000
Commercial Division	**1,066**	(154)
Cliq music downloading service	**97**	(1,032)
Classic Gold Digital	**(212)**	(322)
Oneword Radio	**–**	(3)
Profit/(loss) in the period from discontinued operations	**951**	(1,511)

In the period to 30 September 2009 Group revenues from continuing operations grew by 9.0% to £1.94m (2008: £1.78m).

Revenues by segment for the period were as follows:

- Content £1.65m (2008: £1.46m) +13.0%
- Software and Interactive £0.28m (2008: £0.31m) -9.5%

Acquisitions in the period

On 24 July 2009 UBC announced the acquisition of the assets of the part of the Commercial Division responsible for Sponsorship, Promotions and Interactive Marketing (trading as 'IntaMedia') from Global Traffic Network Inc. ("GTN") for a cash consideration of £50,000.

On 20 August 2009 UBC announced the acquisition from Music Marketing Services Limited of the assets of Radio Lynx, a key player in the growing business of marketing through content. The purchase was satisfied by an initial cash consideration of £1,600,000 and a deferred cash earn out of up to £800,000 based on the operating profit generated by Radio Lynx in the 12 full months immediately following completion. £61,000 of costs were incurred in the transaction.

Discontinued operations

On 24 July 2009 UBC announced the settlement of the earnout on the sale of the Commercial division to GTN for £1,950,000. As at 31 March 2009 this was fair valued at £811,000, resulting in a profit in the six months to 30 September 2009 of £1,066,000.

In the six months to 30 September 2009 a research & development tax credit was received by Cliq for £97,000.

In the six months to 30 September 2009 the provision against the contractual obligation to Bauer Radio for the former transmission of Classic Gold Digital on digital multiplexes, primarily covering Northern England, was reassessed, resulting in a charge to discontinued operations of £212,000.

Investment in 4 Digital Group

UBC received a final payment of £40,000 from the 4 Digital Group's members voluntary liquidation in the period to 30 September 2009.

Cash flow

In the six months to 30 September 2009 UBC had a cash outflow from continuing operations of £410,000 (2008: £9,000).

Cash

At 30 September 2009, UBC had cash in the bank of £9.69m (2008: £2.46m).

Loss per share

In the six months to 30 September 2009 UBC reported a basic loss per share of 0.17p (2008: 0.27p) and diluted loss per share of 0.17p (2008: 0.26p) from continuing operations and basic earnings per share of 0.32p (2008: loss 1.06p) and diluted earnings per share of 0.31p (2008: loss 1.00p) from continuing and discontinued operations.

Capital reduction

A resolution was passed at the Annual General Meeting held on 24 July 2009, and subsequently confirmed by Court, to reduce the share premium account by £16,104,000 to enable dividends or distributions to be made to shareholders in the future subject to further review and approval.

Dividend

Subsequent to 30 September 2009 the Board has approved the payment of an interim dividend of 0.102 pence per ordinary share to shareholders on the share register as at 25 November 2009 and payable on 17 December 2009 at a total cost of £200,000.

Principal risks and uncertainties

The principal risks and uncertainties which could effect 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 2009. 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 Group's 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 on page 10 of the UBC Media Group plc Annual Report and Financial Statements 2009.

John Falcon
Finance Director
16 November 2009

Consolidated income statement

For the six months ended 30 September 2009

	Unaudited Six months ended 30 Sept 2009 £'000	Restated Unaudited Six months ended 30 Sept 2008 £'000	Restated Audited Full year ended 31 Mar 2009 £'000
Continuing operations			
Revenue	**1,935**	1,776	3,525
Cost of sales	**(1,379)**	(1,228)	(2,461)
Gross profit	**556**	548	1,064
Administrative expenses	**(885)**	(1,159)	(1,890)
Operating loss	**(329)**	(611)	(826)
Investment income	**71**	83	121
Loss before tax	**(258)**	(528)	(705)
Taxation on continuing operations	**(75)**	–	(57)
Loss for the period from continuing operations	**(333)**	(528)	(762)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	**951**	(1,511)	6,583
Profit/(loss) for the period	**618**	(2,039)	5,821
(Loss)/earnings per share (pence)			
From continuing operations			
Basic	**(0.17)**	(0.27)	(0.40)
Diluted	**(0.17)**	(0.26)	(0.38)
From continuing and discontinued operations			
Basic	**0.32**	(1.06)	3.02
Diluted	**0.31**	(1.00)	2.89

In order to more appropriately present costs incurred in its operations, certain costs previously disclosed in administrative costs have been reclassified for the prior periods as cost of sales.

Consolidated balance sheet

As at 30 September 2009

	Unaudited Six months ended 30 Sept 2009 £'000	Restated Unaudited Six months ended 30 Sept 2008 £'000	Audited Full year ended 31 Mar 2009 £'000
Assets			
Non-current assets			
Goodwill	**4,309**	2,834	2,834
Intangible assets	**955**	–	–
Property plant and equipment	**173**	186	128
Deferred tax asset	**92**	–	92
	5,529	3,020	3,054
Current assets			
Inventory: work in progress	**88**	54	94
Current assets held for sale	**–**	2,035	–
Trade and other receivables	**1,432**	1,265	1,670
Derivative financial asset	**–**	–	811
Cash and cash equivalents	**9,692**	2,458	10,473
	11,212	5,812	13,048
Total assets	**16,741**	8,832	16,102
Liabilities			
Current liabilities			
Trade and other payables	**(1,858)**	(1,412)	(1,666)
Current liabilities held for sale	**–**	(1,447)	–
Provisions – current	**(991)**	–	(931)
	(2,849)	(2,859)	(2,597)
Net current assets	**8,363**	2,953	10,451
Non-current liabilities			
Deferred tax liability	**(521)**	(298)	(447)
Provisions – non-current	**(2,573)**	(3,396)	(2,919)
	(3,094)	(3,694)	(3,366)
Total liabilities	**(5,943)**	(6,553)	(5,963)
Net assets	**10,798**	2,279	10,139
Equity			
Share capital	**1,953**	1,927	1,927
Share premium account	**2,587**	18,676	18,676
Other reserves	**–**	(801)	–
Accumulated profits/(losses)	**6,258**	(17,523)	(10,464)
Total equity	**10,798**	2,279	10,139

Consolidated cash flow statement

For the six months ended 30 September 2009

	Unaudited Six months ended 30 Sept 2009 £'000	Unaudited Six months ended 30 Sept 2008 £'000	Audited Full year ended 31 Mar 2009 £'000
Cash flows from operating activities			
Cash used in continuing operations	**(410)**	(9)	(446)
Cash used in discontinued operations	**(768)**	(1,633)	(1,421)
Taxation rebate	**97**	123	123
Net cash used in operating activities	**(1,081)**	(1,519)	(1,744)
Investing activities			
Interest received	**27**	83	121
Dividends received	**45**	–	–
Proceeds from disposal of trade and assets of subsidiary	**1,950**	–	8,212
Purchase of property, plant and equipment	**(88)**	(25)	(35)
Purchase of investment	**(1,674)**	–	–
Net cash from investing activities	**260**	58	8,298
Financing activities			
Proceeds on issue of shares	**40**	–	–
Net cash from financing activities	**40**	–	–
Net (decrease)/increase in cash and cash equivalents	**(781)**	(1,461)	6,554
Cash and cash equivalents at beginning of period	**10,473**	3,919	3,919
Cash and cash equivalents at end of period	**9,692**	2,458	10,473

Consolidated statement of changes in equity

For the six months ended 30 September 2009 (unaudited)

	Share capital £'000	Share premium account £'000	Other reserves £'000	Accumulated profits/ (losses) £'000	**Total £'000**
At 1 April 2008	1,927	18,676	(801)	(15,484)	**4,318**
Profit for the period	–	–	–	5,821	**5,821**
Transfer from other reserves	–	–	801	(801)	**–**
At 1 April 2009	1,927	18,676	–	(10,464)	**10,139**
Profit for the period	–	–	–	618	**618**
Share options exercised	26	15	–	–	**41**
Transfer from share premium	–	(16,104)	–	16,104	**–**
At 30 September 2009	1,953	2,587	–	6,258	**10,798**

A resolution was passed at the annual general meeting held on 24 July 2009, and subsequently confirmed by Court, to reduce the share premium account by £16,104,000 to enable dividends or distributions to be made to shareholders in the future subject to further review and approval.

Notes to the financial statements
For the six months ended 30 September 2009

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 2009 on pages 15 to 17, except as described below.

In the current financial year, IAS1 – Presentation of Financial Statements (revised 2007), IFRS8 – Operating Segments and amendments to IAS23 – Borrowing Costs came into force and have accordingly been adopted by UBC Media Group plc. IAS1 (revised) has resulted in the renaming of certain of the primary financial statements and requires that the condensed combined statement of changes in equity shows the changes in each component of equity. IFRS8 requires operating segments to be identified on a basis consistent with internal management structure and reporting, and has not resulted in a change to the segments presented.

IAS23 requires borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset to be capitalised and has not led to any borrowing costs being capitalised in the six months ended 30 September 2009. Additionally, a number of other interpretations and other minor revisions to accounting standards have been adopted that do not have a significant impact on UBC Media Group plc's accounting policies and reporting.

The directors of UBC Media Group plc having made appropriate enquiries, consider that adequate resources exist for the businesses to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the combined financial information for the six months ended 30 September 2009.

The combined financial information for the six months ended 30 September 2009 and the comparative amounts to 30 September 2008 are unaudited. The combined financial information for the year ended 31 March 2009 has been audited, this received an unqualified audit report.

Restatement
In accordance with IFRS5 the assets and liabilities of the Commercial Networking division have been reclassified in the balance sheet as at 30 September 2008 as assets and liabilities held for sale.

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

	Unaudited Six months ended 30 Sept 2009 £'000	Unaudited Six months ended 30 Sept 2008 £'000	Audited Full year ended 31 Mar 2009 £'000
Administrative expenses			
Operating expenses	**834**	1,009	1,740
Fees associated with capital reduction	**46**	–	–
Intangibles amortisation	**45**	–	–
(Return on)/impairment of investment	**(40)**	150	150
	885	1,159	1,890

Costs associated with the disposal of commercial have been classified as discontinued operations

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

Continuing operations	**Unaudited Six months ended 30 Sept 2009 £'000**	Unaudited Six months ended 30 Sept 2008 £'000	Audited Full year ended 31 Mar 2009 £'000
Operating loss before interest and tax	**(329)**	(611)	(826)
Loss on sale of fixed assets	**–**	–	18
Impairment of intangible assets	**–**	150	150
Amortisation of intangible assets	**45**	–	–
Depreciation of tangible fixed assets	**43**	58	105
Decrease/(increase) in work in progress	**6**	4	(36)
Decrease/(increase) in trade and other receivables	**239**	364	(270)
(Decrease)/increase in trade and other payables	**(414)**	26	413
Net cash outflow from operating activities	**(410)**	(9)	(446)

4. ACQUISITIONS MADE IN THE PERIOD

During the period the company acquired two businesses; Radio Lynx and IntaMedia. The impact of these is shown below:

	Radio Lynx £'000	IntaMedia £'000
Consideration		
– initial upfront cash	1,600	50
– deferred cash	800	–
Transaction associated fees	61	–
	2,461	50
Fair value of net assets acquired	(37)	–
	2,424	50

Of these gave rise to intangible assets and goodwill as shown below:

	Radio Lynx £'000	IntaMedia £'000
Intangible assets		
– customer relationships	948	–
– other	51	–
Goodwill	1,425	50
	2,424	50

4. ACQUISITIONS MADE IN THE PERIOD (CONTINUED)

Goodwill

	2009 **£'000**
At 30 September 2008 and at 31 March 2009	**2,834**
Acquisition of IntaMedia	**50**
Acquisition of Radio Lynx	**1,425**
At 30 September 2009	**4,309**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGU) that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

	Six months ended 30 Sept 2009 £'000	Six months ended 30 Sept 2008 £'000	Full year ended 31 Mar 2009 £'000
Content			
Smooth Operations (Productions) Limited	**2,834**	2,834	2,834
IntaMedia	**50**	–	–
Radio Lynx	**1,425**	–	–
	4,309	2,834	2,834

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The most recent impairment review is detailed in the financial statements for the year ended 31 March 2009.

Since the acquisition dates Radio Lynx and IntaMedia have contributed £232,000 of revenue and £30,000 of operating profit.

5. PROVISIONS

	Digital licences provision £'000	Total £'000
At 30 September 2008	3,396	3,396
Additional provision	1,328	1,328
Utilisation of provision	(874)	(874)
At 31 March 2009	3,850	3,850
Unwinding of discount	212	212
Utilisation of provision	(498)	(498)
At 30 September 2009	**3,564**	**3,564**
Included in current liabilities		991
Included in non-current liabilities		2,573
		3,564

The company has provided for the costs attributable to non-cancellable licences which run to 2015 on the basis of the discounted present value of future payments.

Management are in discussions with the holders of the licences and are confident that these amounts will be settled for less than the contracted amount but, because the outcome of these discussions is uncertain, management have provided based on their contractual obligations.

The provision is made subsequent to payments of £222,000 made to MXR in the period. The CEO of UBC Media Group plc is also the Chairman of MXR. Dealings remain on an arms-length basis.

All provisions relate to discontinued operations.

Parent company reconciliation of shareholders' funds

For the six months ended 30 September 2009 (unaudited)

	Share capital £'000	Share premium account £'000	Accumulated profits/ (losses) £'000	**Total £'000**
At 1 April 2008	1,927	18,676	(8,517)	**12,086**
Loss for the period	–	–	(2,587)	**(2,587)**
At 1 April 2009	1,927	18,676	(11,104)	**9,499**
Profit for the period	–	–	698	**698**
Share options exercised	26	15	–	**41**
Transfer from share premium	–	(16,104)	16,104	**–**
At 30 September 2009	1,953	2,587	5,698	**10,238**

A resolution was passed at the annual general meeting held on 24 July 2009, and subsequently confirmed by Court, to reduce the share premium account by £16,104,000 to enable dividends or distributions to be made to shareholders in the future subject to further review and approval.

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