

4 December 2007

**UBC Media Group plc**  
**INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2007**

**Financial Highlights**

UBC Media (UBC:L) has made a positive start to the new financial year. Our core businesses have continued to perform strongly and we have launched Cliq™ - our innovative music downloading service.

The main financial highlights for the six months are:

- Group turnover up 9.7% at £7.57 million (2006: £6.90 million);
- Operating profit before investment in Cliq™ up 20.9% at £434,000 (2006: £359,000);
- Investment in Cliq™ of £909,000 (2006: £552,000), of which £472,000 (2006: £470,000) was capitalised;
- Operating loss in the period of -£3,000 (2006: £277,000);
- Profit after taxation of £351,000 (2006: -£233,000);
- Revenues from Commercial Radio in the Networked Programming business up 13.1% at £5.44 million (2006: £4.81 million);
- Revenues from other production in the Digital Content business up 17.5% at £1.68 million (2006: £1.43 million);
- Cash in the bank at 30 September 2007 of £5.0 million (2006: £4.2 million).

**Strategic Highlights**

- Consumer launch of Cliq™ on Heart, Galaxy, Smooth, Real, Magic, Heat and Century. Development of JAVA application for Cliq™ – enabling Cliq™ to be received by 85% of mobile phones;
- Agreement with Imagination Technologies to incorporate Cliq™ in PURE's next generation DAB and Internet digital radios;

- Recovery in radio advertising market continues. UBC's Commercial Radio Networked Programme business grows ahead of the market with ad sales up 10%, compared with an industry average of 5.5%;
- Growth in digital content businesses comes both from new BBC contracts and from significant non-BBC growth. BBC now represents only 66% of margin;
- Smooth Operations wins first major non-BBC TV and interactive commission;
- Sale of Classic Gold Digital network completed in the period for a cash consideration of £3.95 million. Cash proceeds from sale of Classic Gold Digital to be invested in Cliq™.

Simon Cole, CEO of UBC, commented: "UBC has delivered on its pledge to become a company focused on services to the radio industry rather than licence ownership. In this period, we have managed sustained growth in our core programme supply businesses both to the BBC and the commercial network, whilst preparing for the most important product launch in the Company's history. I am thrilled today to be unveiling our Cliq application which, with the support of the major UK radio groups, will begin the important process of turning radio listeners into customers."

There will be a presentation to analysts and investors at 8.30am GMT this morning at Shoreditch House, Ebor Street, Shoreditch, East London E1 6AW. The presentation will be available on the UBC website at [www.ubcmedia.com](http://www.ubcmedia.com)

**Enquiries:**

Simon Cole, CEO, UBC Media Group plc  
Diane Barnes or Verity Williams, Portland for UBC  
Sarah Jacobs, Seymour Pierce for UBC

Tel: 020 7453 1600  
Tel: 020 7404 5344  
Tel: 020 7107 8000

## **OPERATING REVIEW BY BUSINESS**

UBC Media Group has adopted IFRS and this Interim Statement is prepared in accordance with the provisions of IFRS.

### **Strong performance by the core businesses continue to underpin the Group's development strategy**

UBC Media Group has delivered a positive set of results for the six month period to 30 September 2007, with turnover from continuing activities up 9.7% at £7.57 million (2006: £6.90 million). The core businesses benefited in particular from a moderate recovery in radio advertising, while our digital content businesses continue to benefit from growth both in commissions from the BBC as well as in breaking new ground in online and TV content.

### **Consumer Launch of Cliq™**

This interim results announcement coincides with the commercial launch of Cliq™ - the innovative service UBC has developed which allows consumers to instantly buy the music they like as they hear it on the radio. In its launch version Cliq™ is available on any 'JAVA' capable mobile phone - which is 85% of the current handset market. Cliq™ is initially broadcasting on Heart, Galaxy, Smooth, Real, Magic, Heat and Century, reaching approximately 30% of radio listening in London, and available in every major UK radio market from launch.

As the radio industry adapts to the new digital economies, we believe that Cliq™ has a vital role to play in converting passive listeners to active customers. Although the application will concentrate initially on selling music to the 31 million people who listen to commercial radio every week, it is essentially an e-commerce application which will be used in future by stations to create direct retail relationships with their listeners.

In an important development, Imagination Technologies, the leading producer of DAB digital radios, has announced plans to launch a new generation of PURE digital radios capable of operating the Cliq™ service in 2008. We expect a number of other major manufacturers of DAB radios will follow suit with the launch in the next 12-18 months of products that are compatible with Cliq™, with the expansion of the full service onto mobile telephony devices following in 2009.

The consumer launch of Cliq™ is the most ambitious investment yet undertaken by UBC. It remains our view that in the first 12 months consumer demand for Cliq™ will grow only slowly, and that significant growth will occur from late 2008 onwards as the number of devices incorporating the service as standard increases. We expect to be able to provide the first significant update on the performance of Cliq™ after 6 months trading.

### **Continuing recovery in radio advertising**

	<b>2007</b>	<b>2006</b>	<b>%</b>
	<b>£m</b>	<b>£m</b>	<b>change</b>
<b>Networked programming</b>	<b>5.44</b>	<b>4.81</b>	<b>+13.1</b>

In the first six months of the new financial year UBC's networked programming business reported revenues 13.1% ahead at £5.44 million (2006: £4.81 million). The first six months of the new financial year saw a continuing recovery in radio advertising from the depressed levels seen in the final quarter of 2006. Although this recovery is uneven and visibility remains limited, UBC remains confident that in its networked programming business it has a model which will benefit from the increasingly fragmented media marketplace. UBC's network packages now offer advertisers 60% of the UK's commercial radio audience in a week. Sponsorship & Promotions revenues have also been strong in the period and major contract wins include the Department of Health's 'Big Quit' radio campaign.

#### **Growth of UBC's digital content business**

	<b>2007</b>	<b>2006</b>	<b>%</b>
	<b>£m</b>	<b>£m</b>	<b>change</b>
<b>Digital content</b>	<b>1.68</b>	<b>1.43</b>	<b>+17.5</b>

UBC's digital content business reported revenues up 17.5% in the six months to 30 September 2007 at £1.68 million (£1.43 million). Both of the Group's digital content businesses performed well in the period, as they continue to benefit from the Group's strategy of broadening their activities into areas other than radio. Smooth Operations, UBC's regional production business, delivered its first major television commission in the period; while our London-based production business, Unique, continues to extend its network of customers, and now generates a third of its business from non-BBC sources.

#### **Investing in an international radio software business**

	<b>2007</b>	<b>2006</b>	<b>%</b>
	<b>£m</b>	<b>£m</b>	<b>change</b>
<b>Digital software</b>	<b>0.46</b>	<b>0.66</b>	<b>-30.3</b>

In the six months to 30 September 2006 UBC reported revenues of £458,000 (2006: £659,000). UBC's Digital Software business continues to benefit from its main customer, XM Radio, in the United States. In the period UBC has reduced the amount of small value, lower margin contract work it undertakes and as a result margins have improved at the expense of turnover.

#### **Discontinued operations**

UBC's results for the six months to 30 September 2007 include a three month contribution from Classic Gold Digital, covering the period prior to the sale of the Classic Gold Digital network in June 2007. Classic Gold Digital delivered turnover in the period of £1.02 million (£2.16 million in the full six months to 30 September 2006).

UBC reported a profit from discontinued operations of £674,000. The sale of Classic Gold Digital reflected the Group's strategy of focusing on providing services to the radio industry and withdrawing from the ownership of radio licences and operation of radio stations. UBC received cash proceeds of £3.95 million from the sale of its 80% shareholding in the Classic Gold Digital network and the proceeds will be invested in the launch of the Group's music downloading service.

### **Investing in Multiplex ownership**

UBC is a member of the 4 Digital Group consortium led by Channel 4 which in July 2007 was awarded the second national DAB multiplex. UBC's investment in 4 Digital Group fits well with the Group's strategy of focusing on the supply of services to the radio industry. UBC's technical expertise and track record in the supply of software products to the radio industry will be a valuable element of the services offered by the multiplex. UBC is also a shareholder in the MXR consortium which operates regional digital radio multiplexes covering North East and North West England, the West Midlands and South Wales and the Severn Estuary.

### **Board of Directors**

Jennifer Donald has announced her intention to resign as Finance Director of UBC Media Group in order to fulfil a longstanding ambition to sail around the world. Gavin Rigby, Financial Controller of UBC for the last four years will become UBC's acting Finance Director while a permanent replacement is sought. John Quinn has been appointed Chief Operating Officer, overseeing the Company's day to day business and allowing Chief Executive Simon Cole to focus on the important launch of the Cliq™ business. Matthew Honey is on sabbatical and has stood down from the board.

### **Prospects**

The full consumer launch of Cliq™ is a key milestone in the Company's history. The creation of a service that allows listeners to purchase music directly from the radio is the most ambitious investment undertaken by the Company. We have invested heavily in the last couple of years developing, testing and refining the service and are excited about the prospects for this new business. However, we expect it will be some months before it is possible to accurately gauge its success with consumers. In the meantime, UBC's core businesses continue to trade strongly. Advertising revenues in October and November outperformed the industry and these signs of improved trading conditions give the Board confidence of the Group's performance in the full year.

## **FINANCIAL REVIEW**

For the financial year ended 31 March 2008 UBC Media Group is required to report its results under International Financial Reporting Standards ("IFRS"). Accordingly, the results reported in this announcement have been prepared in accordance with the recognition and measurement bases of IFRS and the comparative figures for 2007 have been restated in accordance with the relevant transitional rules.

### **Investment in Digital Music Downloading**

In the six-months to 30 September 2007 UBC invested £909,000 (2006: £552,000) in the development of Cliq™, its digital music downloading service, of which £472,000 (2006: £470,000) was capitalised.

### **Sale of Classic Gold Digital**

In June 2007 UBC completed the sale of the 18 AM licences and associated digital radio licences comprising the Classic Gold Digital network to GCap Media plc. UBC received cash proceeds from the sale of £3.95 million and reported a profit on the disposal of £674,000.

### **Expenditure on Digital Radio**

In the six-months to 30 September 2007 UBC spent £348,000 (2006: £494,000) on transmission of Classic Gold Digital on digital multiplexes, primarily covering Northern England. In the period to 30 September 2007 the Group has provided a total of £2.5 million, representing the estimated discounted future cost of transmitting on the digital multiplexes which are no longer required following the sale of the Classic Gold Digital network. In addition, UBC made joint venture investment of £314,000 (2006: £321,000) in Onword Radio.

### **Investment in 4 Digital Group**

UBC is a shareholder in the 4 Digital Group consortium, which in July 2007 was awarded the second national DAB multiplex. In the six months to 30 September 2007 UBC invested £150,000 in 4 Digital Group. UBC is committed to investing a maximum of a further £250,000 in the launch of the second national DAB multiplex.

### **Cash Flow**

In the six-months to 30 September 2007 UBC had a cash inflow from operations of £420,000 (2006: -£2.32 million).

### **Cash**

At 30 September 2007, UBC had cash in the bank of £5.0 million (2006: £4.2 million).

### **Loss per Share**

In the six months to 30 September 2007 UBC reported basic and diluted earnings per share of -0.17p (2006: 0.02p) from continuing operations and basic and diluted earnings per share of 0.18p (2006:

-0.13p) from continuing and discontinued operations.

**Dividend**

The Board is not recommending the payment of an interim dividend.

## CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Unaudited Six months ended 30-Sep-07 £'000	Unaudited Six months ended 30-Sep-06 £'000	Audited Full year ended 31-Mar-07 £'000
<b>Continuing operations</b>			
Revenue	7,571	6,897	13,245
Cost of sales	-5,735	-5,015	-9,810
<b>Gross profit</b>	<b>1,836</b>	<b>1,881</b>	<b>3,435</b>
Administrative expenses before impairment of fixed asset investment and development costs	-1,402	-1,522	-2,923
Impairment of fixed asset investment	-	-	-305
Costs associated with development of music downloading	-437	-82	-511
<b>Total administrative expenses</b>	<b>-1,839</b>	<b>-1,604</b>	<b>-3,749</b>
<b>Operating (loss)/profit</b>	<b>3</b>	<b>277</b>	<b>-309</b>
Investment revenues	43	52	102
Finance costs	-	7	-13
Other gains and losses	-	65	112
Share of results of joint ventures	-314	-283	-610
<b>(Loss)/profit before tax</b>	<b>-247</b>	<b>103</b>	<b>-723</b>
Tax	-74	-74	-139
<b>(Loss)/profit for the period from continuing operations</b>	<b>-321</b>	<b>29</b>	<b>-862</b>
<b>Discontinued operations:</b>			
Profit/(loss) for the period from discontinued operations	674	-262	-381
<b>Profit/(loss) for the period</b>	<b>353</b>	<b>-233</b>	<b>-1,243</b>
<b>Earnings per share</b>			
From continuing operations			
Basic	-0.17	0.02	-0.45
Diluted	(0.1)	0.02	(0.4)
From continuing and discontinued operations			
Basic	0.13	(0.1)	(0.6)
Diluted	0.13	(0.1)	(0.6)



## CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Unaudited Six months ended 30-Sep-07 £'000	Unaudited Six months ended 30-Sep-05 £'000	Audited Full year ended 31-Mar-07 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	2,834	2,834	2,834
Intangible assets	1,920	867	1,452
Property plant and equipment	235	252	265
Interest in joint ventures	-	305	-
Available-for-sale financial assets	150	-	-
	<b>5,139</b>	<b>4,258</b>	<b>4,551</b>
<b>Current assets</b>			
Inventory: work in progress	47	17	45
Trade and other receivables	3,709	5,024	5,314
Assets held for sale	-	-	40
Cash and cash equivalents	5,003	4,213	1,933
	<b>8,759</b>	<b>9,257</b>	<b>7,332</b>
<b>Total assets</b>	<b>13,898</b>	<b>13,515</b>	<b>11,883</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	-3,104	-4,475	-3,785
Liabilities held for sale	-	-232	-241
Share of net liabilities of joint ventures	-	-49	-
	<b>-3,104</b>	<b>-4,756</b>	<b>-4,026</b>
<b>Net current assets</b>	<b>5,655</b>	<b>4,501</b>	<b>3,306</b>
<b>Non-current liabilities</b>			
Deferred tax liability	-223	-74	-149
Provisions	-2,513	-	-
	<b>-2,736</b>	<b>-74</b>	<b>-149</b>
<b>Total liabilities</b>	<b>-5,840</b>	<b>-4,830</b>	<b>-4,175</b>
<b>Net assets</b>	<b>8,058</b>	<b>8,685</b>	<b>7,708</b>
<b>EQUITY</b>			
Share capital	1,927	1,893	1,927
Shares to be issued	-	494	-
Share premium account	18,675	18,182	18,675
Other reserves	-801	-801	-801
Accumulated losses	-11,744	-11,085	-12,095
<b>Total equity</b>	<b>8,058</b>	<b>8,685</b>	<b>7,708</b>

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Unaudited Six months ended 30-Sep-07 £'000	Unaudited Six months ended 30-Sep-06 £'000	Audited Year ended 31-Mar-07 £'000
<b>Cash flows from operating activities</b>			
Cash from/(used in) operations	420	-2,313	-2,765
Cash used in discontinued operations	-245	-245	-373
Tax paid	-	-	-15
<b>Net cash from/(used in) operating activities</b>	<b>175</b>	<b>-2,574</b>	<b>-3,153</b>
<b>Investing activities</b>			
Interest received	33	40	102
Proceeds from disposal of trade and assets of subsidiary	3,755	-	-
Investment in multiplex	-140	-	-
Disposal of interest in joint venture	-	65	65
Distribution received from trading investment	30	-	-
Investment in joint venture	-315	-311	-642
Deferred consideration on prior period acquisition	-	-	-741
Purchase of property, plant and equipment	-31	-163	-237
Investment in intangible assets	-472	-470	-1,111
<b>Net cash from/(used in) investing activities</b>	<b>2,855</b>	<b>-823</b>	<b>-2,563</b>
<b>Financing activities</b>			
Proceeds on issue of ordinary shares	-	2,943	2,972
<b>Net cash from financing activities</b>	<b>-</b>	<b>2,943</b>	<b>2,972</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,070</b>	<b>-457</b>	<b>-2,744</b>
Cash and cash equivalents at beginning of period	1,933	4,677	4,677
<b>Cash and cash equivalents at end of period</b>	<b>5,003</b>	<b>4,213</b>	<b>1,933</b>
Cash and cash equivalents	5,003	4,213	1,933
<b>Cash and cash equivalents at end of period</b>	<b>5,003</b>	<b>4,213</b>	<b>1,933</b>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Share Capital	Shares to be issued	Share premiu m account	Other reserves	Accumulate d losses	Total £'000	Minority interest	Total
	£'000	£'000	£'000	£'000	£'000		£'000	£'000
<b>At 1 April 2006 as previously reported</b>	1,748	494	15,389	-801	-10,395	6,435	-492	5,943
Changes in accounting policy relating to first time adoption of IFRS					-457	-457	492	35
<b>At 1 April 2006 as restated</b>	1,748	494	15,389	-801	-10,852	5,978	-	5,978
New share capital subscribed	150		2,793			2,943		2,943
Loss for the period					-233	-233		-233
<b>At 30 September 2006 as restated</b>	1,898	494	18,182	-801	-11,085	8,688	-	8,688
New share capital subscribed	29	-494	494			29		29
Loss for the period					-1,010	1,010		-1,010
<b>At 31 March 2007 as restated</b>	1,927	-	18,676	-801	-12,095	7,707	-	7,707
Profit for the period					351	351		351
<b>At 30 September 2007</b>	1,927	-	18,676	-801	-11,744	8,058	-	8,058

## **NOTES TO THE UNAUDITED INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

### **1. Presentation of financial information and accounting policies**

The Group prepared its consolidated financial statements under UK GAAP up to and including the year ended 31 March 2007. From April 2007 onwards the Group is required to prepare its consolidated financial statements in accordance with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") in accordance with European Union regulations.

These results for the six months ended 30 September 2007 are the Group's first interim results reported under IFRS. The first annual report under IFRS will be for the year ending 31 March 2008. This document includes an explanation of how the Group's reported performance and financial position are impacted by this change. As the Group's interim results have been prepared under IFRS, the accounting policies applied to the interim results are not the same as those presented in the 2007 annual report. The Group's revised accounting policies under IFRS are presented below. The comparative information contained within this document has been restated under these new accounting policies and reconciliations to the UK GAAP profits as previously reported are provided in Appendix 1. Reconciliations explaining how the Group's consolidated statements of equity have been restated are also included in Appendix 1.

The Group has taken advantage of the exemption available under IFRS 2 share based payments and IFRS 3 business combinations and as such no adjustments relating to these standards have been included in the restated comparatives for the six months ended 30 September 2007. For the interim results for the six months ended 30 September 2007, a restatement of the opening balance sheet at

1 April 2006 has been made to align the Group's 2007 opening position, resulting in a decrease in equity of £457,000.

#### **Principal accounting policies**

The principal accounting policies set out below have been consistently applied to all the periods presented in this interim statement.

#### **Basis of preparation**

The interim statement has been prepared in accordance with the recognition and measure basis of IFRS for the first time. The disclosures required by IFRS 1 in respect of the transition from UK GAAP to IFRS are provided for in these notes.

#### **Basis of consolidation**

##### **(a) Subsidiaries**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Intra-group sales and profits are eliminated on consolidation. Where a consolidated company is less than 100% owned by the Group, the minority interest share of its results and net assets are

recognised at each reporting date. Where a company has net liabilities, no asset is recorded within minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities.

As permitted by Section 230 of the Companies Act of 1985, a separate profit and loss account is not presented for UBC Media Group plc.

### **(b) Joint Ventures**

Joint ventures are accounted for using 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 as goodwill. The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement and as a movement in the Group's share of joint ventures' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised directly in equity. Losses of the joint ventures in excess of the Group's interest in those joint ventures are not recognised. Where a Group company transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, and excludes intra-group sales, Value Added Tax and trade discounts. Turnover comprises:

- Sale of programmes and content: The value of goods and services supplied is recognised on delivery of content. Production costs are recognised on the same date as the relevant turnover.
- Sale of advertising time: Advertising revenue is recognised on the date the relevant advertisement appears. Advertising revenue is recognised gross where the Group is exposed to the majority of the risks and rewards of the transactions and, as such, acts as principal. Where the Group does not bear the majority of the risks and rewards of the transactions it assumes the role as agent and revenue is recognised net of associated costs.

### **Goodwill**

Goodwill represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Deferred consideration on acquisitions is provided based on the directors' best estimate of the liability at the balance sheet date. The liability is discounted and an imputed interest charge is included in the income statement. Changes to estimates of amounts payable are made to deferred consideration and goodwill.

### **Intangible assets**

#### *Acquired intangibles assets*

Intangible assets are included at cost less provision for impairment, if applicable. 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.

#### *Internally generated intangible assets*

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is charged to write off the cost of these fixed assets to their residual value over their expected useful lives, using the straight-line method, on the following basis:

	<b>%</b>
Technical equipment	50
Computer equipment	33 <sup>1</sup> / <sub>3</sub>
Office equipment	20

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### **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.

### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and deposits with an original maturity of three months or less, net of overdrafts.

### **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and more frequently if there is an indication that the asset may be impaired.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where broadcasting licences remain unutilised by the Group and have not been sublet, provision is made in full for the outstanding lease payments together with other outgoings for the remaining period of the licence. This provision takes into account any future sublet income reasonably expected. Future licence payments are charged against this provision in the period in which they are made.

### **Share capital**

Ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

### **Employee benefits**

The retirement benefits for employees are provided by a defined contribution scheme, which is funded by contributions by employees with a Group contribution for certain employees only. The amount charged to the income statement is the contribution payable in the year by Group companies.

### **Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement over the lease term on a straight-line basis.

### **Share-based payment transactions**

The Group has applied the requirements of IFRS 2 'Share-based payment'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that remained unvested as of 1 January 2005.

Certain employees receive remuneration in the form of share-based payments, including shares or rights over shares. The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the vesting date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors at that date, will ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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.



## **Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange-rate ruling on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the year-end are re-translated at the exchange rate ruling at the balance sheet date. Exchange differences arising from re-translation at the settlement date or balance sheet date are included in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not converted.

## **Segment reporting**

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Segment result is segment-operating profit stated before the share of results of joint ventures.

## **Financial instruments**

Financial assets are accounted for on the trade date. Financial assets and financial liabilities principally include the following:

### *Trade receivables*

Trade receivables do not carry interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

### *Available-for-sale financial assets*

Available-for-sale financial assets are initially measured at cost, including transaction costs and at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the net profit or loss for the period. Impairment losses recognised in profit or loss for equity instruments classified as available-for-sale are not subsequently reversed through profit or loss.

### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to the income statement as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

*Trade payables*

Trade payables are not interest bearing and are stated at their fair value.

*Derivative financial instruments*

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

## **Appendix 1**

### **First-time adoption of International Financial Reporting Standards**

This interim statement has been prepared in accordance with the revised accounting policies set out in note 1 above. These policies have been revised from those published in the Group's 2007 Report and Accounts following the Group's transition to reporting under IFRS. The following notes and reconciliations provide an explanation of the impact of the transition to IFRS.

#### **First-time adoption of IFRS**

The rules for first-time adoption of IFRS are set out in IFRS 1 'First Time Adoption of International Financial Reporting Standards'. The Group is required to establish its IFRS accounting policies which it will use to prepare its results for the year to 31 March 2008 and, in general, apply these retrospectively to determine its opening balance sheet under IFRS at the date of transition, 1 April 2006. The standard permits certain optional exemptions from this general principle. The Group has elected to take the following principal exemptions and the information presented has been prepared on this basis.

##### *Share-based Payments (IFRS 2, "Share-based Payment")*

The Group has elected to apply IFRS 2 to all relevant share-based payment transactions granted on or before 7 November 2002 and after 7 November 2002 that had not vested before the later of a) transition date and b) 1 January 2005.

##### *Business combinations prior to the date of transition (IFRS 3, "Business Combinations")*

The Group has elected not to apply IFRS 3 retrospectively to business combinations which occurred prior to the date of transition.

#### **Reconciliation of UK GAAP to IFRS**

The following reconciliations are presented below in order to explain the effect of the transition to IFRS and to show how the comparative results have been restated.

- Reconciliation of profit for the six months ended 30 September 2006
- Reconciliation of profit for the year ended 31 March 2007
- Reconciliation of equity at 1 April 2006
- Reconciliation of equity at 30 September 2006
- Reconciliation of equity at 31 March 2007

The IFRS adjustments included within these reconciliations are explained below.

## Appendix 1 (cont)

### First-time adoption of International Financial Reporting Standards (cont)

#### RECONCILIATIONS FROM UK GAAP TO IFRS

#### UNAUDITED RECONCILIATION TO PROFIT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	UK GAAP £'000	Goodwill amortisation £'000	Minority interest £'000	Discontinued operations £'000	Other £'000	IFRS £'000
		Note (c)	Note (c)	Note (c)	Note (e)-(f)	
<b>Continuing operations</b>						
Revenue	9,012			-2,155		<b>6,857</b>
Cost of sales	-6,617			1,603		<b>5,015</b>
<b>Gross profit</b>	<b>2,433</b>	-	-	<b>-552</b>	-	<b>1,881</b>
Administrative expenses	-2,601	265		814	-1	<b>1,552</b>
Costs associated with development of music downloading	-82					<b>-82</b>
<b>Operating (loss)/profit</b>	<b>-210</b>	<b>265</b>	-	<b>262</b>	<b>-1</b>	<b>277</b>
Investment revenues	52					<b>52</b>
Finance costs	-				-7	<b>-7</b>
Other gains and losses	65					<b>65</b>
Share of results of joint ventures	-283					<b>-283</b>
<b>(Loss)/profit before tax</b>	<b>-415</b>	<b>265</b>	-	<b>262</b>	<b>-10</b>	<b>103</b>
Tax	-				(74)	<b>-74</b>
<b>(Loss)/profit for the period from continuing operations</b>	<b>-415</b>	<b>265</b>	-	<b>262</b>	<b>-84</b>	<b>277</b>
<b>Discontinued operations:</b>						
Loss for the period from discontinued operations	-			-262		<b>-262</b>
<b>Loss for the period</b>	<b>-415</b>	<b>265</b>	-	<b>-</b>	<b>-84</b>	<b>-233</b>
Equity minority interest	63		-63			-
<b>Group loss for the period</b>	<b>-347</b>	<b>265</b>	<b>-63</b>	<b>-</b>	<b>-84</b>	<b>-233</b>

## Appendix 1 (cont)

### First-time adoption of International Financial Reporting Standards (cont)

#### RECONCILIATIONS FROM UK GAAP TO IFRS

#### AUDITED RECONCILIATION TO PROFIT FOR THE YEAR ENDED 31 MARCH 2007

	UK GAAP £'000	Goodwill amortisation £'000	Joint ventures £'000	Minority interest £'000	Discontinued operations £'000	Other Not (e - (£)	IFRS £'000
		Note (c)	Note (k)	Note (c)	Note (c)		
<b>Continuing operations</b>							
Revenue	17,623				-4,382		<b>13,241</b>
Cost of sales	-12,981				3,181		<b>-9,800</b>
<b>Gross profit</b>	<b>4,642</b>	-	-	-	-1,201	-	<b>3,441</b>
Administrative expenses	-5,114	581			1,683	22	<b>-2,928</b>
Impairment fixed asset investment	-306						<b>-306</b>
Costs associated with development of music downloading	-511						<b>-511</b>
<b>Operating loss</b>	<b>-1,284</b>	<b>581</b>	<b>-</b>	<b>-</b>	<b>402</b>	<b>22</b>	<b>-309</b>
Investment revenues	105				3		<b>108</b>
Finance costs	-					-13	<b>-13</b>
Other gains and losses	112						<b>112</b>
Share of results of joint ventures	-683		23				<b>-660</b>
<b>Loss before tax</b>	<b>-1,685</b>	<b>581</b>	<b>23</b>	<b>-</b>	<b>399</b>	<b>4</b>	<b>-723</b>
Tax	23				-13	(14)	<b>-139</b>
<b>Loss for the period from continuing operations</b>	<b>-1,662</b>	<b>581</b>	<b>23</b>	<b>-</b>	<b>386</b>	<b>-145</b>	<b>-862</b>
<b>Discontinued operations:</b>							
Loss for the period from discontinued operations	-				-381		<b>-381</b>
<b>Loss for the period</b>	<b>-1,662</b>	<b>581</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-145</b>	<b>-1,243</b>
Equity minority interest	112			-112			<b>-</b>
<b>Group loss for the period</b>	<b>-1,550</b>	<b>581</b>	<b>23</b>	<b>-112</b>	<b>-</b>	<b>-145</b>	<b>-1,243</b>

## Appendix 1 (cont)

### First-time adoption of International Financial Reporting Standards (cont)

#### RECONCILIATIONS FROM UK GAAP TO IFRS

#### AUDITED RECONCILIATION OF CONSOLIDATED STATEMENT OF EQUITY AS AT 1 APRIL 2006

	Note	Share Capital £'000	Shares to be issued £'000	Share premium account £'000	Other reserves £'000	Accumulated losses £'000	Total £'000	Minority interest £'000
<b>At 1 April 2006 as previously reported</b>		<b>1,748</b>	<b>494</b>	<b>15,389</b>	<b>-801</b>	<b>-10,395</b>	<b>6,435</b>	<b>-492</b>
Minority interest	c					-492	-492	492
Holiday benefits	e					-62	-62	
Loan interest	f					114	114	
Other	g					-17	-17	
<b>At 1 April 2006 as restated</b>		<b>1,748</b>	<b>494</b>	<b>15,389</b>	<b>-801</b>	<b>-10,852</b>	<b>5,978</b>	<b>-</b>

#### UNAUDITED RECONCILIATION OF CONSOLIDATED STATEMENT OF EQUITY AS AT 30 SEPTEMBER 2006

	Note	Share Capital £'000	Shares to be issued £'000	Share premium account £'000	Other reserves £'000	Accumulated losses £'000	Total £'000	Minority interest £'000
<b>At 30 September 2006 as previously reported</b>		<b>1,898</b>	<b>494</b>	<b>18,182</b>	<b>-801</b>	<b>-10,742</b>	<b>9,031</b>	<b>-561</b>
Goodwill amortisation	a					266	266	
Minority interest	c					-561	-561	561
Holiday benefits	e					-71	-71	
Loan interest	f					105	105	
Other	g					-82	-82	
<b>At 30 September 2006 as restated</b>		<b>1,898</b>	<b>494</b>	<b>18,182</b>	<b>-801</b>	<b>-11,085</b>	<b>8,688</b>	<b>-</b>

#### AUDITED RECONCILIATION OF CONSOLIDATED STATEMENT OF EQUITY AS AT 31 MARCH 2007

	Note	Share Capital £'000	Shares to be issued £'000	Share premium account £'000	Other reserves £'000	Accumulated losses £'000	Total £'000	Minority interest £'000
<b>At 31 March 2007 as previously reported</b>		<b>1,927</b>	<b>-</b>	<b>18,676</b>	<b>-801</b>	<b>-11,940</b>	<b>7,862</b>	<b>-604</b>
Goodwill amortisation	a					531	531	
Joint venture	b					28	28	
Minority interest	c					-604	-604	604
Holiday benefits	e					-57	-57	
Loan interest	f					96	96	
Other	g					-149	-149	
<b>At 31 March 2007 as restated</b>		<b>1,927</b>	<b>-</b>	<b>18,676</b>	<b>-801</b>	<b>-12,095</b>	<b>7,707</b>	<b>-</b>



## **Appendix 1 (cont)**

### **First-time adoption of International Financial Reporting Standards (cont)**

#### **Notes to IFRS adjustments**

##### **a) IFRS 3 Business combinations - Goodwill**

Under IFRS goodwill is not amortised. IFRS 3, "Business Combinations" requires that goodwill is subject to annual impairment reviews. As the Group has elected not to apply IFRS 3 retrospectively to business combinations which occurred prior to 1 April 2006, the UK GAAP goodwill balance at 31 March 2006 has been included in the opening IFRS balance sheet at 1 April 2006. Goodwill amortisation charged to the income statement in the period to 31 March 2007 has been added back to profits.

The Group has also conducted an impairment review of goodwill at 1 April 2006 in accordance with the requirements of IAS 36 Impairment of Assets. No opening IFRS impairment charge on goodwill has been done. Under UK GAAP, where no indicator of impairment was apparent to management, no review was required to be performed. Under IFRS an impairment review is required of all goodwill balances regardless of whether or not an indication of impairment is apparent.

##### **b) IAS 28 Investment in associates – Joint venture**

IAS 28 establishes a principal of equity accounting whereby, when an investor's share of losses of an associate equals or exceeds its "interest in the associate", the investor discontinues recognising its share of further losses. As the Group equity-accounts for its investments in joint ventures, this principal is also applied where the Group has incurred losses in excess of the joint venture investment. These amounts have been added back to profit for the period.

If the joint ventures subsequently reports profits, the Group will resume recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

##### **c) IAS 27 Consolidated and separate financial statements – Minority interest**

Where losses applicable to the minority exceed the minority interest in the equity of the relevant subsidiary, the excess, and any further losses attributable to the minority, are charged to the group unless the minority has a binding obligation to, and is able to, make good the losses.

The Group has adjusted its profits by the previously reported recoverable minority interest.

##### **d) IFRS 5 Non-current assets held for sale and discontinued operations**

Non-current assets held for sale and the assets of a disposal group held for sale are presented separately from other assets in the balance sheet. Similarly, the liabilities of



a disposal group held for sale are presented separately from other liabilities in the balance sheet.

The Group has reclassified assets and liabilities disposed of as part of the sale of the trade and assets of Classic Gold Digital Limited.

**e) IAS 19 Employee benefits – Holiday benefit**

Under IAS 19, all accumulating employee-compensated absences that are unused at the balance sheet date must be recognised as a liability. There is no similar requirement under UK GAAP. Employee benefits which fall within the scope of IAS 19 have been recognised in the Group's balance sheet.

**f) IAS 39 Financial instruments and measurement**

IAS 39 requires loans to be carried at amortised cost calculated using the effective interest rate method. The Group has measured the £337,000 interest free loan from GCAP Media plc on this basis. The difference between the nominal value of the loan and the present value at the date of inception has been taken to equity. The implied interest charge on remeasurement is taken to profit for the period.

**g) Other**

Other adjustments have been made in respect IAS 16 Property plant and equipment and IAS 12 Income taxes.