UBC media group

Transforming the way we listen to radio…

ANNUAL REPORT AND ACCOUNTS 2003

PRINCIPAL SUBSIDIARIES

Unique is the largest independent producer of customised audio content in the UK. The company ranks as a leading supplier of both commissioned programmes to the BBC and syndicated programmes to the commercial radio sector.

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

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

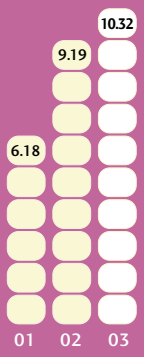
Unique Interactive specialises in the development and sale of software for the management and delivery of media content to both the analogue and digital radio sectors.

PRINCIPAL JOINT VENTURES

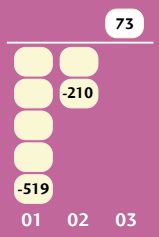
UBC holds a 50% interest in Oneword Radio. The Sony Radio Academy Award-winning station is the only national commercial digital radio station dedicated to the spoken word.

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

Group Turnover
2001 – 2003
(£million)



Operating Profit/(Loss)*
2001 – 2003
(£'000)



*Operating profit/(loss) before goodwill and development.

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Financial Highlights

Turnover increased 12.3% to £10.32 million (2002: £9.19 million)

Operating Profit for the year before goodwill and development totalled £73,000 (2002: -£210,000) and operating loss after amortisation, development costs and joint ventures totalled -£2.21 million (2002: -£3.03 million)

At 31 March, 2003 UBC has cash in the bank of £3.35 million (2002: £1.17 million)

UBC is one of the UK's top-ranking independent radio production companies

In 2003 UBC produced 500 hours of commissioned programming for the BBC. UBC's output for BBC Radio covers the whole range of its output: from contemplative programmes, to award-winning documentaries; from classic comedies, to the latest in contemporary music.

Craig David
Bob Monkhouse
Craig David performing in *Live from the Stables* and a new series from the veteran funny-man of *The Monkhouse Archive* were just part of Unique's output during the year for BBC Radio.

AA Roadwatch

Traffic & Travel News
The launch of the syndicated traffic and travel news service, *AA Roadwatch*, with a total reach of 9.7 million, potentially doubles the size of UBC's bartered airtime sales business.

Chairman's Statement

I am pleased to be able to report a further year of strong growth for UBC Media Group, with results ahead of market expectations.

Revenues for the Group increased by 12.3% to £10.3 million (2002: £9.19 million), and profits before development and goodwill increased to £73,000, compared to a loss of -£210,000 in the preceding period.

The past year has been one of performance and delivery. All parts of the Group performed well in the face of what continues to be a difficult trading environment. In addition, we continued to deliver on the business objectives we set ourselves at the time of our AIM flotation in June 2000 and repeated at the fund-raising at the start of the financial year.

The rollout of UBC's digital strategy continues and the past year marked a number of important milestones for the industry. Not least of these was the launch in the second half of the year of the first sub-£100 DAB digital radio, and the enthusiastic response of consumers. With the launch of new digital radios in the market and the prospect of the number of digital radios in use doubling again over the next 12 months, the all important question of 'when digital radio takes off' is fast being addressed by consumers.

At the same time, UBC's heritage businesses have continued to perform well; demonstrating the strength and resilience of the Group's range of activities, and the management team's ability to deliver both strong organic growth and to manage and extend the business in the face of harsh trading conditions.

UBC is a young and dynamic company, with a staff profile to match. The achievements of the past year would not have been possible without the wholehearted enthusiasm and support of all employees and I would like to take this opportunity on behalf of the Board to thank our staff for their contribution over the past year.

I am pleased to welcome Kelvin Harrison as a non-executive director of the Company. Kelvin brings to UBC considerable hands-on experience of growing medium-sized companies, and I believe his technology and engineering background and corporate experience will make him a valuable addition to the Board.

The current difficult trading environment shows no sign of easing. However, given the management team's record to date of delivering on performance targets, the Board continues to have confidence in the Company's prospects and I believe the outlook for the forthcoming year is encouraging.

Michael Peacock
Chairman

APRIL 2002

UBC completes a placing and open offer of 19.45 million shares raising £5.44 million (before expenses) to fund its digital audio and data strategy and repay a loan note issued to fund the acquisition of Classic Gold Digital.

JULY 2002

Classic Gold Digital secures digital carriage in London, extending the population coverage of Classic Gold Digital to 29 million – which ranks it as the third largest format on local digital multiplexes.

OCTOBER 2002

UBC awarded the contract to produce the commercial radio industry's weekly music chart show, *Hit 40 UK* (previously known as the *Pepsi Chart Show*), carried by 94 stations across the UK.

OCTOBER 2002

UBC and Capital Radio announce an agreement with Chrysalis Radio to launch the world's first DAB Digital Radio Electronic Programme Guide (EPG) network for the commercial radio sector, with the potential to reach an audience of 22.5 million.

Classic Gold Digital is one of the largest formats in digital radio

Classic Gold Digital is one of the top 'gold' formats in the UK, broadcasting a mix of hits from the 60's, 70's, 80's and 90's on both analogue and digital platforms. In 2003 Classic Gold Digital launched on digital in London. As a result, Classic Gold Digital now ranks as the third largest format broadcasting on local digital multiplexes, reaching a potential UK adult audience of 29 million.

Tony Blackburn
UBC is committed to building Classic Gold Digital's audience share. In April 2003, Classic Gold Digital launched a new weekday breakfast show hosted by the modern-day radio icon, Tony Blackburn.

Hit 40 UK
In 2003 UBC produced nearly 200 hours of commissioned programming for the commercial radio sector, including the relaunched chart show, *Hit 40 UK*, produced in association with Woolworths.

Chief Executive's Review of Operations

Our vision of an integrated production and broadcasting business well positioned for the radio industry's transition to digital has taken shape this year.

The development of our core production business, with the addition of the *AA Roadwatch* network, and the strong growth at Classic Gold Digital has meant we have taken the significant step of returning to operating profit earlier than had originally been anticipated. This has been achieved in a year when digital radio has stepped up a gear, consumer demand for receivers is strong and the value of the digital portfolio we have established through careful investment is becoming apparent.

Production

UBC produces a rich mix of audio programmes across a full range of music, news and speech-based formats and continually strives to extend the range and depth of its programming operations. The majority of the production division's output is for commissioned programmes under long-term contracts, and has historically benefited from both forward visibility and a high level of repeat business. Alongside this, our bartered network programming provides important revenue streams from the commercial sector.

In the year to 31 March 2003 UBC's radio production revenues were stable at £1.97 million (2002: £2.01 million), and operating margins were in line with the previous year. Major commissioned programmes produced for the BBC include *The Richard Allinson Show* and *Pick of the Pops* for BBC Radio 2 and *Something Understood* for Radio 4. During 2002 UBC was commissioned to produce the re-launched commercial radio sector *Hit 40 UK* chart show, sponsored by Woolworths. Looking ahead, we believe the launch of the BBC's five national digital radio networks creates new production opportunities for the Group. As the leading independent supplier of radio programmes to the BBC, these are opportunities UBC is well positioned to exploit.

The sale of airtime within the bartered programming formats created by UBC and syndicated across a network of commercial radio stations lies at the heart of UBC's historic business. Despite what continues to be a challenging environment for airtime sales, our commitment to this area of business was demonstrated by the launch in the final quarter of the *AA Roadwatch* traffic and travel news service, alongside our existing *Entertainment News*, *Bloomberg Business News* and comedy formats. The impact on the scale of UBC's airtime sales business of the launch of the *AA Roadwatch* service was immediate, with commercial revenues for the year up 12.1% at £2.59 million, compared to £2.31 million in 2002.

Traffic and travel news bulletins are viewed within the radio industry as a 'must-have' property and the launch of the *AA Roadwatch* service represents a step-change in UBC's airtime sales offering. As an indication of the change of scale that results from the launch of the *AA Roadwatch* service, UBC's *Entertainment News* format is carried by 68 stations reaching 6.2 million adult listeners, and *Bloomberg Business News* is carried by 79 stations reaching 3.6 million adult listeners; in contrast, *AA Roadwatch* is carried by 78 stations reaching 9.7 million adult listeners, and more than doubles both the number of impacts available to UBC to sell and the Company's share of the national radio advertising market. The launch of the *AA Roadwatch* service and the continued growth of sponsorship and promotions services to clients, such as Proctor & Gamble, demonstrate UBC's ability to deliver strong organic growth from within our traditional business. UBC's commercial airtime sales business enters the new financial year well positioned to benefit from any upturn in the radio advertising market when it occurs.

Classic Gold Digital

Classic Gold Digital has had a particularly strong year, demonstrating the commercial logic of our acquisition of these networks from GWR Group. Revenues were up 21.6% on the previous period, at £4.5 million, (2002: £3.7 million), in part reflecting a full-year's contribution from the final six stations acquired in the preceding period. In addition, Classic Gold Digital also delivered significant growth in sponsorship and promotions revenues.

Classic Gold Digital broadcasts a mix of hits from the 60's, 70's, 80's and 90's and is made up of a network of stations that carry national programming, customised locally to include news, traffic and travel, weather and other relevant information. Building audiences for the network has traditionally been hampered by the poor reception associated with broadcasting on AM frequencies. This presents UBC with both a challenge and an opportunity: the challenge of arresting the decline in audiences that has become a feature of AM radio broadcasting in the past decade; an opportunity, because we believe 'gold' formats potentially stand to gain the most from migration to digital, with its crystal clear broadcast quality.

We believe the challenge of declining audiences can only be met by investment in the stations that make up the Classic Gold Digital network. In the past year Classic Gold Digital has successfully defended its market share, despite increased competition in some of its main markets. UBC's commitment to invest in Classic Gold Digital continues, with the launch since the year-end of a new weekday breakfast show presented by Tony Blackburn, who has recently enjoyed a high media profile. The latest RAJAR results, which do not take account of the new breakfast programming, show that Classic Gold Digital has held its market share across the network and listening hours remain stable.

Classic Gold Digital forms a major part of UBC's digital strategy. We believe the model of national programming carried across a network of local digital outlets carries the best prospect of commercial success in the more competitive digital future by creating a major national music brand, while retaining the ability to sell local advertising. During the year UBC secured digital coverage for Classic Gold Digital in

NOVEMBER 2002

The MXR consortium wins its fifth regional digital licence for the Yorkshire region. The award brings the total potential audience for the five MXR multiplexes won to date to 17 million.

NOVEMBER 2002

UBC announces a three-year deal with the AA to distribute the traffic and travel news service, *AA Roadwatch*, to a network of radio stations throughout the UK. UBC's agreement with AA potentially doubles the size of UBC's bartered airtime business.

DAB digital radio is proving an immediate hit with consumers

The past year saw the launch of growing numbers of digital radios, including the first sub-£100 and first pocket-sized digital radios. We believe the potential to exploit its data broadcasting capabilities will be one of the key attractions of digital radio in the future. The development of the first prototype devices capable of receiving data services will transform the way consumers use radio.

Roberts Radios

With the launch of digital radios by household names in consumer electronics manufacturing, industry observers forecast the number of digital radios sold will double in the next year.

Radio Services

A strong performance from UBC's Radio Facilities and Services division was capped with the re-award of the contract to provide outside broadcast facilities to the Daily Mail Ideal Home and Ski and Snowboard shows.

Broadcast Software

In the past year, Unique Interactive's reputation as a market leader in software development for digital radio was reinforced by the sale of its products to some of the top radio broadcasting companies in the UK.

the all-important London market. With Classic Gold Digital's existing analogue and digital coverage, this extends Classic Gold Digital's audience to 29 million, ranking it as one of the largest digital formats in the United Kingdom. It is our intention that RAJAR will begin measuring Classic Gold Digital's audience on digital platforms from the second half of this year.

Facilities and Radio Services

UBC's radio services division, which trades as Unique Facilities, operates studio facilities for both the Group's internal use and for external clients. A major area of growth for the radio services division continues to be providing outside broadcast facilities to events such as the Ideal Home Show, The Ski & Snowboard Show and the Boat Show. Another area of growth continues to be the development of bespoke radio services to clients such as Gala Bingo. In spite of the continuing over-capacity in the London studio facilities market, in the year to 31 March 2003 UBC's radio services division delivered revenue growth, up 8.5% to £1.27 million (2002: £1.17 million).

Oneword Radio

During the year UBC increased its shareholding in the national digital commercial radio station, Oneword, from 33% to 50%, when our former partner Guardian Media Group opted to convert its shareholding in the station into a direct shareholding in UBC.

Oneword broadcasts a unique and critically acclaimed format dedicated to the spoken word. For the last three years Oneword has been nominated for the prestigious Sony Radio Academy Award – Digital Terrestrial Radio Station of the Year, winning the award on two successive occasions. One of the prime drivers of the take-up of DAB digital radio will come from extending consumer choice – this includes the creation of digital radio formats not available to listeners on traditional analogue platforms. Oneword very much fits this model – it is new and innovative and we believe will have substantial audience appeal. Since the year-end Oneword has published its first RAJAR audience figures – these are very encouraging and we are hopeful about prospects for the station as digital audiences grow.

Data Services & Broadcast Software

Since our flotation in 2000, UBC has consistently advocated that one of the key benefits of digital radio is its ability to broadcast data to portable devices at speeds higher than other mobile technologies. Our early recognition of this prospect enabled us to secure a leading position both as owners of data spectrum and developers of the software that will power future data services.

UBC's software development arm, Unique Interactive, specialises in the development and sale of software for the management and delivery of media content to both the analogue and digital radio sectors. Unique Interactive's main areas of focus in the past year continue to be on the development of the pioneering 'ManDLS' system for the management of the dynamic label segment (DLS) of scrolling text which accompanies digital broadcast; and development of an electronic programme guide (EPG), which potentially allows the creation of an interactive programming capability via an EPG-enabled device.

UBC became part of the MXR consortium in 2001 in order to secure data capacity on the multiplexes serving the major regions of England. This strategy has been highly successful: during the last year MXR was awarded the Yorkshire regional licence, to add to licences previously awarded to the consortium covering South Wales and the West, Northwest and Northeast England and the West Midlands. UBC has pooled its data capacity on these multiplexes with capacity owned by Capital Radio in South East England, to create an important data-broadcasting network, which we will be developing in the coming year. Successful exploitation of the data broadcasting capabilities of digital radio continues to depend upon the future development of data-enabled receivers. While UBC expects prototype devices to be developed in the next 12 months, the opportunity to exploit the data capability of digital radio remains a longer-term prospect.

Unique Interactive's software development revenues are at an early stage of development. During the last year, however, Unique Interactive has concluded a number of landmark deals, including agreements with SMG Radio and EMAP for use of Unique Interactive's ManDLS digital radio text technology; and agreements with Capital Radio and Chrysalis Radio to launch the world's first digital radio EPG network. Taken together, we believe UBC's investment in Unique Interactive is beginning to bear fruit.

Prospects

Sales of airtime in the first two months of the year were below target, in line with the rest of the industry, but have shown recent signs of recovery. Overall, revenues from airtime sales represent only one-third of UBC's turnover and the rest of the Group continues to operate in-line with expectations. Looking ahead, we remain confident of prospects for the full year.

The launch of affordable DAB digital radios in the final quarter of 2002 had a transforming impact on perceptions of digital radio and its prospects. Sales of receivers increased substantially in 2002, and look set to double again in 2003. The entry in the market in the past few months of household names in consumer electronics manufacturing, such as Goodmans and Roberts Radio, is a further indication of the rapidly improving environment for digital radio in 2003. The prospects for the business remain strong and UBC's commitment to be at the forefront of the development of digital radio ensures we are in prime position to take advantage of future opportunities as they arise.

Simon Cole
Chief Executive

DECEMBER 2002

UBC acquires part of Guardian Media Group's shareholding in Oneword Radio, increasing its shareholding in Oneword Radio to 50% in return for Guardian Media Group acquiring a shareholding in UBC.

FEBRUARY 2003

UBC announces Guardian Media Group's radio network is to join the *AA Roadwatch* service – joining a network of other radio groups, including Chrysalis, GWR Group, Capital Radio and Scottish Radio Holdings.

Board of Directors

MICHAEL PEACOCK
NON-EXECUTIVE CHAIRMAN

SIMON COLE
CHIEF EXECUTIVE

TIM BLACKMORE
GROUP EDITORIAL DIRECTOR

JENNIFER DONALD
FINANCE DIRECTOR

MATTHEW HONEY
MANAGING DIRECTOR,
UNIQUE INTERACTIVE

Michael Peacock (73)

Non-Executive Chairman

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

Simon Cole (45)

Chief Executive

Simon Cole founded Unique Broadcasting in 1989 in partnership with Tim Blackmore, having pioneered the market for national sponsored programmes whilst at Piccadilly Radio, where he was Head of Programmes. Simon is a Fellow of the Radio Academy and is Chairman of the Radio Academy's trading arm. Simon is a member of the Nominations Committee.

Tim Blackmore MBE (58)

Group Editorial Director

Tim Blackmore founded Unique Broadcasting in 1989 with Simon Cole, after a career in radio production with BBC Radio One and Capital Radio. He served as the first Director of the Radio Academy and was awarded an MBE for services to independent radio production. Tim has also been awarded a fellowship of the Radio Academy and is Chairman of the Sony Radio Academy Awards.

Jennifer Donald (48)

Finance Director

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

Matthew Honey (37)

Managing Director, Unique Interactive

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

JOHN QUINN
COMMERCIAL DIRECTOR

PROFESSOR ROGER SILVERSTONE
NON-EXECUTIVE DIRECTOR

PAUL PASCOE
NON-EXECUTIVE DIRECTOR

KEITH HARRIS
NON-EXECUTIVE DIRECTOR

KELVIN HARRISON
NON-EXECUTIVE DIRECTOR

John Quinn (46)

Commercial Director

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

Professor Roger Silverstone (58)

Non-Executive Director

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

Paul Pascoe (42)

Non-Executive Director

Paul Pascoe is a Non-Executive Director and Alternate Director for Noel Edmonds. Paul is Chief Executive Officer of the Unique Group of companies, which are engaged in television and event production, video communication and talent management. Paul is Chairman of the Remuneration Committee and a member of the Audit Committee.

Keith Harris (50)

Non-Executive Director

Keith Harris joined the Board as a Non-Executive Director in March 2002, having previously been retained by the Group as a consultant to advise on strategic and commercial issues. Keith has worked in investment banking for twenty-five years and has held senior executive positions at Morgan Grenfell, Drexel Burnham Lambert, Apax Partners & Co. and HSBC. Keith is Chairman of Seymour Pierce, financial advisers to the Company. He is Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.

Kelvin Harrison (48)

Non-Executive Director

Kelvin Harrison joined the Board as a Non-Executive Director in June 2003. He is a chartered engineer with significant experience of the software, electronics and communications sectors in various positions, including chief executive of public and private companies. Kelvin is also Chairman of IGG Component Technologies Limited, a non-executive director of Axon Group plc and Chief Executive of Azur Group Limited.

Noel Edmonds (54)

Non-Executive Director

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

Finance Director's Report

The financial highlights of UBC Media Group for the year to 31 March 2003 are as follows:

- Turnover increased 12.3% to £10.32 million (2002: £9.19 million)
- Gross Profit increased 8.4% to £3.24 million (2002: £2.99 million)
- Operating Profit for the year before goodwill amortisation and development totalled £73,000 (2002: -£210,000) and operating loss after goodwill amortisation and development totalled -£1.53 million (2002: -£2.33 million)
- Development costs in the year totalled £1 million (2002: £835,000)
- Administration Expenditure before goodwill and development marginally decreased by 0.9% to £3.17 million (2002: £3.2 million)
- At 31 March 2003 UBC had cash in the bank of £3.35 million, compared to £1.17 million at 31 March 2002.

Fund Raising and Use of Proceeds
In April 2002, UBC successfully completed a Placing and Open Offer of approximately 19.45 million ordinary shares in the Company, representing a 13.3% enlargement of the Company's issued share capital, raising £4.93 million (net of expenses). Following the retirement of a £1.35 million interest-bearing loan note issued to GWR Group that formed part of the consideration for the acquisition of the Classic Gold Digital network, UBC has committed the balance of the proceeds to finance the Company's digital strategy through to the generation of digital revenues.

Investment in Digital Radio
During the year to 31 March 2003 UBC invested the following amounts in its development strategy:

- investment of £679,000 (2002: £697,000), which includes goodwill amortisation and impairment, towards the development of Oneword Radio, The Digizone and the Digital News Network
- licence fees totalling £814,000 (2002: £548,000) for carriage of Classic Gold Digital on seven digital multiplexes covering Northern England and Greater London
- Data licence fees of £165,000 (2002: £193,000) for broadcasting a regional data service on 5 MXR digital multiplexes.

In addition, in December 2002 UBC increased its shareholding in Oneword Radio to 50%, following the purchase of part of Guardian Media Group's minority shareholding in the joint venture. The purchase did not result in an increase in the level of investment required to fund Oneword Radio in the year to 31 March 2003.

Cash Flow
During the year UBC had a cash inflow after adding back development costs of £292,000 (2002: £173,000), excluding working capital movements, which demonstrates that the Group's core business continues to be cash positive and our investment is solely dedicated to the Group's digital development strategy.

Intangibles and Development
In keeping with previous practice, UBC follows an accounting policy involving the write-off of development costs and digital intangibles to the Profit & Loss Account as they are incurred or acquired, since although technical feasibility has been proven, until DAB Digital Radio has a wider user-base than it currently has, its economic viability is not assured. Accordingly, during the year we wrote off the following items:

- Goodwill of £595,000, primarily relating to the Classic Gold Digital stations;
- £1,004,000 development expenditure incurred by the Group; and
- £679,000 comprising UBC's share of the investment in Oneword Radio, The Digizone and the Digital News Network.

UBC enters the new financial year with a strong financial structure and on target to deliver on its business plan.

Jennifer Donald
Finance Director

Financial Statements

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities

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

Directors and their interests

The names of the directors serving in the year and their interests at 31 March 2003 were as follows:

	Number of ordinary shares as at 31 March 2002	Number of ordinary shares as at 31 March 2003	Ordinary shares under option as at 31 March 2003
I.M. Peacock	11,211,000	11,231,000	–
S.A. Cole	28,713,000	28,498,714	–
T.J. Blackmore	28,713,000	27,580,857	–
J.H. Donald	18,800	18,800	3,725,299
M.A. Honey	4,800,000	4,121,429	4,017,935
J.P. Quinn	3,750,000	3,525,000	3,406,530
R.S. Silverstone	–	–	–
N.E. Edmonds	18,948,000	15,733,714	–
P.H.B. Pascoe	–	–	–
K.R. Harris (appointed 5 March 2002)	4,500,000	4,500,000	3,000,000
P.L. Sands (resigned 1 May 2002)	15,000	115,000	–

At 31 March 2003, the following directors' interests were also noted:

1. Of the ordinary shares shown as beneficially held by I.M. Peacock, 3,411,000 are registered under the name of J.M. Hayden and R.A. Clifford as trustees of the I.M. and D.J.I. Peacock Voluntary Settlement.
2. The ordinary shares shown as beneficially held by N.E. Edmonds are registered under the name of Unique Communications Limited.
3. Of the ordinary shares shown as beneficially held by T.J. Blackmore, 3,481,500 are registered in the name of his wife Margaret Blackmore.
4. Of the ordinary shares shown as beneficially held by M.A. Honey, 26,000 are registered in the name of his wife, Shona Paterson.
5. Of the ordinary shares shown as being under option to J.P. Quinn, M.A. Honey and J.H. Donald, 4,149,604 are under option to the trustees of the Company's Employee Benefit Trust (3,520,299 for J.H. Donald, 95,355 for M.A. Honey and 533,950 for J.P. Quinn) who have confirmed their intention to hold the options in trust for the above named and their families. The Employee Benefit Trust is a discretionary trust for the benefit of the Company's employees, former employees, their families and dependents.

Share options

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

	Options outstanding 1 April 2002	Options granted in year	Options relinquished in year	Options exercised in year	Options outstanding 31 March 2003	Exercise price (pence)	Date from which exercisable	Expiry date
J.H. Donald	205,000***	–	–	–	205,000	48.50	20/11/02	07/12/10
K. Harris	3,000,000**	–	–	–	3,000,000	3.13	22/06/00	30/09/04
M.A. Honey	600,000*	–	–	–	600,000	1.00	29/09/97	29/09/03
	3,000,000*	–	–	–	3,000,000	1.33	26/09/97	26/09/03
	322,580***	–	–	–	322,580	31.0	02/04/03	02/04/11
J.P. Quinn	300,000*	–	–	–	300,000	1.03	31/03/02	26/03/05
	2,250,000**	–	–	–	2,250,000	1.66	26/03/00	30/09/05
	322,580***	–	–	–	322,580	31.0	02/04/03	02/04/11
	10,000,160	–	–	–	10,000,160			

* Granted under the Unapproved Executive Share Scheme.
** Granted under the Unapproved Executive Share Scheme Number Two.
*** Granted under the Enterprise Management Incentive Share Option Scheme ("EMI" options).
*** The Company's share price as at 31 March 2003 was 24p.

Substantial shareholders

At 17 June 2003 the Company has been informed of the following interests of 3% or more in its 1p ordinary shares in issue at that date:

	Number of Shares	% of issued share capital
S.A. Cole	28,427,884	19.32
T.J. Blackmore	27,580,857	18.75
Unique Communications Limited	15,733,714	10.70
I.M. Peacock	11,231,000	7.63
GWR Group plc	4,878,051	3.32
K.R. Harris	4,500,000	3.06
BNY (OCS) Nominees Limited	4,451,073	3.03

Re-election of directors

In accordance with the Articles of Association S.A. Cole, J.H. Donald, P.H.B. Pascoe and K.F. Harrison offer themselves for re-election at the forthcoming AGM, details of which are set out at the back of this annual report. Brief particulars of all directors can be found on pages 8 and 9.

Corporate governance

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

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

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

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

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

The Nominations Committee consists of I.M. Peacock, as chairman, K.R. Harris, S.A. Cole and J.H. Donald. It meets as and when required. The Committee oversees the selection and appointment of directors, making its recommendations to the full Board. The Nominations Committee met formally once during the year.

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

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

Authority to directors to allot shares: Resolution 8
The Companies Act 1985 provides that the directors may not allot shares unless empowered to do so by the shareholders. Such a power cannot be given for longer than five years at any one time and the total nominal value of shares that can be allotted must be specified. In order to renew the Board's powers in respect of unissued shares it is, accordingly, proposed that the directors be granted general authority at any time prior to the expiry of fifteen months following the forthcoming Annual General Meeting (or prior to the next Annual General Meeting of the Company, if earlier) to allot shares up to an aggregate nominal value of £294,212 representing approximately 20% of the current issued share capital.

Disapplication of pre-emption rights: Resolution 9
This resolution is proposed for two reasons. Firstly, it renews the directors' authority to implement rights issues without complying fully with the technical requirements of section 89 of the Companies Act 1985 (relating to the allotment of shares for cash). Secondly, the resolution gives the directors authority to allot shares for cash other than by way of rights to existing shareholders up to an aggregate nominal amount of £147,106. This power will provide the directors with the flexibility to take advantage of business opportunities as they arise. Shareholders should note that the London Stock Exchange does not require shareholders' specific approval for each issue of shares for cash on a pre-emptive basis to the extent that under section 95 of the Companies Act 1985 the provisions of section 89 are disapplied generally. If given, this authority will expire fifteen months from the date of passing of the special resolution or, if earlier, on the date of the next Annual General Meeting of the Company.

Research and development
The Group has continued to focus its development expenditure in the digital radio and data broadcasting arena during the year. It is the Group's policy at this early stage to write off such development costs as they are incurred. Whilst the directors believe technical feasibility has been proven, until digital broadcasting has a wider user-base, economic viability is not assured. In the current year £1,004,000 of development expenditure was incurred.

Dividends
The directors do not recommend the payment of a dividend in the year (2002: nil.).

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

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

Going concern
After reviewing the Group's budget for the year to 31 March 2004 and its medium-term plans, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Therefore they have adopted the going concern basis in preparing the accounts.

Charitable donations
The Group made charitable contributions of £3,251 (2002: £352) during the year. The Group made no political donations during the year.

Auditors
Following the conversion of the Company's auditor, PricewaterhouseCoopers, to a Limited Liability Partnership from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the directors appointed its successor PricewaterhouseCoopers LLP ("PwC LLP"), as auditors. PwC LLP is willing to continue as auditors to the Company. A motion to re-appoint PwC LLP as auditors will be proposed at the annual general meeting.

Policy and practice on payment of creditors
Each Group company is responsible for agreeing the details of terms and conditions relating to transactions with its suppliers where goods and services have been supplied in accordance with the relevant terms and conditions of the contract. Trade creditors for the Company at 31 March 2003 represented 15 days of purchases (31 March 2002: 11 days of purchases).

Statement of Directors' Responsibilities

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

The directors confirm that, in preparing the financial statements, suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2003 and that applicable accounting standards have been followed.

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

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

By order of the Board

Simon Howell
Secretary

50 Lisson Street
London NW1 5DF

17 June, 2003

Remuneration Report

As an AIM listed company, the directors' Remuneration Report regulations do not formally apply in 2003. However, we voluntarily disclose the following information.

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

Remuneration policy for executive directors

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

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

The remuneration of each of the directors for the year ended 31 March 2003 was as follows:

	Salary & fees £'000	Bonus £'000	Taxable benefits £'000	Compensation pension contribution £'000	Loss of office £'000	**2003 Total £'000**	2002 Total £'000
Executive							
S.A. Cole	120	16	1	4	–	**141**	140
T.J. Blackmore	68	4	–	2	–	**74**	76
J.H. Donald	90	16	1	2	–	**109**	101
M.A. Honey	81	14	–	2	–	**97**	99
J.P. Quinn	100	11	1	3	–	**115**	123
P.L. Sands (resigned 1 May 2002)	8	–	–		52	**60**	101
Non–executive							
I.M. Peacock (Chairman)	28	–	–	–	–	**28**	31
R.S. Silverstone	16	–	–	–	–	**16**	18
N.E. Edmonds(1)	–	–	–	–	–	**–**	–
P.H.B. Pascoe(2)	5	–	–	–	–	**5**	1
K.R. Harris(3) (appointed 5 March 2002)	15	–	–	–	–	**15**	1
N.N. Walmsley (resigned 5 March 2002)	–	–	–	–	–	**–**	6
	531	61	3	13	52	**660**	697

(1) No benefits are provided for under the terms of N.E. Edmonds' engagement
(2) Prior to 1 January 2002 no benefits were provided for under the terms of P.H.B. Pascoe's engagement
(3) K.R. Harris was paid an amount of £14,000 for the year ended 31 March 2002 for his services as a special advisor to the Company.

Directors' service contracts

On 6 June 2003 the executive directors, S.A. Cole, J.H. Donald, M.A. Honey and J.P. Quinn, each entered into 12 month fixed term rolling service agreements with the Company. The executive director, T.J. Blackmore entered into a service agreement with the Company on 6 June 2003 terminable by either party given 10 weeks written notice. On 6 June 2003 the non-executive directors, Prof. R.S Silverstone, I.M. Peacock, N.E. Edmonds and P.H.B. Pascoe, were appointed as non-executive directors of the Company for a one-year period expiring on 5 June 2004. On 5 March 2003 K.R. Harris was appointed as a non-executive director of the Company for a one-year period expiring on 4 March 2004. On 20 June 2003 K.F. Harrison was appointed as a non-executive director the Company for a one-year period.

Directors and Advisors For the year ended 31 March 2003

Executive directors

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

Non-executive directors

I. Michael Peacock	Non-executive Chairman
Noel E. Edmonds	
Keith R. Harris	
Paul H.B. Pascoe*	
Roger S. Silverstone	
Kelvin F. Harrison	

* Paul H.B. Pascoe is also alternate non-executive director for Noel E. Edmonds.

Company Secretary
Simon J. Howell

Registered Office
50 Lisson Street
London NW1 5DF

Nominated Adviser and Nominated Broker
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

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

Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

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

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

Registrars
Northern Registrars Limited
Northern House
Woodsome Park
Penistone Road
Huddersfield HD8 0LA

Independent Auditors' Report

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

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

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

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

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

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

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

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

18 June 2003

Consolidated Profit and Loss Account For the year ended 31 March 2003

	Notes	Year ended 31 March 2003 Before goodwill and development items £'000	Goodwill and development items (Note 6) £'000	Total £'000	Year ended 31 March 2002 Before goodwill and development items £'000	Goodwill and development items (Note 6) £'000	Total £'000
Turnover (including share of joint ventures)	1,3,4						
Continuing operations		**10,375**	**–**	**10,375**	9,281	–	9,281
Less: Share of turnover of joint ventures		**(52)**	**–**	**(52)**	(94)	–	(94)
Group turnover		**10,323**		**10,323**	9,187	–	9,187
Cost of sales	4	**(7,080)**	**–**	**(7,080)**	(6,198)	–	(6,198)
Gross profit	4	**3,243**	**0**	**3,243**	2,989	–	2,989
Administrative expenses	4	**(3,170)**	**(1,599)**	**(4,769)**	(3,199)	(2,124)	(5,323)
Group operating profit/(loss)							
Continuing operations		**73**	**(1,573)**	**(1,500)**	(210)	(2,124)	(2,334)
Acquisitions		**–**	**(26)**	**(26)**	–	–	–
Group operating profit/(loss)	4,5	**73**	**(1,599)**	**(1,526)**	(210)	(2,124)	(2,334)
Share of operating profit/(loss) in joint ventures	6	**4**	**(683)**	**(679)**	(73)	(624)	(697)
Total operating profit/(loss): group and share of joint ventures		**77**	**(2,282)**	**(2,205)**	(283)	(2,748)	(3,031)
Interest receivable		**124**	**–**	**124**	52	–	52
Interest payable	7	**(16)**	**–**	**(16)**	(47)	–	(47)
Profit/(loss) on ordinary activities before taxation		**185**	**(2,282)**	**(2,097)**	(278)	(2,748)	(3,026)
Tax (charge)/credit	10	**(55)**	**82**	**27**	(43)	–	(43)
Profit/(loss) on ordinary activities after taxation		**130**	**(2,200)**	**(2,070)**	(321)	(2,748)	(3,069)
Equity minority interest		**(178)**	**266**	**88**	(110)	367	257
Retained (loss) for the financial year	21	**(48)**	**(1,934)**	**(1,982)**	(431)	(2,381)	(2,812)
(Loss) per share							
Basic – pence	11	**(0.03)**	**–**	**(1.39)**	(0.34)	–	(2.23)
Diluted – pence	11	**(0.03)**	**–**	**(1.39)**	(0.34)	–	(2.23)

The group has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated Balance Sheet

Group	Notes	As at 31 March 2003 £'000	As at 31 March 2002 £'000
Fixed assets			
Goodwill and intangible assets	12	**645**	1,160
Tangible assets	13	**209**	344
		854	1,504
Current assets			
Work in progress	15	**52**	54
Debtors			
– due after more than one year	16	**1,605**	856
– due within one year	16	**2,092**	1,332
		3,697	2,188
Cash at bank and in hand		**3,351**	1,173
		7,100	3,415
Creditors: amounts falling due within one year	17	**(2,634)**	(2,027)
Net current assets		**4,466**	1,388
Total assets less current liabilities		**5,320**	2,892
Creditors: amounts falling due after more than one year	18	**(341)**	(1,734)
Provisions for Liabilities & Charges	14-19	**(1,720)**	(920)
Net assets		**3,259**	238
Capital and reserves			
Called up share capital	20	**1,471**	1,264
Share premium account	21	**11,219**	6,335
Other reserves	21	**(801)**	(801)
Profit and loss account	21	**(8,444)**	(6,462)
Equity shareholders' funds	25	**3,445**	336
Equity minority interest		**(186)**	(98)
Capital employed		**3,259**	238

Company Balance Sheet As at 31 March 2003

	Notes	As at 31 March 2003 £'000	As at 31 March 2002 £'000
Investments	14	**1,142**	1,197
Current assets			
Debtors			
– due after more than one year	16	**1,197**	1,197
– due within one year	16	**3,819**	3,043
		5,016	4,240
Cash at bank and in hand		**3,397**	602
		8,413	4,842
Creditors: amounts falling due within one year	17	**(34)**	(72)
Net current assets		**8,379**	4,770
Total assets less current liabilities		**9,521**	5,967
Creditors: amounts falling due after more than one year	18	**–**	(1,349)
Net assets		**9,521**	4,618
Capital and reserves			
Called up share capital	20	**1,471**	1,264
Share premium account	21	**11,219**	6,335
Profit and loss account	21	**(3,169)**	(2,981)
Equity shareholders' funds		**9,521**	4,618

These financial statements, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cashflow statement and related notes including the directors' remuneration disclosures were approved by the board of directors on June 18 2003 and were signed on its behalf by:

J.H. Donald
Director

S.A. Cole
Director

Consolidated Cash Flow Statement Year ended 31 March 2003

	Notes	Year ended 31 March 2003 £'000	2002 £'000
Net cash (outflow) from operating activities	22	**(884)**	(293)
Returns on investments and servicing of finance			
Interest received		**124**	58
Interest paid		**(54)**	(9)
Net cash inflow from returns on investment and servicing of finance		**70**	49
Taxation			
UK Corporation tax paid		**(27)**	(43)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(84)**	(117)
Purchase of intangible fixed asset		**(10)**	(37)
Acquisition of fixed asset investments		**–**	(56)
Sale of tangible fixed assets		**–**	31
Loans to joint ventures		**(549)**	(581)
Net cash (outflow) from capital expenditure and financial investment		**(643)**	(760)
Acquisitions and disposals			
Purchase of business		**–**	(1,686)
Purchase of interest in subsidiary		**–**	(15)
Purchase of interest in joint ventures		**(38)**	(96)
Net cash (outflow) from acquisitions and disposals		**(38)**	(1,797)
Net cash (outflow) before financing		**(1,522)**	(2,844)
Financing			
Unsecured loan stock		**(1,349)**	1,686
Issue of ordinary share capital		**5,592**	1
Expense of share issue		**(502)**	–
Capital element of finance lease		**(41)**	(37)
Net cash inflow from financing		**3,700**	1,650
Increase/(Decrease) in cash in the year	23	**2,178**	(1,194)
Cash balances at the beginning of the year		**1,173**	2,367
Cash balances at the end of the year		**3,351**	1,173
Represented by			
Cash and bank balances		**3,351**	1,173

1 Principal accounting policies

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

Basis of accounting

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. The financial statements of each subsidiary company have been prepared to 31 March for 2002 and 2003. Intra-group sales and profits are eliminated on consolidation.

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

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

Digital and data broadcasting expenditure

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

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

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

Turnover

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

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

1 Principal accounting policies continued

Fixed assets

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

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

	%
Technical equipment	50
Motor Vehicles	25
Computer equipment	33 1/3
Office equipment	20

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

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

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

Intangible assets

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

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

Goodwill

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

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

Work in progress

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

Deferred taxation

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

1 Principal accounting policies continued

Pension scheme

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

Finance and operating leases

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

Costs of share options schemes

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

During the years ended 31 March 2002 and 2003, share options were issued under an Enterprise Management Incentive Scheme. The group is also obliged to pay National Insurance contributions on the difference between the market value at the date of the grant (or the market value at each balance sheet date, if lower) and the option price.

Costs incurred on issue of shares

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

Financial instruments

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

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

2 Merger accounting

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

3 Turnover

	2003 £'000	2002 £'000
Geographical analysis by destination		
United Kingdom	**10,223**	9,100
Europe	**57**	54
Rest of the World	**43**	33
	10,323	9,187
Joint ventures		
United Kingdom	**52**	83
Europe	**–**	11
	52	94
	10,375	9,281

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

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

The controlling interest in G-One Limited was acquired on 1 March 2003, and following that date there was no turnover or expenditure for that Company. Goodwill arising on consolidation of £26,000, following the obtaining of control over G-One Limited was written off during the year and is included within administrative expenses.

5 Operating (loss)

	2003 £'000	2002 £'000
Operating (loss) is stated after charging/(crediting):		
Staff costs (Note 8)	**2,855**	2,755
Amortisation of intangible assets	**33**	32
Impairment of investments	**–**	56
Impairment of intangible assets	**–**	–
Amortisation of goodwill	**492**	413
Impairment of goodwill	**74**	848
(Profit) on disposal of fixed assets	**–**	(9)
Depreciation of tangible fixed assets		
– held under finance leases	**39**	88
– owned assets	**180**	188
Impairment of tangible fixed assets	**–**	107
Auditors' remuneration – audit fees parent company	**6**	8
Auditors' remuneration – audit fees subsidiaries	**56**	54
Auditors' remuneration – non audit fees	**30**	18
National Insurance liability on future exercise of share options	**(10)**	17
Operating lease charges		
– plant and machinery	**4**	4
– other	**950**	737

In the year ended 31 March 2003, in addition to auditor's remuneration for non-audit fees of £30,000 referred to above, £133,000 of fees were incurred in connection with a fundraising for the Company announced on 22 March 2002. These fees have been offset against the share premium account in the year.

6 Goodwill and development items

Goodwill and development costs comprise the following:

Continuing operations

- Development costs of £1,004,000 (2002: £835,000) include digital licence fees, staffing and professional fees for the development of data broadcasting and digital delivery systems for broadcast content.
- Amortisation of £485,000 (2002: £410,000) of goodwill relating to analogue licences in Classic Gold Digital Limited ("CGDL") over the remaining economic life of the eighteen licences and £7,000 (2002: £3,000) amortisation of goodwill arising on consolidation.
- Amortisation of £29,000 (2002: £28,000) relating to other intangible assets acquired by CGDL.
- Impairment of £nil (2002: £848,000) for goodwill relating to digital radio revenue in CGDL.
- Impairment of goodwill in G-One Limited of £48,000 being goodwill relating to the original shareholding.

Acquisitions

- Impairment of goodwill in G-One Limited of £26,000 being goodwill on consolidation resulting from the group obtaining control over G-One Limited (see note 24).

Share of operating loss in joint ventures

- Oneword Radio Limited: The Group's share of development costs in Oneword Radio Limited amounted to £377,000 (2002: £305,000). Impairment of £153,000 (2002: £nil) of goodwill relating to the acquisition of a supplementary shareholding during the year.
- The Digizone Limited: The Group's share of development costs of The Digizone Limited was £110,000 (2002: £250,000).
- The Digital News Network Limited: The Group's share of development costs of The Digital News Network Limited was £31,000 (2002: £62,000).
- Amortisation of goodwill on consolidation of joint ventures amounted to £12,000 (2002: £7,000).

7 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest on finance leases	**7**	9
Interest payable on loan notes	**9**	38
	16	47

8 Employee information

The average weekly number of persons employed by the group during the year, including executive directors, is 73 (2002: 69).

Staff Numbers	**2003**	2002
Management and administration	**14**	14
Production, editorial and sales	**59**	55
	73	69

	2003 £'000	2002 £'000
Wages and salaries	**2,507**	2,437
Social security costs	**274**	257
Pension costs	**74**	61
	2,855	2,755

9 Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments (excluding pensions)	**646**	679
Company contributions to money purchase pension scheme	**14**	18

Retirement benefits are accruing to 5 directors (year ended 2002: 6) under a money purchase pension scheme.

Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	**137**	136
Company contributions to money purchase pension scheme	**4**	4

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

10 Taxation

	2003 £'000	2002 £'000
United Kingdom Corporation tax at 30% (2002: 30%)		
Current – group companies	**37**	23
– share of joint ventures	**(17)**	(8)
Prior years – group companies	**18**	28
– share of joint ventures	**(65)**	–
Tax (credit)/charge	**(27)**	43

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

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	**(2,097)**	(3,026)
Tax on above (loss) at standard UK Corporation tax rate of 30% (2002: 30%)	**(629)**	(908)
Effects of:		
Adjustments to tax in respect of prior years	**(47)**	28
Deferred tax asset not provided in respect of losses and capital allowances	**423**	519
Expenses not deducted for tax purposes	**226**	409
Difference in tax rate	**–**	(5)
	(27)	43

11 (Loss) per share

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

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. In 2003 and 2002, the options or warrants outstanding were anti-dilutive. Reconciliation of the loss and weighted average number of shares used in the calculation are set out below.

	2003 Earnings £'000	**2003 Weighted average number of shares million**	**2003 Per share amount pence**	2002 Earnings £'000	2002 Weighted average number of shares million	2002 Per share amount pence
Basic and diluted EPS						
Loss attributable to shareholders	**(1,982)**	**143**	**(1.39)**	(2,812)	126	(2.23)
Supplementary loss per share to exclude development costs						
Basic and diluted EPS						
Loss attributable to shareholders	**(1,982)**			(2,812)		
Effect of goodwill and development costs on Group and joint ventures	**1,934**			2,381		
EPS excluding development costs	**(48)**	**143**	**(0.03)**	(431)	126	(0.34)

Supplementary basic and diluted EPS have been calculated to exclude the effect of development costs and goodwill incurred by the Group and its joint ventures during the year as the Directors believe that this gives a better understanding of the performance of the business. None of the share options or warrants gives rise to a dilution in the loss per share due to the losses made in the year ended 31 March 2002 and 2003.

12 Goodwill and intangible assets

Group	**Purchased intangible assets £'000**	**Purchased goodwill £'000**	**Goodwill arising on consolidation £'000**	**Total £'000**
Cost				
At 1 April 2002	957	4,486	76	5,519
Additions	10	–	74	84
At 31 March 2003	**967**	**4,486**	**150**	**5,603**
Amortisation				
At 1 April 2002	846	3,506	7	4,359
Charge for year	33	485	7	525
Impairment of goodwill	–	–	74	74
At 31 March 2003	**879**	**3,991**	**88**	**4,958**
Net book value				
At 31 March 2003	**88**	**495**	**62**	**645**
At 31 March 2002	111	980	69	1,160

The addition of £74,000 relates to goodwill on consolidation in G-One Limited. The £74,000 is made up of £48,000 of goodwill relating to a previous year and £26,000 of goodwill on consolidation (see Note 24).

13 Tangible assets

Group	Short leasehold refurbishment £'000	Short leasehold building £'000	Computer equipment £'000	Office equipment £'000	Technical equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 April 2002	63	25	841	597	113	–	1,639
Additions	–	–	21	20	11	32	84
Disposals	–	–	(2)	–	–	–	(2)
At 31 March 2003	**63**	**25**	**860**	**617**	**124**	**32**	**1,721**
Depreciation							
At 1 April 2002	39	25	690	455	86	–	1,295
Charge for year	10	–	106	69	26	8	219
Disposals	–	–	(2)	–	–	–	(2)
At 31 March 2003	**49**	**25**	**794**	**524**	**112**	**8**	**1,512**
Net book value							
At 31 March 2003	**14**	**–**	**66**	**93**	**12**	**24**	**209**
At 31 March 2002	24	–	151	142	27	–	344

Included within the office equipment at 31 March 2003 are assets held under finance lease at a cost of £8,000 (2002: £8,000), accumulated depreciation of £8,000 (2002: £6,000) and net book value of £Nil (2002: £2,000) and computer equipment at a cost of £182,000 (2002: £182,000), accumulated depreciation of £178,000 (2002: £141,000) and net book value of £4,000 (2002: £41,000).

14 Fixed asset investments

Group

Interests in joint ventures

	2003 £'000	2002 £'000
At 1 April		
– Net liabilities	**(980)**	(422)
– Goodwill	**60**	68
Additions		
– Net liabilities	**(336)**	92
– Goodwill	**153**	4
Disposals		
– Net liabilities	**26**	39
– Goodwill (transferred on consolidation)	**(48)**	(5)
Share of losses retained	**(430)**	(689)
Amortisation charge for the year		
– Amortisation	**(91)**	(7)
– Impairment	**(74)**	
At 31 March		
– Net liabilities	**(1,720)**	(980)
– Goodwill	**–**	60

14 Fixed asset investments continued

The gross liabilities of the joint ventures exceed 15% of the gross liabilities of the Group. Under the terms of FRS9 the following additional disclosure is required:

Group's share of	**2003 £'000**	2002 £'000
Turnover	**52**	94
Fixed assets	**3**	1
Current assets	**101**	51
Liabilities due within one year	**(180)**	(155)
Liabilities due after more than one year	**(1,644)**	(877)
Net liabilities	**(1,720)**	(980)
Group's share of operating results	**(514)**	(690)

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

Company fixed asset investments	**2003 £'000**	2002 £'000
At 1 April	**1,197**	1,086
Additions in year	**38**	151
Write down of investments	**(93)**	(40)
At 31 March	**1,142**	1,197

During the year ended 31 March 2003, the Company maintained its 21.95% shareholding in Digital News Network Limited with the purchase of additional share capital issued by Digital News Network Limited during the year at a cost of £38,000. The total investment in Digital News Network Limited of £93,000 has been written down in accordance with the Group's policy on digital data and broadcasting expenditure.

15 Work in progress

	Group		**Company**	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Work in progress	**52**	54	**–**	–

16 Debtors

Due after more than one year

Group

Debtors due after more than one year for the Group of £1,605,000 (2002: £856,000) consist of a loan of £1,245,000, (including £341,781 of re-assigned loan from Guardian Media Group Plc – see Note 24) to the joint venture Oneword Radio Limited (2002: £596,000) and a loan to The Digizone Limited of £360,000 (2002: £260,000).

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

Company

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

Debtors due after more than one year for the Company also include a loan to The Digizone Limited of £360,000 (2002: £260,000). This loan is interest free and repayable at the discretion of the Board of The Digizone Limited. This loan has been written down in line with expected future cash flows from digital radio in the short term, which is consistent with other digital investments made by the Group.

16 Debtors continued

Due within one year

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Trade debtors	**1,511**	664	**–**	–
Amounts owed by group undertakings	**–**	–	**3,805**	2,926
Amounts owed by joint ventures – loans		31	**–**	–
Amounts owed by joint ventures – trading balances	**–**	123	**–**	–
Other debtors	**10**	10	**–**	–
Prepayments and accrued income	**571**	504	**14**	117
	2,092	1,332	**3,819**	3,043

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

17 Creditors: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Bank loans and overdrafts	**–**	–	**–**	–
Trade creditors	**434**	359	**–**	–
Amounts owed to group undertakings	**–**	–	**–**	–
Amounts owed to joint ventures	**–**	1	**–**	–
Corporation tax	**36**	8	**–**	–
Obligations under finance leases	**43**	40	**–**	–
Other taxes and social security	**270**	219	**–**	–
Other creditors	**834**	714	**–**	–
Accruals and deferred income	**1,017**	686	**34**	72
	2,634	2,027	**34**	72

Other creditors include £822,000 (2002: £714,000) owed to the minority interest partner in Classic Gold Digital Limited.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Loan notes	**337**	1,686	**–**	1,349
Obligations under finance leases	**4**	48	**–**	–
	341	1,734	**–**	1,349

Full details on the loan notes are provided in Note 31. The maturity profile of the Group's financial liabilities at 31 March 2003 is detailed in Note 31.

19 Provisions for liabilities and charges

Investments in joint ventures

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

Deferred taxation

A deferred tax asset for losses available for carry forward against future UK taxable profits of £1,046,000 (2002: £748,000) and on capital allowances of £206,000 (2002: £81,000) has not been recognised in respect of the trading losses in the Group on the basis that deferred tax assets are only recognised to the extent that the transfer of economic benefits in future is more likely than not.

Similarly, for the Company, a deferred tax asset for losses available for carry forward against future UK taxable profits of £52,000 (2002: £58,000) has not been recognised in respect of trading losses on the basis that deferred tax assets are only recognised to the extent that the transfer of economic benefits in future is more likely than not.

20 Called up share capital

Group and Company	**2003 £'000**	2002 £'000
Authorised:		
200,000,000 ordinary shares of 1p each	**2,000**	2,000
Allotted, called up and fully paid:		
147,106,158 ordinary shares of 1p each (2002: 126,395,051)	**1,471**	1,264

Issued share capital

During the year ended 31 March 2003, 20,711,107 new shares were issued.

Six employees exercised their share options for a total of 780,000 shares at exercise prices ranging from 2.46-6.4 pence per share.

As a result of the placing and open offer announced on 22 March 2002, 17,433,378 shares were issued on 25 April 2002 and a further 2,012,014 shares were issued on 29 April 2002 at 28 pence per share.

On 19 December 2002, 485,715 shares were issued to Guardian Media Group plc at 24.5 pence per share.

20 Called up share capital continued

Potential issue of ordinary shares

Certain members of staff and the Employee Benefit Trust hold options to subscribe for shares in the Company at prices ranging from 1p to 48.5p per share under the unapproved share option scheme approved on 6 June 2000 and the Enterprise Management Incentive Scheme approved on 20 October 2000 and the Employee Benefit Trust approved on 12 December 2000. Options on 780,000 shares were exercised in the year. Options on 25,000 shares lapsed in the year. The number of shares subject to options, the years in which they were granted and the periods in which they may be exercised are given below:

Year of the grant (Year ended)	Exercise price (pence)	Exercise period	31 March 2003 number	31 March 2002 number
31 March 1996	1.0	1997-2003	600,000	600,000
31 March 1998	1.03-1.33	1997-2005	3,300,000	3,300,000
31 March 1999	1.06-2.46	1998-2006	2,615,000	3,145,000
31 March 2000	3.13-6.4	2001-2007	3,950,000	4,200,000
31 March 2001	6.4-48.5	2002-2010	6,150,000	6,150,000
31 March 2002	15.5-31.0	2003-2011	1,995,160	2,020,160
31 March 2003	24.5-27.5	2004-2012	1,299,604	–
			19,909,764	19,415,160

On 26 June 2000 at the time of the admission of the Group to the Alternative Investment Market of the London Stock Exchange, Seymour Pierce (financial advisers to the Group) was issued a warrant instrument under which they could subscribe for 2,412,700 ordinary shares. At the same time Holborn Public Relations Limited (public relations advisers to the Group) were also issued a warrant instrument under which they could subscribe for 20,000 ordinary shares. The price at which the warrants can be exercised is 25p per ordinary share, which was equivalent to the issue price at the time. Accordingly the intrinsic value of the warrants is £nil and no charge was made to the profit and loss account in respect of the warrants.

21 Share premium account and reserves

	Group and company Share premium account £'000	**Group** Other Reserve £'000	**Group** Profit & loss £'000	**Company** Profit & Loss £'000
At 1 April 2002	6,335	(801)	(6,462)	(2,981)
Premium on issue of shares	4,884	–	–	–
Retained (loss) for the year	–	–	(1,982)	(188)
At 31 March 2003	**11,219**	**(801)**	**(8,444)**	**(3,169)**

During the year, shares were issued at a premium of £5,386,000 from which professional fees of £502,000 associated with the Placing and Open Offer, were deducted.

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

	2003 £'000	2002 £'000
Operating (loss)	**(1,526)**	(2,334)
(Profit) on sale of fixed assets	**–**	(9)
(Profit) on disposal of joint venture	**–**	(33)
Amortisation of intangible assets	**33**	32
Impairment of investments	**–**	56
Amortisation of goodwill	**492**	413
Impairment of goodwill	**74**	848
Depreciation of tangible fixed assets	**219**	276
Impairment of tangible fixed assets	**–**	107
Decrease in work in progress	**2**	6
Increase in debtors	**(724)**	(343)
Increase in creditors	**546**	688
Net cash (outflow) from operating activities	**(884)**	(293)

23 Reconciliation of movement in net funds/(debt)

	2003 £'000	2002 £'000
Increase/(decrease) in cash in year	**2,178**	(1,194)
Movement in finance leases	**41**	37
Movement in long term debt	**1,349**	(1,686)
Opening net (debt)/funds	**(601)**	2,242
Net funds/(debt) at 31 March	**2,967**	(601)

Analysis of net debt	As at 1 April 2002 £'000	Cash flow £'000	Other non-cash changes £'000	**As at 31 March 2003 £'000**
Cash in hand and at bank	1,173	2,178	–	**3,351**
Debt due after one year	(1,686)	1,349	–	**(337)**
Finance leases due after 1 year	(48)	–	44	**(4)**
Finance leases due within 1 year	(40)	41	(44)	**(43)**
Total	(601)	3,568	–	**2,967**

24 Acquisitions

Oneword Radio Limited

On 12 December 2002, The Unique Broadcasting Company Limited acquired a further 16.67% of Oneword Radio Limited from Guardian Media Group plc. The consideration for this further interest was satisfied by the issuance of 485,715 new ordinary shares of 1p in UBC Media Group plc a price of 24.5p representing a total consideration £119,000. Guardian Media Group also assigned their loan due from Oneword Radio Limited of £341,781 to UBC Media Group plc as part of the acquisition.

	£'000
Book Value of 16.67% of net liabilities acquired	(376)
Loan assigned to UBC Media Group plc by Guardian Media Group plc	342
Goodwill	153
Consideration satisfied by shares	119

Goodwill totalling £153,000 has been written off during the year in line with the group accounting policy in respect to digital radio based assets.

From the effective date of acquisition on 12 December 2002 to 31 March 2003, the acquisition of this additional 16.67% in Oneword Radio Limited contributed turnover of £nil, a negative gross margin of -£27,000, and administration costs of £19,000 resulting in total operating losses of -£45,000.

24 Acquisitions continued

G-One Limited

On 1 March 2003, the Group obtained control of G-One Limited as a result of a contractual agreement between Ginger Media Group Limited and The Unique Broadcasting Company Limited. £nil consideration was paid and the group assumed the control of the business contracts of G-One Limited. As of 1 March 2003, the group ceased accounting for G-One Limited as a joint venture and commenced accounting for the entity as a subsidiary.

	£'000
Book Value of 50% of net liabilities acquired	(26)
Goodwill	26
Consideration	**Nil**

Following an impairment review the total goodwill in respect of G-One Limited has been written off during the year.

25 Reconciliation of movements in group shareholders' funds

	2003 £'000	2002 £'000
Opening Equity Shareholders' Funds	**336**	3,106
Issue of new shares	**207**	2
Share Premium	**4,884**	40
(Loss) for the Financial Year	**(1,982)**	(2,812)
Closing Equity Shareholders' Funds	**3,445**	336

26 Operating lease commitments

At 31 March 2003 the Group has lease agreements in respect of licence fees, properties, vehicles, plant and equipment, for which the payments extend over a number of years:

Annual commitment under non-cancellable operating leases expiring:

	At 31 March 2003			At 31 March 2002		
	Land and buildings £'000	**Other £'000**	**2003 Total £'000**	Land and buildings £'000	Other £'000	2002 Total £'000
Within 1 year	**85**	**–**	**85**	–	–	–
Within 2 to 5 years	**51**	**–**	**51**	148	4	152
After 5 years	**–**	**827**	**827**	–	742	742
	136	**827**	**963**	148	746	894

During the year ended 31 March 2003 the Group secured broadcasting rights for the Classic Gold Digital format in London on the DRG digital multiplex for £96,000 per annum. This licence runs for 12 years together with the 7 EMAP licences totalling £665,000 per annum secured during the year-ended 2002.

27 Contingent liabilities

Legal Claim

The directors have sought legal advice in connection with legal claims being brought against The Unique Broadcasting Company Limited ("Unique") by one of their customers for services provided by Unique. In November 1999, Radio Dimensione Soun ("RDS") commenced proceedings against Unique and against Elemedia SpA in the court of Milan for £800,000. Unique has denied the claims. A hearing was held on 6 February 2002, which decided against the Italian courts having jurisdiction to try the case under all counts with the exception of pre-contractual liabilities. Having considered legal advice, the directors believe there is a strong chance of successfully defending this claim however they have now indicated their willingness to settle for Euro 15,000 to overcome the aggravation factor associated with legal action. Therefore the directors have provided for Euro 15,000 in the profit & loss account in the year-ended 31 March 2003. Currently a response is awaited from RDS who have indicated their willingness to settle but have failed to indicate whether the current offer is or is not satisfactory.

28 Pension commitments

The assets of the money purchase pension schemes are held in separate trustee-administered funds. The Group made contributions of £74,000 (2002: £61,000) into the money purchase scheme.

29 Dividends and appropriations

No dividends have been proposed for the year ended 31 March 2003 (2002: £nil).

30 Related party transactions

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

Transactions with directors

During the year, £2,000 (2002: £1,000) was paid by Unique Artistes, £27,000 (2002: £5,000) by Video Meeting Company and £Nil (2002: £1,000) by Unique Video Broadcasting, companies associated with Noel Edmonds, a director of the Company. Transactions were in respect of software, studio and technology services provided by the Group.

During the year, the Group was charged £5,000 (2002: £1,000) by Unique Communications for professional fees for the services of Paul Pascoe, a non-executive director and representative of Unique Group.

Transactions with joint ventures

During the year the Group charged G-One Limited £Nil (2002: £20,000), Oneword Radio Limited £160,000 (2002: £134,000), The Digizone Limited £78,000 (2002: £175,000) and Digital News Network £Nil (2002: £16,000) for the provision of management, technical and administration services and studio facilities.

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

31 Financial instruments

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

Objectives, policies and strategies

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

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

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

Interest rate risk

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

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

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

31 Financial instruments continued

Liquidity risk

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

Short-term debtors and creditors

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

Interest Risk Profile

Financial Assets

The interest rate profile of the Group's financial assets at 31 March 2003 was:

	2003 £'000	2002 £'000
Cash and short term deposits – floating rate	**3,351**	573
Cash and short term deposits – fixed rate	**–**	600
Loans to joint ventures – book value	**1,605**	856
	4,956	2,029

All of the above are in £ Sterling.

At 31 March 2003, £3,351,000 was placed on overnight deposit at an average of 3.63% per annum. Floating rate cash earns interest based on the relevant LIBID equivalents or government bond rates. The loans to joint ventures are interest free and repayable at the discretion of the Board of Oneword Radio Limited and The Digizone Limited.

Financial liabilities

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

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

	2003 £'000	2002 £'000
Bank overdraft – floating rate		–
Loans – floating rate	**337**	1,686
Finance lease obligations – floating rate	**47**	88
	384	1,774

All of the above are in £ Sterling.

31 Financial instruments continued

At 31 March 2003, the Loan – floating rate liability comprises one loan note. This was issued by Classic Gold Digital Limited to GWR Group plc for £337,000. The loan note is to be redeemed or repaid at par on or before 1 October 2011. If the loan is repaid on or before that date then no interest accrues on this loan. Otherwise interest accrues at 2% per annum above the Barclays Bank plc base rate.

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

There are no undrawn facilities at the year ended 31 March 2003.

There are no material differences between the fair value and the book value of the Group's financial assets and liabilities as at 31 March 2003 and 31 March 2002.

Maturity of financial liabilities

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

The obligations under finance leases fall due as follows:

	2003 £'000	2002 £'000
Within 1 year	**43**	40
Between 1 and 2 years	**4**	40
Between 2 and 5 years	**–**	8
	47	88

32 Future liabilities

On exercise of share options after 6 April 1999, the Company will be required to pay National Insurance on the difference between the exercise price and the market value of the shares issued. As described in Note 20 the options issued by the Company since 6 April 1999 will vest at various dates. The Company will become unconditionally liable to pay the National Insurance upon exercise of the options. The amount of National Insurance payable will depend upon the number of employees who remain with the Company and exercise their options, the market value of the Company's ordinary shares at the time of exercise and the prevailing National Insurance rate at that time. At 31 March 2003 an amount of £22,000 (2002: £50,000) was provided based on the year end share price of 24 pence (2002: 31.5 pence).

33 Post balance sheet events

No significant events took place after 31 March 2003 and before 18 June 2003.

34 Principal subsidiaries, joint ventures and associates

	Ordinary shares held 2003 %	Ordinary shares held 2002 %	Principal activity
Subsidiaries: immediate holding company			
UBC Media Group plc			
The Unique Broadcasting Company Limited	100	100	Radio production and advertising sales
Classic Gold Digital Limited	80	80	Radio broadcasting
Gilmour Broadcasting Limited	25	25	Dormant
UBC Digital Limited	100	100	Dormant
Network Radio Sales Limited	100	100	Dormant
UBC Media Group Trustees Limited	100	100	Dormant
Unique Digital Limited	100	100	Dormant
Subsidiaries: immediate holding company			
The Unique Broadcasting Company Limited			
Unique Facilities Limited	100	100	Dormant
Gilmour Broadcasting Limited	75	75	Dormant
Unique Interactive Limited	100	100	Dormant
G-One Limited	50	50	Radio production
Joint ventures of UBC Media Group plc			
The Digizone Limited	50	50	Digital data broadcasting
Digital News Network Limited	22	22	Provision of news programmes to digital radio
Joint ventures of the Unique Broadcasting Company Limited			
Oneword Radio Limited	50	33.3	Digital radio broadcasting

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

All joint ventures companies are registered in England and Wales as private companies limited by shares. The joint ventures have been included in the Group accounts for the year ended 31 March 2003 using the following accounting periods:

Oneword Radio Limited	Year ended 31 March 2003
The Digizone Limited	Year ended 31 March 2003
Digital News Network Limited	Year ended 31 March 2003

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of the Company will be held at the offices of Wragge & Co LLP, at 3 Waterhouse Square, 142 Holborn, London EC1N 2NH on 8 August 2003 at 11.00 a.m. for the following purposes:

Ordinary Business:

1 To receive the report of the directors and the financial statements of the Company for the year ended 31 March 2003.

2 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

3 To re-elect S.A. Cole, who retires by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

4 To re-elect J.H. Donald, who retires by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers herself for re-election as a director.

5 To re-elect P.H.B. Pascoe, who retires by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

6 To re-elect K.F. Harrison, who was appointed during the year and retires in accordance with Article 86 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

7 To approve the Directors' Remuneration Report for the year ended 31 March 2003.

Special Business:

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

THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to a maximum nominal amount of £294,212 provided that this authority shall expire fifteen months from the date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2004, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

THAT, subject to and conditionally upon the passing of resolution No.8 above, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94(2) of that Act) for cash pursuant to the authority conferred by that resolution as if section 89(1) of the said Act did not apply to such allotment, PROVIDED that the power hereby conferred shall be limited:

i) to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to their holdings of such shares subject to such exclusions or entitlements, statutory restrictions or legal or practical problems under or resulting from the application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory, and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £147,106 being 10% of the issued share capital as shown by the latest published annual accounts of the Company;

and shall expire fifteen months from the date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2004, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated 17 June 2003

By Order of the Board,

S.J. Howell
Secretary

Registered Office:
50 Lisson Street
London
NW1 5DF

Notes:

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

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

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

4 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only shareholders registered in the register of members of the Company at 11.00 am on 6 August 2003 shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 11.00 am on 6 August 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

UBC Media Group plc – Proxy Form

For use by Shareholders at the Annual General Meeting, to be held on 8 August 2003
I/We (name in full) …… (in BLOCK CAPITALS please) of ……
……, being (a) holder(s) of Ordinary Shares of 1p each of the Company, hereby appoint **the duly appointed Chairman* of the Meeting** or …….. to act as my/our proxy at the Annual General Meeting of the Company to be held on 8 August 2003, and at any adjournment thereof.
* see Note 7 below

RESOLUTIONS	FOR	AGAINST
Ordinary business		
1 To receive the Directors' Report and Accounts	☐	☐
2 To re-appoint auditors	☐	☐
3. To re-elect S.A. Cole as a Director	☐	☐
4. To re-elect J.H. Donald as a Director	☐	☐
5. To re-elect P.H.B. Pascoe as a Director	☐	☐
6. To re-elect K.F. Harrison as a Director	☐	☐
7. To approve the Directors' Remuneration Report	☐	☐
Special Business		
8. To give an allotment authority	☐	☐
9. To disapply pre-emption rights	☐	☐

Dated …….. 2003 Signature……..……..……..…….

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

NOTES:

1 A proxy need not be a member of the Company.
2 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.
3 In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.
4 To be effective, this form must be lodged at the address overleaf not later than 48 hours before the time of the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
5 Any alterations made on this form should be initialled.
6 Please indicate with an X how you wish your votes cast. Unless otherwise instructed, the proxy will vote or abstain as the proxy thinks fit. On any motion to amend any resolution, to propose a new resolution, to adjourn the Meeting, or any other motion put to the Meeting the proxy will act at his/her/their discretion.
7 If it is desired to appoint as proxy any person other than the Chairman of the Meeting, his/her name and address should be inserted in the relevant place, reference to the Chairman deleted and the alteration initialled.
8 The completion and return of this form will not prevent you from attending in person and voting at the Meeting should you subsequently decide to do so.

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First fold

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