UBC ANNUAL REPORT & ACCOUNTS

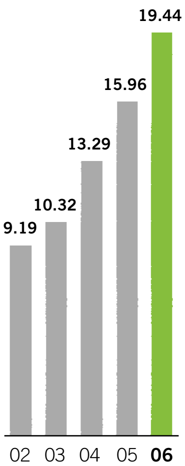
2006

UBC media group

UBC is at the forefront of developing businesses that serve the growing digital radio sector. UBC has one of the fastest growing radio advertising sales businesses in the UK. UBC's radio stations include the national digital stations, Classic Gold Digital and Oneword Radio. UBC is also a leading supplier of the software that operates new digital radio data services. In addition, UBC ranks as one of the leading independent suppliers of radio programmes to the BBC and the commercial radio industry.

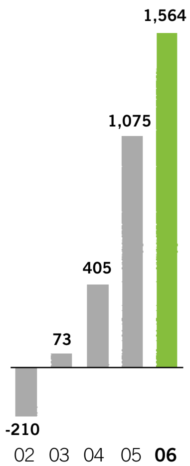
GROUP REVENUES

£ millions



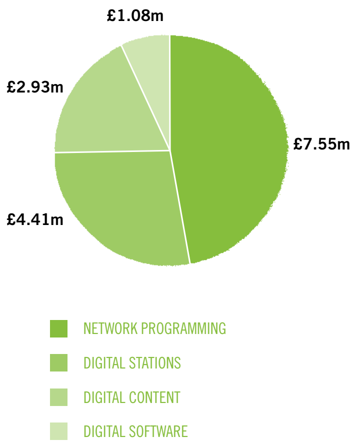
OPERATING PROFIT/(LOSS)*

£ thousands

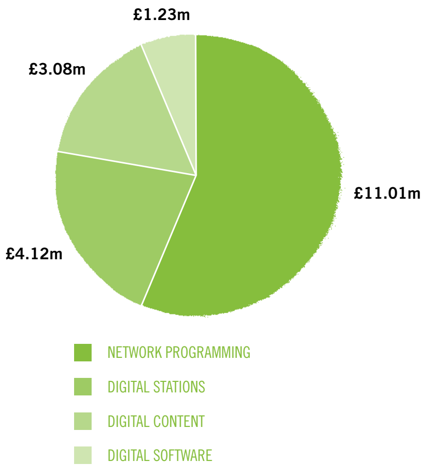


*Before goodwill amortisation, digital licences and spend on development of music downloading service

REVENUES BY DIVISION 2005



REVENUES BY DIVISION 2006



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Chairman's Statement

John Hodson
Chairman

I am pleased to report another year of progress for UBC. The robust performance of the Group is particularly satisfactory as it was delivered in spite of a harsh market for radio advertising for much of the year.

This reinforces my belief that UBC has at its core a resilient mix of businesses capable of delivering strong revenue growth in the face of adverse trading conditions, whilst being positioned to benefit from the growth in a digital future.

Financial Performance

Revenues grew 21.8% to £19.44 million (2005: £15.96 million). Adjusted operating profit* for the year increased to £1.56 million (2005: £1.08 million) and our total investment in the year developing a music downloading service on digital radio was £396,000 (2005: nil.), of which £326,000 was capitalised. Operating loss for the year was £193,000 (2005: £1.09 million loss) and loss before taxation for the year was £234,000 (2005: £1.16 million loss).

Strategy

UBC's strategy continues to be to invest the returns from our traditional businesses to finance the Group's digital expansion. Our strong performance in the last year has enabled us to build on our vision of how the growth in digital radio is changing the way the radio industry will operate in the future. The Board proposes to continue its investment in digital radio.

During the year, UBC successfully completed the first stages in the development of its innovative music downloading service on radio. The results of our early investment have been as good as we hoped and we have recently commenced field trials of the service. The outcome of the trials are as yet unknown. However, if the next stages in the development programme are successful, we plan to launch a full music downloading service using DAB digital spectrum within the next 12 months.

The Team

On behalf of the Board I would like to thank every member of our management and staff at UBC for their commitment, enthusiasm and hard work. Our business depends on creating the very best in radio content. To deliver this we have built a talented and dedicated team. None of the achievements of the past year would have been possible without the creative flair of everyone at UBC.

Prospects

I believe UBC starts the new financial year in a stronger position than at any time in its history. While the business has set itself ambitious targets as we raise the level of our investment in digital radio, the potential rewards are considerable. Guided by a creative and entrepreneurial management team, I am confident of producing another good performance for the year ahead.

John Hodson
Chairman

*Adjusted operating profit represents operating profit before goodwill amortisation of £542,000 (2005: £667,000); digital licences of £1.15 million (2005: £1.5 million); and £70,000 of spend on developing a music downloading service.

Chief Executive's Review

UBC is benefiting from the current rapid growth in digital radio and is positioned for further growth as the full effects of new digital radio business models take hold.

Revenues in 2006 for the Group were up by 21.8% on the previous year at £19.44 million (2005: £15.96 million), with particularly strong growth from our Network Programming business, with advertising revenues up 45.8% year-on-year at £11.01 million (2005: £7.55 million) as UBC continues to grow its market share.

Our four divisions: Network Programming, Digital Stations, Digital Content and Digital Software are structured to meet the opportunities for revenue growth. The investments we have made to date, and continue to make, will ensure we build a market leading digital radio business.

UBC continues to grow its share of the radio advertising market

UBC's Network Programming business continues to benefit from the structural changes occurring in the radio industry as a result of the growth of digital listening and the fragmentation of audiences. The performance of advertising revenues in UBC's network business stands out in sharp contrast to that of the commercial radio industry overall, which in the year to March 2006 experienced a 6.8% decline in advertising revenues.

As we predicted would be the case, networked programmes are proving to be a solution to one of the main challenges resulting from the growth in digital radio. In particular, networked programmes enable advertisers to continue to reach significant national audiences, whilst at the same time providing radio stations with a cost effective means of delivering expensive 'must have' programming.

During the year, our Network Programming business benefited from both strong advertiser demand and an increase in the network of stations taking our services. UBC continues to invest in building its advertising business. During the year, we launched a Network News advertising package based on the Sky Radio News Service, which we believe is capable of delivering strong growth. We continue to actively explore other ways of extending our radio advertising business.

UBC's Digital Stations benefit from the growth in digital radio

The future is one where the winning national media brands will be genuinely multi-platform, allowing audiences to be built by cross promotion. Our partnership with Channel 4 Television in Oneword

Simon Cole
Chief Executive

> "During the year, our Network Programming business benefited from both strong advertiser demand and an increase in the network of stations taking our services."

Radio is one of the most significant milestones in the development of digital radio to date. Channel 4's investment in Oneword Radio represents the first major involvement by a commercial television broadcaster in the commercial radio sector and Oneword has recently begun to introduce cross-promoted Channel 4 programming into its schedule.

Sales of DAB digital radios are growing rapidly and are forecast* to reach 5 million by the end of the year. With 6.4 million people (13% of the population) now living in a DAB household and 36% of the population reporting they listen to digital services every week, digital radio is on the point of becoming a mass-market product. In partnership with Channel 4, we believe we can build Oneword Radio into one of the prime assets in digital radio.

Classic Gold Digital continues to grow its digital audience, which now stands at 34% of all listeners to the network. The increase in Classic Gold Digital's digital audiences during the year reinforces our long-standing belief that a national, branded classic hits format stands to benefit disproportionately from the growth in digital radio. As part of our overall strategy to manage the decline in analogue audiences while we grow the number of digital listeners, we continue to invest in marketing and quality programming.

Investing for the future remains our primary objective, as the long-term growth of Classic Gold Digital depends upon building its digital audiences. In the short term we will continue to face the challenges of a declining AM audience. During the year Classic Gold Digital was also held back by a depressed local sponsorship and promotions market. However, the first quarter of the new financial year has seen some recovery in this area and we are hopeful this trend will build as the current year progresses. Classic Gold Digital's revenues in the year to 31 March 2006 were down 6.4% at £4.12 million (2005: £4.4 million), which was in line with our expectations.

*source: Digital Radio Development Bureau

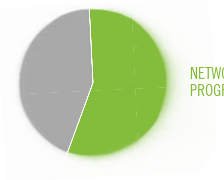
NETWORK PROGRAMMING

UBC is one of the fastest growing advertising sales businesses in the UK. Advertising revenues were up 45.8% at £11.01 million (2005: £7.55 million) as UBC continues to grow market share.

UBC provides three network programmes to commercial radio: Network Drive, Entertainment News and Network News. UBC supplies this high quality network programming free of charge to commercial radio stations across the UK, taking in exchange advertising inventory and thereby creating strong radio advertising opportunities that cut through a fragmenting market. UBC continues to explore ways to build its radio advertising business in the future.

TURNOVER

£11.01m
+45.8%



UBC's Digital Content Division moves into audio on demand

As has been the case in television, we believe that the digital radio market will see a shift from live delivery of content to one in which content is increasingly available 'on demand'. In this environment, the values of content and brand become more important than the value of individual broadcast licences. We can expect to see content brand owners that have not previously been involved in radio – such as newspapers – entering the market. UBC's programming business is very well positioned to take advantage of this market and in the last year UBC has won contracts to produce podcasts for *The Times, The Sun, The Daily Telegraph* and the *News of The World*.

Together with the Group's existing business of production for BBC Radio, this has led to a 5.1% increase in revenues for the year to £3.08 million (2005: £2.93 million). This performance also reflects a particularly strong contribution from our regional and specialist music business, Smooth Operations, which continues to benefit from the BBC's decision to increase the amount of programming it commissions from outside London. Overall, our production businesses remain well positioned to benefit from any future growth in the programming budgets of the BBC's national digital radio stations. During the year, UBC was commissioned to produce the first new network chart programme launched by the commercial radio sector in 22 years.

Software sales growing strongly

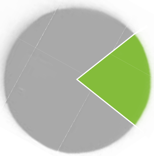
UBC's Digital Software division reported revenues up 13.9% at £1.23 million (2005: £1.08 million). UBC is the market leader in the development of software solutions for digital radio. During the year our software development business established a growing presence in a number of key overseas markets.

UBC has two main software products: 'ManDLS' software, which is used to manage the scrolling text (Dynamic Label Segment) element of a digital radio service; and a software programme used to

"Our leadership in software development and our ownership of a large part of the available digital radio data spectrum has enabled us to develop an exciting new service that will allow consumers to download and purchase music on mobile devices as they hear it on the radio."

TURNOVER

£4.12m
-6.4%



DIGITAL STATIONS

UBC's Radio Stations – Oneword Radio and Classic Gold Digital – are major assets in the future digital radio marketplace.

UBC's national digital station, Oneword Radio, is the only commercial station in the UK to be linked with a national TV broadcaster. Oneword Radio's link with Channel 4 provides high-quality speech programming and the cross promotion necessary to create a strong new brand.

Classic Gold Digital is one of the UK's leading 'Gold' formats, comprising a network of 27 local stations, covering 29 million people. Classic Gold Digital continues to grow its digital audience, which now stands at 34% of all listeners to the network. Revenues in the year, at £4.12 million (2005: £4.4 million), were in line with expectations.

"The perfomance of the past year shows that UBC is ideally positioned across all its businesses to benefit from the growth of digital radio."

operate electronic programme guide (EPG) services on EPG-enabled digital devices. Sales of both software products continue to benefit from growing levels of investment by radio broadcasters in digital services. During the year UBC announced two major developments that we believe have long-term benefits for our software business. The first was an agreement with BT Movio (previously BT Livetime) to supply and implement an EPG for the new Movio entertainment service soon to be launched on the Virgin Mobile network; and, secondly, a tie-up with Harris Corporation, the US market leader in radio broadcasting equipment, to incorporate UBC's ManDLS software into its HD™ radio product range.

Music Downloading

Last year was one for delivering on our promises – in particular, the promise that the investment in our digital radio strategy would bring tangible benefits to the Group. The performance of the past year demonstrates how UBC has built a robust and innovative mix of businesses that are capable of generating growth from digital radio.

The growth of digital radio in the UK continues to gather pace. We believe the key driver for the next phase of development and innovation will be the convergence of digital radio with other forms of mass communication. A milestone in this process was the launch by BT Movio and Virgin Mobile of the first DAB enabled mobile phones, broadcasting digital television and radio services over the commercial DAB network. This will be followed by the first DAB/MP3 products, which are due to be launched later this year. It is our belief that product innovation will drive the next phase in the growth of digital radio and these products will transform how consumers use their radios, and when and what consumers use their radios for.

Our leadership in software development and our ownership of a large part of the available digital radio data spectrum (which is a key component for delivering interactive and broadcasting services) has enabled us to develop an exciting new service that will allow consumers to download and purchase music on mobile devices as they hear it on the radio.

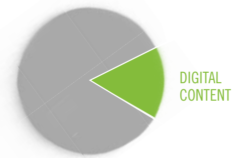
DIGITAL CONTENT

UBC is one of the largest independent audio production companies in the UK. In addition to its core radio programming for the BBC, in the last year UBC has taken a lead in producing on-demand programming for new customers, such as News International.

In 2006, UBC's multi-award winning production businesses produced over 640 hours of programming for the BBC as well as new 'podcast' programming for *The Sun*, *The Times*, the *News of The World* and *The Daily Telegraph*. Together with the existing business of audio production for BBC Radio, revenues for the year were up 5.1% at £3.08 million (2005: £2.93 million).

TURNOVER

£3.08m
+5.1%



During the year, we successfully completed the first stage in developing a music downloading service over DAB digital radio. We are currently undertaking field studies. Depending upon the successful completion of the next stages in the development programme, we plan to launch a full consumer service in the next 12 months. We believe that music downloading over radio has the potential to be one of the most significant innovations undertaken by the industry in recent times. As a pioneer in developing digital radio in the UK, we believe this is an opportunity that UBC is ideally placed to exploit. Subsequent to the year-end the Board approved the raising of additional funds, via a share issue subject to EGM approval, for further investment in the Group's music downloading service.

Prospects

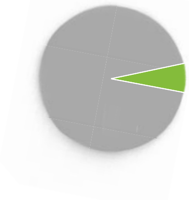
As digital listening grows it is increasingly apparent that it is also changing the business model on which the radio industry in the UK has operated since the launch of commercial radio in 1973. The performance of the past year shows that UBC is ideally positioned across all its businesses to benefit from the growth of digital radio – whether satisfying demand for low-cost, high-quality networked programming; developing the software that operates new digital services; operating radio stations that benefit from the growth in digital audiences; or developing entirely new business areas (such as music downloading) that arise from the capabilities of digital radio.

The year ahead will be an exciting and challenging one for the Group. However, UBC has shown that for it, digital radio is an opportunity and one that we are ideally placed to exploit.

Simon Cole
Chief Executive

TURNOVER

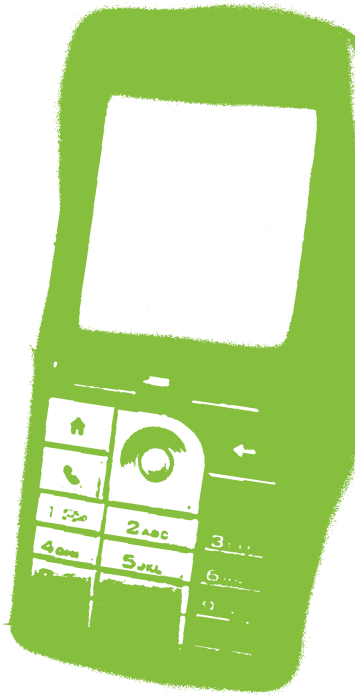
£1.23m
+13.9%



DIGITAL SOFTWARE

UBC ranks as a market leader in the development of software for digital radio. Revenues for UBC's digital software business were up 13.9% at £1.23 million (2005: £1.08 million).

UBC's software products power some of the most innovative new services in digital radio. Building on our experiences in the UK digital radio market, UBC is benefiting from the worldwide growth in digital radio. In 2006, UBC announced the first sales of its software in the US – the world's largest radio market.



Financial Review

Jennifer Donald
Finance Director

In the year to 31 March 2006 Group revenues grew 21.8% to £19.44 million (2005: £15.96 million).

This growth was driven in particular by strong demand for our Network Programming business, where UBC generates its revenues from selling advertising on the 'must have' radio programmes that it supplies to the commercial radio industry. Network programming delivered revenues up 45.8% at £11.01 million (2005: £7.55 million).

Revenues from the Classic Gold Digital network of radio stations were down 6.4% at £4.12 million (2005: £4.4 million), caused partly by a poor local sponsorship and promotions market. Continuing strong growth in Classic Gold Digital's digital audiences compensated in part for the continuing long-term decline in AM listeners.

Revenues from our Digital Content business, which includes our programme production business supplying the BBC, were 5.1% ahead at £3.08 million (2005: £2.93 million), reflecting a strong contribution from our regional and specialist music business.

UBC's Digital Software operation delivered revenues up 13.9% at £1.23 million (2005: £1.08 million), with strong growth from software sales compensating for our decision to withdraw from certain of our low-margin radio facilities activities.

UBC's adjusted operating profit grew by 45.5% to £1,564,000 (2005: £1,075,000), a record high for the Group.

Year ended 31 March	2005 (£'000)	**2006 (£'000)**	
Turnover	15,960	**19,435**	+21.8%
Gross Profit	4,485	**5,083**	+13.3%
Adjusted Operating Profit	1,075	**1,564**	+45.5%
Goodwill Amortisation	(667)	**(542)**	
Digital Licence Costs	(1,501)	**(1,145)**	
Music Downloading Costs*	(0)	**(70)**	
Operating Loss	(1,093)	**(193)**	

*Investment in Music Downloading in 2006 was £396,000, £326,000 of which was capitalised.

Continued tight cost control helped the Group achieve an improvement in adjusted operating profit margin from 6.74% to 8.05%.

UBC reported a loss on ordinary activities before taxation in the year of £234,000 (2005: £1,155,000 loss)

Investment in digital radio

UBC continues to invest heavily in the development of its digital radio strategy. During the year UBC spent a total of £2.04 million (2005: £1.79 million) in its digital radio strategy, comprising the following amounts:

- £977,000 million (2005: £963,000) on transmitting Classic Gold Digital on digital multiplexes covering Northern England and London, which significantly increases Classic Gold Digital's coverage area;
- Joint venture investment of £503,000 (2005: £680,000) in Oneword Radio. UBC's investment in Oneword Radio in 2005 includes investment in the station as a subsidiary;
- £396,000 (2005: nil) in Digital Music Downloading, of which £326,000 was capitalised; and
- £168,000 (2005: £144,000) in data licence fees for broadcasting regional data services on five MXR digital multiplexes.

We expect our investment in the development of digital radio will grow in the forthcoming year. As a result of this investment the Group is expecting to be able to launch a commercial music downloading service using digital radio within the next 12 months.

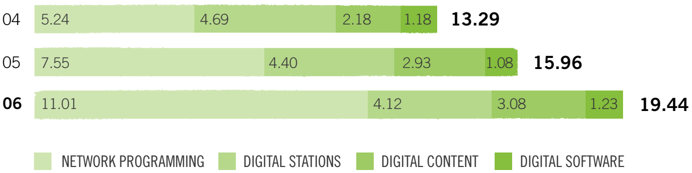
Strategic Objectives

In the year ahead UBC has set itself the following five strategic objectives:

i) to launch a consumer music downloading service within the next 12 months;

REVENUE OVER 3 YEARS

£ millions



OPERATING PROFIT*

£ thousands

*Before goodwill amortisation, digital licences and spend on development of music downloading service

ii) to increase digital listeners to Oneword Radio to 200,000 in the Q1 2007 RAJAR survey;

iii) that our Network Programming Division will continue to outperform the radio sector in advertising sales;

iv) to achieve US$0.5 million of digital software revenues from North America; and

v) to achieve the Group's first subscription revenues from audio services.

Disposal

In April 2005, UBC sold a 51% interest in Oneword Radio Limited to Channel 4 Television for a cash consideration of £1 million, giving rise to a profit on the sale of £629,000.

Smooth Operations - deferred consideration

The acquisition of the business of Smooth Operations in August 2004 included a maximum deferred consideration of £1.9 million depending on the profit growth achieved by Smooth Operations in each of the two years following the acquisition. The first tranche of the deferred consideration was paid in September 2005, comprising a cash payment of £399,000 and the issue of approximately 1.07 million new UBC ordinary shares. The maximum remaining deferred consideration is payable in September 2006 and is capped at £1.235 million and will be payable 60% in cash and 40% from the issue of new UBC ordinary shares.

Advisors

In accordance with best practice, UBC undertook a review of a number of its advisory appointments during the year. This included a review of the Group's audit arrangements, as a result of which Deloitte & Touche LLP were appointed as auditors to the Group. During the year, Barclays were appointed as bankers to the Group. At 31 March 2006, the Group had an unutilised committed bank facility with Barclays Bank of £1.0 million. In addition, N.M. Rothschild & Son have been appointed as financial advisers to the Group.

Cash Flow

During the year, UBC had a cash inflow from operating activities of £1,312,000 (2005: £862,000 outflow), which included a working capital inflow during the period of £840,000 (2005: £565,000 outflow).

Cash

At 31 March 2006, UBC had cash in the bank of £4.68 million (2005: £3.50 million).

Loss per Share

In the year to 31 March 2006 UBC increased its EPS to -0.07p (2005: -0.61p).

Dividend

The Board is not recommending the payment of a dividend.

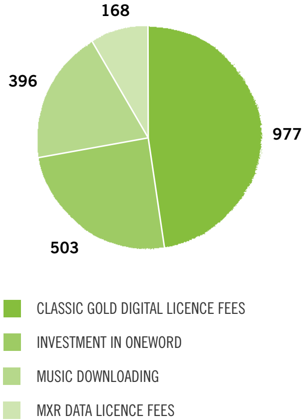
Post Balance Sheet Event

Subsequent to the year-end the Board approved the raising of additional funds, via a share issue subject to EGM approval, for further investment in the Group's music downloading service.

Jennifer Donald
Finance Director

UBC'S INVESTMENT IN DIGITAL RADIO IN 2006

£ thousands



Board of Directors

John Hodson (59) Non-Executive Chairman
John Hodson was appointed to the Board as Non-Executive Chairman of the Company in February 2005. John is a former Chief Executive of Singer & Friedlander Group. He is non-executive chairman of Strategic Equity Capital plc and is a director of Domino's Pizza UK & IRL plc and Prestbury Group. John is Chairman of the Nominations Committee and a member of the Remuneration Committee.

Simon Cole (48) 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 has been awarded a fellowship of the Radio Academy. Simon is a member of the Nominations Committee.

Jennifer Donald (51) 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 UBC Media Group, Jennifer was Finance Director of McCarthy Corporation plc. Jennifer is a member of the Nominations Committee.

Matthew Honey (40) Managing Director, Unique Interactive
Matthew Honey is Managing Director of Unique Interactive, with responsibility for the Group's Digital Software 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 (49) 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.

Tim Blackmore MBE (61) Non-Executive Director and 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. In 2004 Tim stepped down from day-to-day executive responsibilities and was appointed as a Non-Executive Director. He continues to act as Group Editorial Director for UBC Media Group and as Chairman of Classic Gold Digital and Smooth Operations and is a director of Oneword Radio. Tim 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.

Kelvin Harrison (51) Non-Executive Director
Kelvin Harrison 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 Chief Executive of Maxima Holdings plc. Kelvin is Chairman of the Remuneration Committee and a member of the Audit Committee.

Paul Pascoe (45) Non-Executive Director
Paul Pascoe is Chief Executive Officer of the Unique Group of companies, which are engaged in television and event production, video communication and talent management. Paul serves as a Non-Executive Director of UBC Media Group and is Chairman of the Audit Committee and a member of the Remuneration Committee.

Professor Roger Silverstone (61) 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 is a member of the Audit and Remuneration committees.

Directors and Advisors

for the year ended 31 March 2006

Executive directors
Simon A. Cole
Jennifer H. Donald
Matthew A. Honey
John P. Quinn

Non-executive directors
John Hodson
Timothy J. Blackmore MBE
Kelvin F. Harrison
Paul H. B. Pascoe
Roger S. Silverstone
Keith R. Harris*
I. Michael Peacock OBE**
Noel E. Edmonds***

Company Secretary
Simon J. Howell

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Registered number
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Nominated adviser and broker
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New Court
St. Swithin's Lane
London EC4P 4DU

Solicitors to the Company
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Birmingham B3 2AS

Auditors
Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

Principal bankers
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27 Soho Square
London W1D 3QR

Registrars
Capita Registrars
Northern House
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Fenay Bridge
Huddersfield HD8 0LA

Financial public relations
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Bloomsbury House
4 Bloomsbury Square
London WC1A 2RP

* K. R. Harris resigned as a director of UBC Media Group plc on 26 May 2005
** I. M. Peacock resigned as a director of UBC Media Group plc on 29 July 2005
*** N. E. Edmonds resigned as a director of UBC Media Group plc on 22 March 2006

Report of the Directors

for the year ended 31 March 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

Business review and principal activities

The Chief Executive's Review of Business is contained on pages 3 to 7 and the Financial Review, which includes key performance indicators, is contained on pages 8 to 9. The principal business of the Group is the ownership and operation of digital and analogue commercial radio stations, the sale of radio advertising, 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 2006 were as follows:

	Number of ordinary shares as at 31 March 2005	**Number of ordinary shares as at 31 March 2006**	Ordinary shares under option as at 31 March 2006
J. Hodson	–	**–**	–
S. A. Cole	26,667,884	**20,667,884**	–
J. H. Donald	19,225	**19,225**	3,225,299
M. A. Honey	4,481,429	**4,481,429**	417,935
J. P. Quinn	2,850,000	**2,462,506**	3,406,530
T. J. Blackmore MBE	20,080,857	**20,080,857**	–
K. F. Harrison	2,500	**2,500**	–
P. H. B. Pascoe	50,000	**50,000**	–
R. S. Silverstone	–	**–**	–

At 31 March 2006, the following directors' interests were also noted:

1. Of the ordinary shares shown as beneficially held by S. A. Cole, 5,000,000 are registered under the name of HSBC Global Custody Nominee (UK) Limited.
2. Of the ordinary shares shown as beneficially held by T. J. Blackmore, 3,344,226 are registered in the name of his wife Margaret Blackmore.
3. Of the ordinary shares shown as beneficially held by M. A. Honey, 63,000 are registered in the name of his wife, Shona Paterson, and 130,000 are registered in the name of Matthew & Shona Honey (ECH Trust) and 130,000 are registered in the name of Matthew & Shona Honey (GRH Trust).
4. 6 April 2006 P. H. B. Pascoe purchased an additional 253,205 shares of UBC Media Group plc. In addition to the shares held by P. H. B. Pascoe, as Chief Executive of Unique Group Limited, P. H. B. Pascoe is also deemed to be interested in the 8,448,714 shares of UBC Media Group held by that company.
5. Of the ordinary shares shown as being under option to J. P. Quinn, M. A. Honey and J. H. Donald, 3,649,604 are under option to the trustees of the Company's Employee Benefit Trust (3,020,299 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 2005	Options granted in year	Options relinquished in year	Options exercised in year	**Options outstanding 31 March 2006**	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	30/09/05
M. A. Honey	322,580***	–	–	–	**322,580**	31.0	02/04/03	02/04/11
J. P. Quinn	300,000*	–	–	–	**300,000**	1.03	31/03/02	30/09/06
	2,250,000**	–	–	–	**2,250,000**	1.66	26/03/00	30/09/06
	322,580***	–	–	–	**322,580**	31.0	02/04/03	02/04/11

* 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.

**** These options were exercised on 29 September 2005. UBC's share price at the close of business on 29 September 2005 was 26.75p

The Company's share price as at 31 March 2006 was 19.5p and the range during the year was 19.5p to 30p.

Substantial shareholders

At 1 June 2006, the Company has been informed of the following interests of 3% or more in its ordinary shares of 1p each in issue at that date:

	Number of shares	% of issued share capital
S. A. Cole	20,667,884	11.82
T. J. Blackmore MBE	20,080,857	11.49
D. C. Thomson & Company Limited	17,000,000	9.72
Vidacos Nominees Limited	10,516,000	6.01
State Street Nominees Limited	9,817,325	5.62
Unique Group Limited	8,448,714	4.83
I. M. Peacock OBE	6,921,000	3.96
BNY (OCS) Nominees Limited	5,845,306	3.34

Re-election of directors

In accordance with the Articles of Association S. A. Cole, J. H. Donald and P. H. B. Pascoe offer themselves for re-election at the forthcoming AGM, details of which are set out on page 42. Brief particulars of all directors can be found on page 10.

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. Details concerning the Group's arrangements relating to corporate governance and its compliance with the Combined Code are given on pages 14 to 16. The Directors' Report on Remuneration is given on page 17.

Principal risks and uncertainties

The outlook for the radio advertising market is uncertain and whilst the Group has performed well this year, there is no certainty it will do so against the market in the future. However, as disclosed elsewhere in the annual report and accounts, the Group's strategy of investing in network programming is providing access to audiences that advertisers want and is thus mitigating the risk for the Group.

A continuing long-term decline in listening to radio services broadcast on AM is adversely affecting the ability to generate advertising revenues. The Group accepts this risk, but is confident that the growth in digital audiences will compensate for future declines in analogue audiences.

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

The ultimate size of the markets for the Group's digital software products and the music downloading service currently under development are uncertain. However, the Group believes there is significant commercial potential for these products and continues to invest in both product and market development.

The other main risks to the Group are people, especially key executives, and the financing risks associated with being involved with early stage opportunities (such as digital music downloading). Retention of the key executives of the Group is recognised as a risk and is managed by the incentive and remuneration arrangements referred to on page 17. Financing of the Group's activities is covered in the Financial Review on pages 8 to 9.

Annual general meeting

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

Authority to directors to allot shares: Resolution 7

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 15 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 £262,236 representing approximately 15% of the current issued share capital.

Disapplication of pre-emption rights: Resolution 8

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 £174,824. 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.

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 that 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 2007 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 £633 (2005: £5,492) during the year, of which £609 was donated to the Group's nominated charity, Macmillan Cancer Relief. The Group made no political donations during the year.

Auditors

The auditors, Deloitte & Touche LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Disclosure of information to auditors

Each of the directors at the date of approval of this report confirms that: so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and the director has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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 2006 represented 60 days of purchases (31 March 2005: 41 days of purchases).

By order of the Board

Simon Howell
Company Secretary
50 Lisson Street
London NW1 5DF
26 June 2006

Corporate Governance Statement

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 contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the 'Combined Code'). However, the Company supports the principles of good governance laid down in the Combined Code and insofar as they are able, for a company of its size, the Board complies with the provisions of the Combined Code.

The Board

The Company is controlled through a Board of Directors, which at 31 March 2006 comprised four executive directors and five non-executive directors. Short biographies of each director are set out on page 10.

The role of the Chairman and that of the Chief Executive are separate and have been so since the Company's formation.

The Senior Non-Executive Director is P. H. B. Pascoe.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chairman also ensures that the directors receive accurate, timely and clear information and that there is effective communication with shareholders. The Chairman also facilitates the effective contribution of the other Non-Executive Directors and ensures constructive relations between executive and non-executive directors.

The Chief Executive's responsibilities are concerned with managing the Group's business and implementing Group strategy.

The Board's role is to provide entrepreneurial leadership of UBC Media Group within the framework of prudent and effective controls that enable risk to be assessed and managed. The Board is responsible for setting the Company's strategic aims and for ensuring the financial and human resources are in place for the Company to meet its objectives and to review management performance. The Board is also responsible for setting the Company's values and standards and ensuring that its obligations to its shareholders are understood and met. The Combined Code requires that the Board undertakes a formal annual evaluation of its performance, its directors and its committees. During the year, a review was conducted led by the Chairman and using criteria based on guidance in the Code as the framework for the evaluation process.

Each Board member provided an evaluation of Board performance, and these were used as the basis for a collective discussion. An assessment of the effectiveness of individual members of the Board and of the Chairman was also carried out, and any issues raised were followed up with appropriate action.

The Board dispatches its role by holding bi-monthly meetings, at which:

– the monthly management accounts, including budgets and prior year comparatives, are presented and reviewed;

– strategy is set and policy is debated;

– all significant investment and acquisition opportunities are reviewed and, if appropriate, approval is given; and

– any proposed changes to internal control and operating policies are debated.

The Non-Executive Directors bring a wide range of experience and expertise to the Company's affairs which allows them to constructively challenge and help develop proposals and strategy, scrutinise performance and controls and take decisions objectively in the interests of the Company. P. H. B. Pascoe is not considered by the Board to be independent by virtue of his position as chief executive officer of Unique Group Limited, which is a significant shareholder in the Company. In addition, T. J. Blackmore, by reason of his significant shareholding in the Company, is not considered by the Board to be independent.

All directors are subject to election by shareholders at the first opportunity after appointment and at each Annual General Meeting of the Company one-third of the Directors are subject to retirement by rotation. At the Annual General Meeting in 2005 J. Hodson, M. A. Honey, J. P. Quinn and R. S. Silverstone were re-elected to the Board. Details of directors submitted for re-election at the forthcoming AGM are provided on page 42.

The Company indemnifies directors for claims made against them in relation to their duties, with the exception of any losses incurred as a result of their wilful negligence. Insurance cover with an annual limit of £1 million is maintained in respect of potential legal action.

The Board of Directors meets formally approximately every two months. During the year attendance at formal meetings of the Board was as follows:

	Number of Board meetings attended
J. Hodson	7
S. A. Cole	7
J. H. Donald	7
M. A. Honey	7
J. P. Quinn	7
T. J. Blackmore MBE	6
K. F. Harrison	7
P. H. B. Pascoe	6
R. S. Silverstone	7
N. E. Edmonds (resigned as a director on 22 March 2006)	0
K. R. Harris (resigned as a director on 26 May 2005)	0
I. M. Peacock OBE (resigned as a director on 29 July 2005)	2

In addition there were a number of informal meetings of the Board.

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

Financial reporting and going concern

The Board places considerable emphasis on ensuring that all communications with shareholders present a balanced and transparent assessment of the Group's position and prospects. The Board or a sub-committee of the Board reviews and approves results announcements, interim reports, annual reports, the Chairman's AGM statement and trading updates prior to their release. The directors' statement of responsibilities in respect of the preparation of financial statements is set out on page 16 and the Auditors' statement on the respective responsibilities of directors and auditors is included within their report on page 18.

Internal controls and risk management

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. In compliance with Provision C.2.2 of the Combined Code, the Board has considered the need for an internal audit function, but has concluded that the internal control systems in place are appropriate for the size and complexity of the Company.

The Board is also responsible for the identification and evaluation of major risks faced by the group and for determining the appropriate course of action to manage those risks. The Board has put in place the procedures necessary to implement and comply with the guidance 'Internal Control: Guidance for Directors on the Combined Code' (The Turnbull Report).

Committees of the Board

The Board has three committees, being the Audit Committee, the Remuneration Committee and the Nominations Committee, each of which operate within defined terms of reference.

Audit Committee

The Audit Committee consists of P. B. H. Pascoe, as chairman, K. F. Harrison and R. S. Silverstone. The Audit Committee has primary responsibility for monitoring the integrity of the financial statements of the Group; reviewing the Group's internal financial controls; ensuring that the financial performance of the Group is properly measured and reported on; and for reviewing reports from the Group's auditors relating to the Group's accounting and internal financial controls. The Chairman and 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 three times during the year. The committee reviews arrangements by which staff of the company may raise in confidence concerns about improprieties in matters of financial reporting or other matters and investigates appropriate follow up action.

During the year the Audit Committee appointed a sub-committee to review prospective candidates for position as auditor. Subsequent to this review, the auditors PricewaterhouseCoopers LLP tendered their resignation and the directors appointed Deloitte & Touche LLP to fill the vacancy.

The Audit Committee in its meetings with the external auditors reviews the safeguards and procedures developed by the auditors to counter threats or perceived threats to their objectivity and independence and assess the effectiveness of the external audit.

Remuneration Committee

The Remuneration Committee consists of K. F. Harrison as chairman, J. Hodson, P. H. B. Pascoe and R. S. Silverstone. Further details of the Committee's remit are contained in the Remuneration Committee report on page 17. The Remuneration Committee met formally on two ocassions during the year.

Corporate Governance Statement continued

Nominations Committee
The Nominations Committee is responsible for succession planning and ensuring that all appointments to the Board are objective. The Committee oversees the selection and appointment of directors, making its recommendations to the full Board. The Committee meets as and when required. The Nominations Committee did not meet during the year. The Committee consists of J. Hodson, as chairman, S. A. Cole and J. H. Donald.

Relations with shareholders
The Board is committed to maintaining good communications with shareholders. The Chief Executive and the Finance Director maintain a regular dialogue with institutional shareholders throughout the year. The executive directors give presentations to analysts and hold one-to-one formal meetings with the Group's key shareholders immediately following the announcement of the Group's full year and interim results. The Group obtains independent feedback on these meetings through its corporate brokers, and this feedback is disclosed to the Board.

The Company responds formally to all queries and requests for information from existing and prospective shareholders. In addition, J. Hodson and P. H. B. Pascoe are available to shareholders to ensure that any potential concerns can be raised directly. The Group's Annual Report and Accounts, final and interim announcements, trading statements and press releases are available on its website at www.ubcmedia.com.

Constructive use of the AGM
The Board uses the Annual General Meeting to communicate with both institutional and private shareholders. Resolutions are proposed on each substantially separate issue and the agenda includes a resolution to adopt the Group's Annual Report and Accounts. Details of the proxy votes for and against each resolution are announced after the result of the hand votes is known. After the formal business of the Meeting has been concluded, the Chairman invites shareholder questions to the Board.

Statement of Directors' Responsibilities

U.K. 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 2006 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
Company Secretary
50 Lisson Street
London NW1 5DF
26 June 2006

Remuneration Report

As an AIM-listed company, the directors' Remuneration Report regulations do not formally apply in 2006. However, UBC voluntarily discloses the following information.

The Board has established a Remuneration Committee with formally delegated duties and responsibilities, consisting of K. F. Harrison as chairman, J. Hodson, P. H. B. Pascoe and R. S. Silverstone. The provisions of the Combined Code recommend that as Company Chairman, J. Hodson should not be a member of the Committee. However, it is considered that J. Hodson's experience and knowledge is of considerable value to the Committee and as a result he has been appointed a member of the Committee. The Remuneration Committee has responsibility for determining 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 and the payment of an annual bonus.

Directors' service contracts

The executive directors, S. A. Cole, J. H. Donald, M. A. Honey and J. P. Quinn, each have 12-month rolling service agreements with the Company. On 6 June 2006 the non-executive chairman, J. Hodson, and the directors, T. J. Blackmore, K. F. Harrison, P. H. B. Pascoe, and R. S. Silverstone were appointed as non-executive directors of the Company for a one-year period expiring on 5 June 2007. The appointment of the non-executive chairman, J. Hodson, and the appointment of the non-executive directors, T. J. Blackmore, K. F. Harrison, P. H. B. Pascoe and R. S. Silverstone may be terminated at any time by the Company on three months notice.

The following information was audited. Executive directors participate in an annual bonus plan under which in the year to 31 March 2006 their maximum bonus potential was 50% of salary. The measure used to assess performance under the bonus plan in the year to 31 March 2006 for all executives was Group and divisional profitability compared to market expectations.

The remuneration of each of the directors for the year ended 31 March 2006 was as follows:

	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Pension contribution £'000	**2006 Total £'000**	2005 Total £'000
Executive						
S. A. Cole	149	19	1	4	**173**	167
J. H. Donald	105	11	1	3	**120**	88
M. A. Honey	98	–	1	3	**102**	111
J. P. Quinn	117	43	1	4	**165**	147
Non-executive						
J. Hodson (chairman) (appointed 18 February 2005)	34	–	–	–	**34**	4
T. J. Blackmore MBE(1)	42	–	–	–	**42**	50
K. F. Harrison	19	–	–	–	**19**	18
P. H. B. Pascoe	20	–	–	–	**20**	19
R. S. Silverstone	18	–	–	–	**18**	18
N. E. Edmonds(2)(3)	–	–	–	–	**–**	–
K. R. Harris(4)	3	–	–	–	**3**	19
I. M. Peacock OBE(5)	16	–	–	–	**16**	33
	621	**73**	**4**	**14**	**712**	674

(1) In the year to 31 March 2006 T. J. Blackmore received salary and fees of £42,000 in his role as a director of the Company. In addition, in the year to 31 March 2006 T. J. Blackmore received fees totalling £42,000 for his services as Editorial Director and consultant to the Group.

(2) No benefits were prov

(3) Resigned as a non-executive director on 22 March 2006.

(4) Resigned as a non-executive director on 26 May 2005.

(5) Resigned as chairman on 18 February 2005, and as a non-executive director on 29 July 2005.

Independent Auditor's Report to the Members of UBC Media Group plc

We have audited the group and individual company financial statements (the "financial statements") of UBC Media Group plc for the year ended 31 March 2006, which comprise the profit and loss account, the balance sheets, the cash flow statement, and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 United Kingdom Generally Accepted Accounting Practice are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you on the consistency of the directors' report 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 with the company and other members of the group is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the report of the directors, the chairman's statement, the chief executive's statement, the financial review, board of directors, corporate governance statement, statement of directors responsibilities and the remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company and the group, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 March 2006 and of the group's loss for the year then ended;

– the financial statements have been properly prepared in accordance with the Companies Act 1985; and

– the directors' report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
26 June 2006

Consolidated Profit and Loss Account

for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Turnover (including share of joint ventures)	3	**19,484**	15,970
Less: Share of turnover of joint ventures		**(49)**	(10)
Group turnover	3	**19,435**	15,960
Cost of sales		**(14,352)**	(11,475)
Gross profit		**5,083**	4,485
Administrative expenses before digital licence costs, development costs and goodwill amortisation		**(3,519)**	(3,381)
Digital licence costs		**(1,145)**	(1,501)
Development costs		**(70)**	(29)
Goodwill amortisation		**(542)**	(667)
Total administrative expenses		**(5,276)**	(5,578)
Operating loss	4	**(193)**	(1,093)
Share of operating loss in joint ventures	13	**(522)**	(165)
Total operating loss: Group and share of joint ventures		**(715)**	(1,258)
Exceptional non-operating items	5	**363**	–
Interest receivable	6	**119**	106
Interest payable	7	**(1)**	(3)
Loss on ordinary activities before taxation		**(234)**	(1,155)
Tax (charge)/credit	10	**(10)**	4
Loss on ordinary activities after taxation		**(244)**	(1,151)
Equity minority interest		**117**	131
Retained loss for the financial year	20	**(127)**	(1,020)
Loss per share			
Basic pence	11	**(0.07)**	(0.61)
Diluted pence	11	**(0.07)**	(0.61)

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Profit/(loss) for the financial year			
Group		**395**	(855)
Joint ventures		**(522)**	(165)
Retained loss for the financial year		**(127)**	(1,020)
Release of merger reserve	20	**670**	–
Total recognised gains and losses for the year		**543**	(1,020)

All activities relate to continuing operations.

Consolidated Balance Sheet

as at 31 March 2006

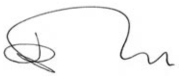
Group	Notes	2006 £'000	2005 £'000
Fixed assets			
Goodwill and intangible assets	12	**3,220**	4,059
Fixed asset investments	14	**306**	266
Tangible assets	13	**189**	183
		3,715	4,508
Current assets			
Work in progress		**36**	36
Debtors	15	**3,459**	3,282
Cash at bank and in hand		**4,677**	3,498
		8,172	6,816
Creditors: amounts falling due within one year	16	**(5,529)**	(4,136)
Net current assets		**2,643**	2,680
Total assets less current liabilities		**6,358**	7,188
Creditors: amounts falling due after more than one year	17	**(337)**	(1,078)
Provisions for liabilities and charges	14, 18	**(78)**	(53)
Net assets		**5,943**	6,057
Capital and reserves			
Called up share capital	19	**1,748**	1,707
Shares to be issued	20	**494**	760
Share premium account	20	**15,389**	15,034
Other reserves	2, 20	**(801)**	(801)
Merger reserve	20	**–**	670
Profit and loss account	20	**(10,395)**	(10,938)
Equity shareholders' funds	24	**6,435**	6,432
Equity minority interest		**(492)**	(375)
Capital employed		**5,943**	6,057

Company Balance Sheet

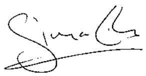
as at 31 March 2006

	Notes	2006 £'000	2005 £'000
Fixed asset investments	14	**1,086**	2,102
Current assets			
Debtors			
– due after more than one year	15	**1,197**	1,691
– due within one year	15	**11,223**	9,220
		12,420	10,911
Cash at bank and in hand		**1,431**	1,931
		13,851	12,842
Creditors: amounts falling due within one year	16	**(12)**	(8)
Net current assets		**13,839**	12,834
Total assets less current liabilities		**14,925**	14,936
Net assets		**14,925**	14,936
Capital and reserves			
Called up share capital	19	**1,748**	1,707
Shares to be issued	20	**494**	760
Share premium account	20	**15,389**	15,034
Merger reserve	20	**–**	670
Profit and loss account	20	**(2,706)**	(3,235)
Equity shareholders' funds		**14,925**	14,936

These financial statements, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and related notes were approved by the board of directors on 26 June 2006 and were signed on its behalf by:



J.H. Donald
Director



S.A. Cole
Director

Consolidated Cash Flow Statement
year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow/(outflow) from operating activities	21	**1,312**	(862)
Returns on investments and servicing of finance			
Interest received		**119**	121
Interest paid		**(1)**	(3)
Net cash inflow from returns on investment and servicing of finance		**118**	118
Taxation			
UK Corporation tax received/(paid)		**8**	(23)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(136)**	(77)
Purchase of intangible fixed assets		**(326)**	–
Sale of tangible fixed assets		**11**	–
Purchase of fixed asset investment		**–**	(266)
Loans to joint ventures		**(511)**	(90)
Net cash outflow from capital expenditure and financial investment		**(962)**	(433)
Acquisitions and disposals			
Purchase of interest in joint ventures		**–**	(32)
Purchase of subsidiary undertakings		**(399)**	(1,279)
Sale of subsidiary undertakings	23	**932**	–
Net cash/(overdrafts) disposed of/acquired with subsidiary undertakings		**39**	(1)
Net cash inflow/(outflow) from acquisitions and disposals		**572**	(1,312)
Net cash inflow/(outflow) before financing		**1,048**	(2,512)
Management of liquid resources			
Increase in short-term deposits with banks		**–**	1,000
Financing			
Issue of ordinary share capital		**96**	1,800
Refund of expense of share issue		**35**	(114)
Net cash inflow from financing		**131**	2,686
Increase in cash in the year	22	**1,179**	174
Cash balances at the beginning of the year		**3,498**	3,324
Cash balances at the end of the year		**4,677**	3,498
Represented by			
Cash and bank balances		**4,677**	3,498

Notes to the Financial Statements
for the year ended 31 March 2006

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied throughout the current and prior year except as noted, 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 2005 and 2006. Intra-group sales and profits are eliminated on consolidation.

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

The Company loss after taxation for the year amounted to £141,000 (2005: £30,000).

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

Profit and loss format
The Group has adopted a single column format for the profit and loss account, as it is the Group's view that digital licence costs, development costs and goodwill amortisation can be shown in the profit and loss account without requirement for a separate column.

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

– Sale of programmes and content: The value of goods and services supplied is recognised on delivery of content. Production costs are recognised on the same date as the relevant turnover.

– Sale of advertising time: Advertising revenue is recognised on the date the relevant advertisement appears. Advertising revenue is recognised gross where the Group is exposed to the majority of the risks and rewards of the transactions and, as such, acts as principal. Where the Group does not bear the majority of the risks and rewards of the transactions it assumes the role as agent and revenue is recognised net of associated costs.

Goodwill
Goodwill represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired. Goodwill has been capitalised and is being written off over its expected useful economic life. The expected useful economic life varies between 7-10 years. The carrying value of the goodwill is assessed annually and any impairment in value is charged to the profit and loss account.

Goodwill in relation to the Classic Gold service is amortised over the life of the underlying licences. The carrying value of the goodwill is assessed annually and any impairment in value is charged to the profit and loss account.

Intangible assets
Intangible assets, primarily licences, 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. The expected useful economic life is the term of the licence in question.

Fixed asset investments
Fixed asset investments are shown at cost less provision for impairment.

Tangible 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.

1 PRINCIPAL ACCOUNTING POLICIES continued

The Group selects its depreciation rates carefully and reviews them at least annually 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 are 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.

Development costs
Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. Provision is made for any impairment.

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.

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.

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 for share options issued under the Enterprise Management Incentive Scheme.

Costs incurred on issue of shares
The share premium account has been credited with £35,000 (2005: £114,000 debit) being the refund of value added tax on costs associated with the raising of new equity funds previously disallowed. 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 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 were recorded at their fair 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.

3 TURNOVER

	2006 £'000	2005 £'000
Geographical analysis by destination		
United Kingdom	**19,311**	15,876
Europe	**30**	36
Rest of the World	**94**	48
	19,435	15,960
Joint ventures		
United Kingdom	**49**	10
	19,484	15,970

The Group operates four business divisions: Network programming, digital stations, digital content and digital software. The directors consider that all four divisions form one business segment, "radio and radio-related services". All activities are carried out in the United Kingdom from continuing operations.

4 OPERATING LOSS

	2006 £'000	2005 £'000
Operating loss is stated after charging/(crediting):		
Staff costs (note 8)	**3,680**	3,297
Amortisation of intangible assets	**11**	20
Amortisation of goodwill	**531**	647
Research and development costs	**70**	29
Profit on disposal of fixed assets	**(6)**	–
Depreciation of tangible fixed assets		
– owned assets	**125**	129
Auditors' remuneration – Group	**64**	88
– Company	**6**	6
Auditors' remuneration – non-audit fees	**21**	72
National Insurance expense on future exercise of share options	**(6)**	(6)
Operating lease charges		
– plant and machinery	**2**	2
– other	**1,093**	1,392

5 EXCEPTIONAL NON-OPERATING ITEMS

	2006 £'000	2005 £'000
Profit on sale of holding in subsidiary undertaking	**629**	–
Amount written off investment	**(266)**	–
	363	–

UBC Media Group plc reduced its shareholding in Oneword Radio Limited from 100% to 49% by the sale of a 51% interest in Oneword Radio Limited for a cash consideration of £1 million resulting in an exceptional profit of £629,000. See note 23.

An impairment of £266,000 was made during the year relating to the investment in Popworld Limited, which writes off this investment in full. See note 14.

6 INTEREST RECEIVABLE

	2006 £'000	2005 £'000
Bank interest	**119**	106
	119	106

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Interest on bank overdraft	**1**	3
	1	3

8 EMPLOYEE INFORMATION

The average weekly number of persons employed by the Group during the year, including executive directors, was 86 (2005: 86).

Staff numbers	2006	2005
Management and administration	**16**	16
Production, editorial and sales	**70**	70
	86	86

	2006 £'000	2005 £'000
Wages and salaries	**3,272**	2,920
Social security costs	**358**	327
Pension costs	**50**	50
	3,680	3,297

9 DIRECTORS' EMOLUMENTS

	2006 £'000	2005 £'000
Aggregate emoluments (excluding pensions)	**698**	661
Gains made on exercise of share options	**709**	–
Company contributions to money purchase pension scheme	**14**	13

Retirement benefits are accruing to five directors (year ended 2005: five) under a money purchase pension scheme

Emoluments payable to the highest paid director are as follows:

	2006	2005
Aggregate emoluments	**169**	163
Company contributions to money purchase pension scheme	**4**	4

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

10 TAXATION

		2006 £'000	2005 £'000
United Kingdom Corporation tax at 30% (2005: 30%)			
Current	– Group companies	**10**	–
	– Share of joint ventures	**–**	–
Prior years	– Group companies	**–**	(4)
	– Share of joint ventures	**–**	–
Tax charge/(credit)		**10**	(4)

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

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	**(234)**	(1,155)
Tax on above loss at standard UK Corporation tax rate of 30% (2005: 30%) Effects of:	**(70)**	(347)
Non-taxable capital disposal	**(183)**	–
Adjustments to tax in respect of prior years	**–**	(4)
Deferred tax asset not provided in respect of losses and capital allowances	**195**	224
Expenses not deducted for tax purposes	**74**	121
Difference in tax rate	**(6)**	2
	10	(4)

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.

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally, no adjustment has been made to diluted EPS for out-of-the-money share options.

Reconciliation of the loss and weighted average number of shares used in the calculation are set out below.

	2006			2005		
	Loss £'000	**Weighted average number of shares (million)**	**Per share amount (pence)**	Loss £'000	Weighted average number of shares (million)	Per share amount (pence)
Basic EPS						
Loss attributable to shareholders	**(117)**	**173**	**(0.07)**	(1,020)	167	(0.61)

12 GOODWILL AND INTANGIBLE ASSETS

Group	Intangible assets £'000	Capitalised development costs £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2005	995	–	9,030	10,025
Additions	–	326	–	326
Transfer to fixed asset investments	–	–	(480)	(480)
Disposals	–	–	(344)	(344)
At 31 March 2006	**995**	**326**	**8,206**	**9,527**
Amortisation				
At 1 April 2005	924	–	5,042	5,966
Charge for year	11	–	531	542
Transfer to fixed asset investments	–	–	(174)	(174)
Disposals	–	–	(27)	(27)
At 31 March 2006	**935**	**–**	**5,372**	**6,307**
Net book value				
At 31 March 2006	**60**	**326**	**2,834**	**3,220**
At 31 March 2005	71	–	3,988	4,059

Development costs have been capitalised in accordance with SSAP 13 "Accounting for research and development" and are therefore not treated as a realised loss. The costs are related to the development of the music downloading service. Production is expected to commence in 2007 from which time the related costs will be written off over the expected useful life of the product.

The transfer to fixed asset investments relates to goodwill on Oneword Radio Limited, which is transferred to fixed asset investments as a result of the investment being classified as a joint venture. The investment had previously been classified as a subsidiary.

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 2005	63	25	963	660	148	32	1,891
Additions	–	–	66	44	26	–	136
Disposals	–	–	(5)	(2)	(3)	(32)	(42)
At 31 March 2006	**63**	**25**	**1,024**	**702**	**171**	**–**	**1,985**
Depreciation							
At 1 April 2005	63	25	852	605	131	32	1,708
Charge for year	–	–	78	30	17	–	125
Disposals	–	–	(3)	–	(2)	(32)	(37)
At 31 March 2006	**63**	**25**	**927**	**635**	**146**	**–**	**1,796**
Net book value							
At 31 March 2006	**–**	**–**	**97**	**67**	**25**	**–**	**189**
At 31 March 2005	–	–	111	55	17	–	183

14 FIXED ASSET INVESTMENTS

Group	**2006 £'000**	2005 £'000
At 1 April	**266**	–
Additions in year	**–**	266
Transfer from goodwill and intangible assets	**306**	–
Impairment	**(266)**	–
At 31 March	**306**	266

The impairment of £266,000 relates to the writing down of the Popworld Limited investment. The £306,000 has been transferred from goodwill and intangible assets. See note 12.

Company	**2006 £'000**	2005 £'000
At 1 April	**2,102**	1,142
Additions in year	**8**	960
Impairment	**(330)**	–
Disposals	**(694)**	–
At 31 March	**1,086**	2,102

UBC Media Group plc reduced its shareholding in Oneword Radio Limited from 100% to 49% by the sale of a 51% interest in Oneword Radio Limited for a cash consideration of £1 million.

The impairment of £330,000 relates to the writing down of the Popworld Limited investment of £266,000 in full, impairment of funding in The Digital News Network Limited of £8,000 and write down of loans owed by a subsidiary undertaking of £56,000.

14 FIXED ASSET INVESTMENTS continued

Group

Interests in joint ventures	**2006 £'000**	2005 £'000
At 1 April		
– Net liabilities	**(511)**	(2,334)
Additions		
– Net liabilities	**(14)**	(5)
– Goodwill	**–**	37
Disposals		
– Net liabilities	**–**	1,956
Share of losses retained	**(522)**	(128)
Amortisation charge for the year		
– Amortisation	**–**	(37)
At 31 March		
– Net liabilities	**(1,047)**	(511)
Cash investment in joint ventures	**969**	458
At 31 March	**(78)**	(53)

On 6 April 2005 UBC Media Group plc decreased its shareholding in Oneword Radio Limited to 49% for a cash consideration of £1,000,000. From this date Oneword Radio Limited has been accounted for as a joint venture, as in line with the actual operation of the business in practice with Channel 4, the Group jointly controls the entity.

During the year to 31 March 2006 the Group loaned £503,000 to Oneword Radio Limited and £8,000 to The Digital News Network Limited.

The gross liabilities of the joint ventures exceed 25% of the operating loss of the Group. Under the terms of FRS 9 the following additional disclosure is required:

Group's share of	**2006 £'000**	2005 £'000
Turnover	**49**	10
Loss before taxation	**(522)**	(128)
Taxation	**–**	–
Loss after taxation	**(522)**	(128)
Fixed assets	**11**	–
Current assets	**132**	50
Liabilities due within one year	**(229)**	(103)
Liabilities due after more than one year	**(961)**	(458)
Net liabilities	**(1,047)**	(511)
Group's share of operating results	**(522)**	(128)

A list of principal joint ventures is set out in note 30.

15 DEBTORS

Due within one year	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade debtors	**2,693**	2,476	**–**	–
Amounts owed by Group undertakings	**–**	–	**11,223**	9,220
Amounts owed by joint ventures	**23**	30	**–**	–
Other debtors	**43**	32	**–**	–
Corporation tax	**–**	8	**–**	–
Prepayments and accrued income	**700**	736	**–**	–
	3,459	3,282	**11,223**	9,220
Due after more than one year				
Amounts owed by Group undertakings	**–**	–	**1,197**	1,691
	3,459	3,282	**12,420**	10,911

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

Company

Debtors due after more than one year for the Company consist of two loan notes owed by a Group undertaking. The first, for £2,042,000 (2005: £2,042,000) is repayable on 30 October 2010. The loan has been stated at a fair value of £550,000 (2005: £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 (2005: £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 (2005: £647,000) following a write-down in the year ended 31 March 2002. The loan may be repayable earlier. The loanis interest-free, unless the note is not repaid on or before 1 October 2011.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade creditors	**2,841**	1,703	**–**	–
Corporation tax	**11**	1	**–**	–
Other taxes and social security	**234**	356	**–**	–
Other creditors	**–**	30	**–**	–
Accruals and deferred income	**2,443**	2,046	**12**	8
	5,529	4,136	**12**	8

Included in accruals and deferred income is £741,000 (2005: £399,000) of deferred consideration pertaining to the acquisition of Smooth Operations (Productions) Limited. This represents the cash consideration payable within the next 12 months.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000
Loan notes	**337**	337	**–**	–
Deferred consideration	**–**	741	**–**	–
	337	1,078	**–**	–

Full details on the loan notes are provided in note 28. The maturity profile of the Group's financial liabilities at 31 March 2006 is detailed in note 28.

18 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 to losses available for carry forward against future UK taxable profits of £2,371,000 (2005: £2,369,000) and on capital allowances of £257,000 (2005: £113,000) has not been recognised.

Similarly, for the Company, a deferred tax asset for losses available for carry forward against future UK taxable profits of £161,000 (2005: £142,000) has not been recognised.

19 CALLED UP SHARE CAPITAL

Group and Company	**2006** **£'000**	2005 £'000
Authorised:		
200,000,000 ordinary shares of 1p each	**2,000**	2,000
Allotted, called up and fully paid:		
174,824,206 ordinary shares of 1p each (2005: 170,652,584)	**1,748**	1,707

Issued share capital

During the year ended 31 March 2006, 4,171,622 new shares were issued.

On 6 September 2005, the Group issued 1,074,747 new ordinary shares of UBC Media Group plc of 1p each at a price of 24.75p as consideration for the first tranche of the deferred acquisition of Smooth Operations (Productions) Limited.

On 29 September 2005, the former director of the Company, Keith Harris exercised his share option for 3,000,000 shares at an exercise price of 3.13p. Keith Harris is chairman of the Company's stockbrokers and financial adviser, Seymour Pierce.

On 29 March 2006, an employee exercised share options 96,875 shares at an exercise price of 2.46p.

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 (i) the unapproved share option scheme (approved on 6 June 2000) and (ii) the Enterprise Management Incentive Scheme (approved on 20 October 2000). One employee and one executive director exercised options during the year. 25,000 options 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 2006 number	31 March 2005 number
31 March 1998	1.03	1997-2006	300,000	300,000
31 March 1999	1.66	1998-2006	2,250,000	2,346,875
31 March 2000	6.40	2001-2007	2,944,755	2,944,755
31 March 2001	3.13-48.50	2002-2010	3,000,000	6,000,000
31 March 2002	29.00-36.50	2003-2011	1,895,160	1,920,160
31 March 2003	24.50-27.50	2004-2012	1,689,604	1,689,604
31 March 2004	33.00-36.00	2005-2013	400,000	400,000
			12,479,519	15,601,394

20 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Shares to be issued £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Profit and loss £'000
At 1 April 2005	760	15,034	670	(801)	(10,938)
Shares to be issued	(266)	–	–	–	–
Premium on issue of shares	–	355	(670)	–	670
Retained loss for the year	–	–	–	–	(127)
At 31 March 2006	**494**	**15,389**	**–**	**(801)**	**(10,395)**

£266,000 of shares to be issued refers to the ordinary shares of UBC Media Group plc which were issued in connection with the first tranche of the deferred consideration payable dependent upon the amount of profit before taxation of Smooth Operations (Productions) Limited over the two years to 30 June 2006.

During the year, shares were issued at a premium of £320,000. In addition Value Added Tax of £35,000 previously disallowed on the 2002 fundraising was reclaimed.

As a result of the sale of 51% of Oneword Radio Limited to Channel 4, £670,000 has been transferred from merger reserves created on the acquisition of Oneword Radio Limited to the profit and loss reserve.

Company	Shares to be issued £'000	Share premium account £'000	Profit and loss £'000
At 1 April 2005	760	15,034	(2,565)
Shares to be issued	(266)	–	–
Premium on issue of shares	–	355	–
Retained loss for the year	–	–	(141)
At 31 March 2006	**494**	**15,389**	**(2,706)**

21 RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating loss	**(193)**	(1,093)
Profit on sale of fixed assets	**(6)**	–
Amortisation of intangible assets	**11**	20
Amortisation of goodwill	**531**	647
Depreciation of tangible fixed assets	**125**	129
Increase in work in progress	**–**	(2)
Increase in debtors	**(255)**	(1,323)
Increase in creditors	**1,099**	760
Net cash inflow/(outflow) from operating activities	**1,312**	(862)

22 RECONCILIATION OF MOVEMENT IN NET FUNDS

	2006 £'000	2005 £'000
Increase in cash in year	**1,179**	174
Movement in long-term debt	**741**	(741)
Opening net funds	**2,420**	3,987
	4,340	3,420
Liquid resources	**–**	(1,000)
Net funds at 31 March	**4,340**	2,420

Liquid resources comprise short-terms deposits with Coutts Bank, which mature within six months of the date of inception.

Analysis of net funds	As at 1 April 2005 £'000	Cash flow £'000	Other non-cash changes £'000	**As at 31 March 2006 £'000**
Cash in hand and at bank	3,498	1,179	–	4,677
Debt due after one year	(1,078)	–	741	(337)
	2,420	**1,179**	**741**	**4,340**

23 DISPOSALS

On 4 April 2005 the Group sold
disposal was £nil, and for the period 6 April 2005 to 31 March 2006 was £771,000.

51% Share of net assets disposed of and the related sale proceeds were as follows:	2006 £'000
Fixed assets	1
Current assets	89
Current liabilities	(119)
Net assets	**(29)**
Sale proceeds	
Satisfied by:	
Cash	1,000
Costs of disposal	(68)
Net proceeds	**932**
Goodwill	(317)
Net liabilities	14
Profit on sale	**629**
Net cash inflows in respect of the sale comprised:	
Cash consideration net of costs of disposal	932
Bank overdrafts sold	39
	971

24 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Opening Equity Shareholders' Funds	**6,432**	3,710
Issue of new shares	**41**	128
Shares to be issued	**(266)**	760
Share premium	**355**	2,184
Merger reserve	**(670)**	670
Other recognised gains relating to the year	**670**	–
Loss for the financial year	**(127)**	(1,020)
Closing Equity Shareholders' Funds	**6,435**	6,432

£670,000 has been transferred from the merger reserve to the profit and loss reserve. See note 20.

25 OPERATING LEASE COMMITMENTS

At 31 March 2006 the Group has lease agreements in respect of licence fees, properties, plant and equipment, for which the payments extend over a number of years:

Annual commitment under non-cancellable operating leases expiring:

	As at 31 March 2006			As at 31 March 2005		
	Land and buildings £'000	**Other £'000**	**Total £'000**	Land and buildings £'000	Other £'000	Total £'000
Within one year	**–**	**–**	**–**	–	39	39
Within two to five years	**131**	**2**	**133**	61	70	131
After five years	**–**	**1,145**	**1,145**	–	1,224	1,224
	131	**1,147**	**1,278**	61	1,333	1,394

26 PENSION COMMITMENTS

The assets of the money purchase pension schemes are held in separate trustee-administered funds. The Group made contributions of £50,000 (2005: £50,000) into the money purchase scheme.

27 RELATED PARTY TRANSACTIONS

FRS 8 "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 FRS 8 not to disclose transactions between group companies.

Transactions with directors
During the year there were no transactions with directors.

Transactions with joint ventures
During the year the Group charged Oneword Radio Limited £180,000 (2005: £17,000), The Digizone Limited £nil (2005: £32,000) and The Digital News Network Limited £20,000 (2005: £7,000) for the provision of management, technical and administration services and studio facilities.

For the year to 31 March 2006, the Group loaned £503,000 to Oneword Radio Limited and £8,000 to The Digital News Network Limited.

Details of balances held with Group companies at the year-end are disclosed in notes 15 and 16.

28 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, cash, 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 limited 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. In the past a small amount of temporary funding has been taken through a bank overdraft.

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.

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 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.

28 FINANCIAL INSTRUMENTS continued

Interest risk profile

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2006 was:

	2006 £'000	2005 £'000
Cash and short-term deposits – floating rate	**4,677**	3,498
Loans to joint ventures		
– book value	**969**	458
	5,646	3,956

All of the above are in sterling.

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 The Digizone Limited, Oneword Radio Limited and The Digital News Network Limited.

Financial liabilities

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

	2006 £'000	2005 £'000
Loans	**337**	337
	337	337

The above are in sterling.

At 31 March 2006, the Loan – floating rate liability comprises one loan note. This was issued by Classic Gold Digital Limited to GCap Media 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.

The Group has undrawn facilities of £1,000,000 at the year ended 31 March 2006.

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 2006 and 31 March 2005.

Maturity of financial liabilities

The loan note of £337,000 issued by CGDL to GCap Media plc is to be redeemed or repaid at par on or before 1 October 2011.

29 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 19 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 2006, an amount of £20,000 (2005: £26,000) was accrued based on the year-end share price of 19.50p (2005: 29.25p).

30 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	Ordinary shares held 2006 %	Ordinary shares held 2005 %	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
Smooth Operations (Productions) Limited	100	100	Radio production
Oneword Radio Limited*	–	50	Radio broadcasting
Subsidiaries: immediate holding company The Unique Broadcasting Company Limited			
Oneword Radio Limited*	–	50	Radio broadcasting
Joint venture of UBC Media Group plc			
Digital News Network Limited	28	28	Provision of news programmes to digital radio
The Digizone Limited	50	50	Dormant
Joint ventures of The Unique Broadcasting Company Limited			
Oneword Radio Limited	49	–	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 2006 using the following accounting periods:

Digital News Network Limited	Year ended 31 March 2006
The Digizone Limited	Year ended 31 March 2006
Oneword Radio Limited	Year ended 31 March 2006

***Oneword Radio Limited**
On 6 April 2005 UBC Media Group plc reduced its shareholding in Oneword Radio Limited from 100% to 49% by the sale of a 51% interest in Oneword Radio Limited. The Unique Broadcasting Company Limited owns 49% of the joint venture with Channel 4.

31 POST BALANCE SHEET EVENT

Subsequent to the year-end the Board approved the raising of additional funds, via a share issue subject to EGM approval, for further investment in the Group's music downloading service.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the sixth 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 4 August 2006 at 11.00a.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 2006.

2. To re-appoint Deloitte & Touche LLP as auditors of the Company 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 approve the Directors' Remuneration Report for the year ended 31 March 2006.

Special Business:

7. 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 £262,236 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 2007, 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.

8. 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 the sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £174,824 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 2007, 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 26 June 2006
By Order of the Board,

Simon Howell

S.J. Howell, Company 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 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 Uncertified Securities Regulations 2001, specifies that only shareholders registered in the register of members of the Company at close of business on 2 August 2006 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 this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Proxy Form 2006 – UBC Media Group plc

For use by Shareholders at the Annual General Meeting, to be held on 4 August 2006.
Please fill in form using BLOCK CAPITALS.

I/We (name in full) ____

of ____

being (a) holder(s) of ordinary Shares of 1p each of the Company, hereby appoint the **duly appointed Chairman*** of the Meeting or

(insert name and address) ____

____

to act as my/our proxy at the Annual General Meeting of the Company to be held on 4 August 2006, and at any adjournment thereof.

*see Note 7

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

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 approve the Directors' Remuneration Report	☐	☐
Special business		
7. To give an allotment authority	☐	☐
8. To disapply pre-emption rights	☐	☐

Dated ______________________________ 2006

Signature ______________________________

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.

Cut along this line

1 Fold along this line **first**

2 Fold along this line **second**

3 Fold along this line **third**

BUSINESS REPLY SERVICE
Licence No MB122

1

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR
England

4 Fold along this line **fourth** and tuck in at both ends

Cut along this line

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