INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2008

Financial Highlights

Since March, the radio industry has endured one of the most difficult periods in its history. During this time, UBC Media Group has had six months of fundamental change. UBC has emerged as a pure radio services company with a market leading position in production, commercial networking and software sales. Central overheads have been cut, the Company's exposure to digital radio has been significantly reduced and the Commercial Networking division is well positioned for a recovery in the advertising market following significant radio station contract wins.

The main financial highlights for the six months are:

- Group turnover including Commercial Networking division down 15.2% at £6.42 million (2007: £7.57 million);

- No loss making digital joint ventures; Cliq mobile service discontinued. Total discontinued operations £1.4 million;

- Reduced loss from continuing operations less impairment of -£314,000 (2007: -£352,000); and

- Cash position £2.5 million with no debt.

Strategic Highlights

- All major UK radio groups join UBC's Traffic & Travel Network with airtime secured on Capital FM and Classic FM for the first time;

- Commercial Networking division positioned well for recovery with 67% of UK Commercial Radio audience to sell to advertisers. UBC is now the largest buying point by reach in UK Commercial Radio with an audience of 21 million to our networks;

- BBC adopts UBC technology for radio Electronic Programme Guide on iPlayer;

- Annualized overhead savings of £500,000 implemented;

- Cliq patents published and business-to-business operation currently testing implementation of the service on first connected internet radios; and

- Strong pipeline of BBC Radio commissions and first commercial radio commissions from Guardian Media Group.

Chief Executive's Operational Review

This has been an unprecedented six months for the economy, the radio industry and for UBC. We have been fortunate to have a balance sheet and cash position which has allowed us to take the action necessary to position the Company correctly in the prevailing climate without the pressures that debt has created for others.

As predicted when I wrote to you last, trading has been extremely challenging across all business areas. Overall, revenues in the period to 30 September 2008 were 15.2% down at £6.42 million (2007: £7.57 million).

Management has moved fast to rationalise our areas of operation, remove risk and cut costs. However, we have also used the business climate to our advantage. For example, we have built our station networks in a weak commercial radio market and created a business which we believe will both be robust in the downturn and benefit greatly from a recovery.

Commercial Networking

	2008	**2007**	**% change**
Commercial Networking	£4.64 m	£5.44 m	-14.7

Our Commercial Networking division experienced weaker revenues throughout virtually the entire first six months of the new financial year, with revenues down 14.7% at £4.64 million (2007: £5.44 million), broadly in line with that of the rest of the commercial radio sector.

The experiences of the last six months have been unprecedented in the Company's nineteen year history. In response the Board have taken decisive action, strengthening our core product offering, reducing our cost-base and exiting from business areas that have proved less resilient in the face of the downturn.

Despite the current difficulties, we remain committed to investing in those parts of our Commercial Networking division that we believe will be the engine for growth once radio advertising revenues recover. In October we announced a two year contract with Global Radio to supply traffic and travel bulletins to the entire Global Radio group, adding to our barter network for the first time the stations formally owned by GCap Media. This is a very significant development for UBC as it increases the impact delivery for the Company's advertisers by nearly one-third, delivering 67% of the weekly audience of commercial radio and making UBC the market leading provider of network radio advertising in the UK.

At the same time, UBC has responded to the downturn in turnover by reducing the cost-base of the Entertainment News service – saving nearly £150,000 a year of costs - and taken the decision to withdraw from the supply of the Sky News service which has been loss-making for the last year.

As we have previously reported, UBC received an offer from Global Traffic Network Inc. ('GTN') to acquire UBC's Commercial Networking division. Despite being unsolicited, we believed the offer fully valued the business and the Board agreed to enter into negotiations with GTN. After investing considerable time and cost trying to secure final agreement on the terms of the sale, this has proved to be impossible in the current market turmoil. In October we announced the sale would not now proceed. Since negotiations were still continuing with GTN at 30 September 2008, the activities of the Commercial Networking division are included in the results for the interim period to 30 September 2008 as a discontinued operation in line with accounting standards.

Programme Production

	2008	**2007**	**% change**
Programme Production	£1.47 m	£1.68 m	-12.5

UBC's Programme Production businesses have proved to be the most resilient part of the business. In the six months to 30 September 2008 the division reported revenues down 12.5% at £1.47 million (2007: £1.68 million). Our Programme Production division comprises the audio production companies, Unique and Smooth Operations. Together, they rank as amongst the largest independent suppliers of radio programmes to the BBC and a significant proportion of their revenues are in the form of long-term production contacts. Although there continues to be pressure on margins in this sector, the commissioning pipeline for both businesses remains strong for the remainder of the year.

Unique and Smooth Operations were both successful in winning commissions from Guardian Media Group, which is the first commercial radio group in a number of years to allocate a significant budget to commissioning quality independently produced programming. The critical response to these early programmes was excellent and we hope that, despite the current challenging trading environment, this will prove a valuable business model for the commercial radio sector in the future.

UBC has market leadership in the independent production sector. As was proved with the successful acquisition and integration of Smooth Operations, it is possible to deliver economies of scale while still preserving the strengths and character of individual production companies. The Board believes there is scope for consolidation amongst independent production companies and this is an area of expertise for UBC which is capable of delivering future growth.

Data & Interactive

	2008	**2007**	**% change**
Data & Interactive	£0.31 m	£0.46 m	-32.6

The North American market has become increasingly important for our Data & Interactive division in the last couple of years. The slowing of the radio economy there in the first six months of the year has meant delays in winning new business. Our largest customer, XM Satellite Radio, has been going through a merger with its competitor, Sirius Satellite Radio. Whilst we are confident that, in the long term, the new merged company will be a powerful and well funded customer, the merger process has delayed the flow of orders.

Revenues in the period for the Data & Interactive division were down 32.6% at £307,000 (2007: £458,000).

Closer to home we were pleased to secure the BBC as an important client for our Electronic Programme Guide software in an important new contract which brings with it considerable potential for new commissions in the future.

As previously reported, in the first half of the financial year we took the decision to close to loss-making mobile phone version of the Cliq music downloading service, and to concentrate the technology as a business-to-business solution to manufacturers. The first fruits of this will be the Wi-Fi digital radio to be launched by Imagination Technologies in the next few weeks. Although the short-term prospects of the Data & Interactive division are likely to remain challenging, we continue to believe in the longer-term prospects for the technologies we have developed and which we own.

Cost Review

In response to what we expect will be a prolonged and deep downturn in business sentiment, we are continually reviewing the entire cost-base of the Group. Our objective is to protect our core activities from the worst of current market conditions, while significantly reducing the Group's overhead. This has required changes to how we operate across the entire business and at all levels. We have made good progress to date, identifying and implementing annual cost savings totalling £500,000.

The Board

John Hodson has indicated that he sees this as being an appropriate time for him to stand down from the board. John was appointed as non-executive chairman of UBC in February 2005 and I would like to take this opportunity on behalf of my fellow directors to thank John for his considerable contribution to the business and its development over the last few years. Paul Pascoe has been invited by the board to succeed John as Chairman. Paul has been a valued member of the UBC board since the Company's flotation in 2000. He knows the business well and brings to its deliberations considerable commercial insight and a valuable knowledge of the wider independent production sector.

As part of the review of the cost base of the business, the board has decided to combine the roles of finance director and company secretary. As a consequence, Gavin Rigby will be resigning from the board in January 2009 and Simon Howell is resigning as company secretary with immediate effect. John Falcon, who previously worked at UBC as Management Accountant, is returning to the company to replace Gavin and will be joining the business in December.

Outlook

This has been an extremely challenging few months. However, the Board has taken decisive action to focus on those core activities where the Group has particular strength. We continue to streamline our activities, reducing our exposure to those parts of the business which have proved most volatile. We remain confident that UBC is well positioned to benefit from the recovery in business sentiment which we believe will inevitably return. In the meantime, with a positive cash balance and a tightly focused group of businesses, we are positioned to weather the storm.

FINANCIAL REVIEW

Discontinued Operations

At the balance sheet date, 30 September 2008, management were in negotiations with GTN about the disposal of the Commercial Networking division. As such the results of the Commercial Networking division and associated costs of the proposed transaction have been presented as a "Discontinued Operation" in the income statement. Despite the announcement in October that the sale of the Commercial Networking division to GTN would not proceed, in line with accounting standards, these amounts have not been reclassified to continuing operations. In the six months to 30 September 2008 Commercial delivered turnover of £4.6 million (2007: £5.4 million) and a profit of £10,000 (2007: £466,000). Aborted disposal costs of £164,000 have been incurred.

The table below shows the impact of the Commercial Networking division on the results for the period:

	Income statement six months ended 30 September 2008	Results of Commercial Networking Division	Income statement six months ended 30 September 2008 (including Commercial)
	£'000	£'000	£'000
Revenue	1,776	4,644	6,420
Cost of sales	(819)	(4,533)	(5,352)
Gross profit	**957**	**111**	**1,068**
Administrative expenses	(1,418)	(101)	(1,519)
Aborted disposal costs	-	(164)	(164)
Impairment of investment	(150)	-	(150)
Total administrative expenses	**(1,568)**	**(265)**	**(1,833)**
Operating loss	**(611)**	**(154)**	**(765)**
Investment income	83	-	83
Share of results of joint ventures	-	-	-
Loss before tax	**(528)**	**(154)**	**(682)**
Tax	64	-	64
Loss for the period from continuing operations	**(464)**	**(154)**	**(618)**
Discontinued operations: (Loss)/profit for the period from discontinued operations	(1,575)	154	(1,421)
(Loss)/profit for the period	**(2,039)**	**-**	**(2,039)**

In the six months to 30 September 2008, £1.1 million (2007: £0.9 million) was incurred in the ongoing management and development of Cliq, UBC's music downloading service. None of these costs were capitalised (2007: £472,000). In June 2008 UBC announced the closure of the mobile phone version of Cliq.

In the six months to 30 September 2008 UBC spent £322,000 (2007: £348,000) on a contractual obligation to Bauer Radio for the former transmission of Classic Gold Digital on digital multiplexes, primarily covering Northern England.

Investment in 4 Digital Group

UBC is a shareholder in the 4 Digital Group consortium, which in July 2007 was awarded the second national DAB multiplex. To date UBC has invested £150,000 in 4 Digital Group. In October 2008 Channel 4, the majority shareholder in 4 Digital Group, announced it no longer intended to launch three new national digital stations on the 4 Digital multiplex. Along with other minority shareholders, UBC is currently reviewing its legal response and the Group has fully impaired its investment of £150,000.

Cash Flow
In the six months to 30 September 2008 UBC had a cash outflow from continuing operations of -£9,000 (2007: -£320,000).

Cash
At 30 September 2008, UBC had cash in the bank of £2.5 million (2007: £5.0 million).

Loss per Share
In the six months to 30 September 2008 UBC reported basic and diluted loss per share of -0.24p (2007: -0.18p) from continuing operations and basic and diluted earnings per share of -1.06p (2007: 0.18p) from continuing and discontinued operations.

Dividend
The Board is not recommending the payment of an interim dividend (2007: nil).

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Unaudited	Restated Unaudited	Restated Unaudited
	Six months ended	Six months ended	Full year ended
	30 September 2008	30 September 2007	31 March 2008
	£'000	£'000	£'000
Continuing operations			
Revenue	**1,776**	2,148	3,991
Cost of sales	**(819)**	(884)	(1,648)
Gross profit	**957**	1,264	2,343
Administrative expenses	**(1,418)**	(1,296)	(2,792)
Impairment of investment	**(150)**	-	-
Total administrative expenses	**(1,568)**	(1,296)	(2,792)
Operating loss	**(611)**	(32)	(449)
Investment income	**83**	68	252
Share of results of joint ventures	**-**	(314)	(446)
Loss before tax	**(528)**	(278)	(643)
Tax	**64**	(74)	(90)
Loss for the period from continuing operations	**(464)**	(352)	(733)
Discontinued operations:			
(Loss)/profit for the period from discontinued operations	**(1,575)**	703	(2,656)
(Loss)/profit for the period	**(2,039)**	351	(3,389)
(Loss)/Earnings per share (pence)			
From continuing operations			
Basic	**(0.24)**	(0.18)	(0.38)
Diluted	**(0.24)**	(0.18)	(0.38)
From continuing and discontinued operations			
Basic	**(1.06)**	0.18	(1.76)
Diluted	**(1.06)**	0.18	(1.76)

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008

	Unaudited Six months ended 30 September 2008 £'000	Unaudited Six months ended 30 September 2007 £'000	Audited Full year ended 31 March 2008 £'000
ASSETS			
Non-current assets			
Goodwill	**2,834**	2,834	2,834
Intangible assets	**-**	1,920	-
Property plant and equipment	**186**	235	219
Available-for-sale financial asset	**-**	150	150
	3,020	5,139	3,203
Current assets			
Inventory: work in progress	**54**	47	58
Trade and other receivables	**3,300**	3,709	3,550
Cash and cash equivalents	**2,458**	5,003	3,919
	5,812	8,759	7,527
Total assets	**8,832**	13,898	10,730
LIABILITIES			
Current liabilities			
Trade and other payables	**(2,859)**	(3,104)	(2,718)
	(2,859)	(3,104)	(2,718)
Net current assets	**2,953**	5,655	4,809
Non-current liabilities			
Deferred tax liability	**(298)**	(223)	(298)
Provisions	**(3,396)**	(2,513)	(3,396)
	(3,694)	(2,736)	(3,694)
Total liabilities	**(6,553)**	(5,840)	(6,412)
Net assets	**2,279**	8,058	4,318
EQUITY			
Share capital	**1,927**	1,927	1,927
Share premium account	**18,676**	18,676	18,676
Other reserves	**(801)**	(801)	(801)
Accumulated losses	**(17,523)**	(11,744)	(15,484)
Total equity	**2,279**	8,058	4,318

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Unaudited	Restated unaudited	Restated unaudited
	Six months ended	Six months ended	Year ended
	30 September 2008	30 September 2007	31 March 2008
	£'000	£'000	£'000
Cash flows from operating activities			
Cash used in operations	**(9)**	(320)	(746)
Cash (used in)/from discontinued operations	**(1,633)**	459	(273)
Tax refunded	**123**	-	15
Net cash (used in)/from operating activities	**(1,519)**	139	(1,004)
Investing activities			
Interest received	**83**	38	222
Purchase of property, plant and equipment	**(25)**	(31)	(84)
Proceeds from disposal of trade and assets of subsidiary	**-**	3,832	3,832
Other investment income	**-**	30	30
Investment in intangible assets	**-**	(472)	(557)
Investment in joint venture	**-**	(316)	(466)
Investment in intangible asset	**-**	(150)	(150)
Net cash from investing activities	**58**	2,931	2,827
Net (decrease)/increase in cash and cash equivalents	**(1,461)**	3,070	1,823
Cash and cash equivalents at beginning of period	**3,919**	1,933	1,933
Cash acquired on purchase of subsidiary	**-**	-	163
Cash and cash equivalents at end of period	**2,458**	5,003	3,919

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1 PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING POLICIES

From April 2007 onwards the Group prepares its consolidated financial statements in accordance with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") in accordance with European Union regulations.

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in these financial statements.

Basis of preparation

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1		Presentation of Financial Statements revised
IAS 23		Borrowing costs revised
IFRS 8		Operating Segments
IFRIC 11	IFRS 2	Group and Treasury Share Transactions
IFRIC 12		Service Concession Arrangements
IFRIC 13		Customer Loyalty Programmes
IFRIC 14	IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

(a) Subsidiaries

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Intra-group sales and profits are eliminated on consolidation. Where a consolidated company is less than 100% owned by the Group, the minority interest share of its results and net assets are recognised at each reporting date. Where a company has net liabilities, no asset is recorded within minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(b) Joint Ventures

Joint ventures are accounted for using the gross equity method from the date of their formation to the date of their sale. A fair value is attributed to the Group's share of separable assets and liabilities acquired on the formation of the joint venture and any excess of consideration over this fair value is disclosed in the balance sheet as goodwill. The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement and as a movement in the Group's share of joint ventures' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised directly in equity. Losses of the joint ventures in excess of the Group's interest in those joint ventures are not recognised. Where a Group company transacts with joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

Restatement

In accordance with IFRS5: Non Current Assets Held for Sale and Discontinuing Operations, the results for the interim six month period ended 30 September 2007 have been restated. IFRS5, paragraph 34 requires that such disclosures are represented in the financial statements for all periods presented with the disclosure relating to all operations that have been discontinued by the balance sheet date. The main effect has been to classify the mobile version of Cliq and Commercial Networking division, that were classified as discontinuing at the interim period ended 30 September 2008 from their former classification as continuing for the earlier 2007 interim period. The comparative figures for the consolidated balance sheet are not impacted and therefore have not been restated.

1 PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

Revenue

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

Goodwill

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

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

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

Intangible assets

Acquired intangibles assets
Intangible assets are included at cost less provision for impairment, if applicable. Amortisation is calculated to write off the cost of intangible assets on a straight-line basis over its expected useful economic life. The useful economic life is estimated by reference to the period over which each asset is estimated to be capable of earning revenue.

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

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

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

1 PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

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

	%
Technical equipment	50
Computer equipment	33 1/3
Office equipment	20

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

Work in progress

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

Cash and cash equivalents

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

Certain 2007 and 2008 amounts between continued and discontinued operations have been reclassified in the financial statements to conform to current year presentation.

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Provisions

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

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

1 PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

Share capital

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

Taxation

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

Research and development tax credits are recognised in the period when it becomes probable that an amount will be receivable or recoverable from Her Majesty's Revenue & Customs.

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

Employee benefits

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

Leases

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

Share-based payment transactions

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

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

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

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

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

1 PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

Foreign currencies

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

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

Segment reporting

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

Financial instruments

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

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

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.