immedia BROADCASTING PLC

trusted to...

communicate
educate
inform

Report & Accounts **2006**

motivate
enrich
inspire
energise
encourage
deliver

www.immediabroadcasting.com

Immedia's services enable retail clients to:

- Say who they are
- Say what they mean
- Say it now

and also to:

- Integrate strategy
- Motivate employees
- Promote their company values
- Create a better environment
- Offer a sense of community
- Help customers make informed decisions
- Maximize the value of their customers

"The Company has a healthy pipeline of new opportunities with a number of potential new clients, and we look forward to making further progress during 2007."

Bruno Brookes

Chief Executive

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Chairman's Statement

2006 was a challenging year for both the UK retail sector and the advertising market. Costs have been managed carefully and our focus on a subscription based business model has helped to drive sales.

Turnover was up 48.7% to £4,472,225 *(2005: £3,007,688)* of which £762,031 was attributable to The Cube Group of Companies ("Cube"), which was acquired in April 2006. Encouragingly, organic revenue growth was some 23%.

Profitability for the group at the operating profit before depreciation, amortisation, exceptional impairment charge and interest level continued to improve and was £643,418 against £73,391 in 2005. The group operating loss before interest and tax was £249,600 compared to losses of £1,071,737 in 2005. Group losses on ordinary activities before tax reduced to £245,727 compared to losses of £1,051,416 in the previous year.

In the year to 31 December 2006, the acquisition of Cube enlarged Immedia's service offering and customer base. The management team was strengthened with Fiona Ryder stepping up to the role of Chief Operating Officer and Ross Penney taking on the role of Director of Business and Legal Affairs. Charles Barker-Benfield joined the Board in May 2006 as Finance Director.

In 2007 the group lost two contracts which will have an impact on turnover and profit, but following cost reductions, the group will be in a good position to benefit from new business. Furthermore, we are in discussions with a number of new and existing clients and feel confident that new business wins will help to offset the shortfall.

We believe retailers continue to be attracted by in-store media as a premium tool to build relationships with both customers and staff. The group has a healthy pipeline of opportunities with established brands in the retail sector. We remain positive about the outlook for 2007.

Geoff Howard-Spink
Chairman

17 May 2007

Chief Executive's Review

I am pleased to present our results for the twelve-month period ended 31 December 2006, and to report on Immedia's progress for the current year.

Results for the Year Ended 31 December 2006

Despite the particularly challenging retail market, Immedia has continued to progress during the year. Turnover was up 48.7% to £4,472,225 *(2005: £3,007,688)* including £762,031 (25.3%) from the Cube acquisition and operating profit before depreciation, amortisation, exceptional impairment charge and interest was up to £643,418 *(2005: £73,391)*. The group operating loss was £249,600 (Cube loss £32,035) compared to losses of £1,071,737 in 2005. Losses on ordinary activities before tax reduced to £245,727 compared to £1,051,416 in the previous year, including a one-off contribution due to the previously announced contract termination with Vitus Apotek.

A combination of carefully managed costs and increased revenues from the subscription model have ensured that the group's results were broadly in line with market expectations for the year to 31 December 2006.

Acquisition of Cube

Last year we acquired Cube, a leader in in-store TV. Whilst Cube is developing well and has integrated successfully into the Immedia group, it has underperformed our initial expectations. This was due in part to a slower than expected uptake on planned installations for existing customers and a longer than anticipated integration between the two companies.

We believe Cube has a premium offering and is in a good position to attract further clients. We expect an improved performance over the current financial year.

Subscription Channels

Following the successful launch and roll-out of IKEA Live! in 2005, Immedia signed a new contract in September 2006 to roll-out the station to all existing and future IKEA stores across the UK for another 3 years.

HSBC Live! has also been a success with a further roll-out to 944 sites across the UK by the end of 2007.

Lloyds Pharmacy Live! continues to broadcast across 1,400 pharmacies in the UK and includes a mix of music and interactive live programming that entertains and raises awareness on a number of health matters for customers.

In 2006, we launched trials of RadioVision, a combination of live radio synchronized with tailored video content. RadioVision is a major advance in the provision of in-store marketing and we are pleased to report that there has been positive interest from a range of major retailers. The acquisition of Cube means the group is now in a position to undertake more of the work for this service in-house, particularly visual content creation, and to benefit from the extensive visual skills of the Cube team.

Further to the announcement made on 17 April 2007 regarding the loss of two contracts, we are disappointed, but remain confident these will be replaced with new customers in due course. Management regularly reviews the pipeline of opportunities whilst continuing to prudently manage the group's cost base. Furthermore, we are in ongoing negotiations to extend contracts with existing customers that have been impressed by the services provided by the group.

Impulse Live! Network

Last year, we presented our action plan to transfer the Impulse Live! network from a "free to retail" model to a subscription model.

As part of this action plan, from 11 April 2007 the Impulse Live! radio station was no longer broadcast to the independent stores that were receiving the service free of charge. We expect this action to deliver annual savings of approximately £180,000 in maintenance and licensing costs. This is a positive step towards increasing the profitability of our existing infrastructure, and highlights the Company's focus on the subscription-based model. Emphasis is being placed on a mix of national advertising subscription and production revenue. Immedia is also developing a strategy to include local advertising across its remaining networks to the convenience sector.

Outlook

Over the past three years, Immedia has continued to provide a high quality broadcast service to a range of high street brands. The acquisition of Cube last year added premium video content to our original tailored broadcast offering. Following the integration of Cube, we are confident that the Company has a broader and more flexible offer.

Despite the current challenges in the retail and advertising markets, we have delivered a set of results in line with market expectations. The Company has a healthy pipeline of new opportunities with a number of potential new clients, and we look forward to making further progress during 2007.

Bruno Brookes
Chief Executive

17 May 2007

Directors

Geoff Howard-Spink,
Chairman aged 63
Chairman of Remuneration Committee

Geoff was a founding partner of advertising agency Lowe Howard-Spink in 1981. He is also the Chairman of MICE Group plc and a non-executive Director of Chrysalis Group plc and of New Star Investment Trust plc.

Trevor (known as "Bruno") Brookes,
Chief Executive Officer aged 48

Bruno Brookes is the founder of Immedia. After a career as a radio and TV presenter, where he collected numerous awards for his work and spent 11 years with BBC Radio One, Bruno set up BBME which offered a number of related media services including design, broadcast training, artist management and broadcast production. In November 1999 Bruno founded Immedia and has been Chief Executive Officer since that date.

Charles Barker-Benfield,
Finance Director aged 53

Charles qualified as a chartered accountant in 1981 and has spent over 20 years in financial management roles with entrepreneurial companies. In 2003 he established chartered accountants Morchard Bishop & Co and brings a depth of commercial experience to the Immedia board.

Fi Ryder,
Chief Operating Officer aged 40

Fi Ryder has been working in the audio visual industry for the last 18 years. She studied Film and Photographic Arts in London at the University of Westminster and went on to become a commercials producer. In 1994 she set up her first company producing big screen advertising and entertainment packages for the live music industry. Spotting a similar need in the retail industry she established Cube in 1999 to develop in-store media networks. Fi has been Chief Executive of Cube since its inception and since January 2007 has stepped into the newly created position of Chief Operating Officer for Immedia Broadcasting Plc.

Ross Penney,
Legal & Business Affairs Director aged 43

Ross graduated from Cambridge University in 1986 and has specialised in music copyright and operational and general management for nearly 20 years. Ross was Head of Licensing at collecting society Video Performance Limited, when he gained an MBA from Imperial College London and developed the Music Mall concept for the record industry, offering a central resource for acquisition of music videos. He set up a music copyright and business strategy consultancy, Kronos, in 1998, and shortly after began working with Cube. Ross joined Cube in 2002. His role at Immedia Broadcasting Plc covers all aspects of the legal and business affairs function including contracts and music licensing.

Peter Teague,
Non-executive Director aged 52
Chairman of Audit Committee

Peter qualified as a chartered accountant in 1979 and spent his early career principally in venture capital and corporate finance. Between 1987 and 1996 Peter worked in a variety of roles within AT&T and from 1998 to 2001 was Deputy CEO and Managing Director of the UK Region of BBC Worldwide, a commercial division of the BBC. Currently Peter is a non-executive Director of Flomerics Group plc, New Technology CADCAM Limited and Chairman of the audit committee of Ofcom.

Financial Review

Group Financial Performance

Turnover in 2006 was £4,472,225 *(2005: £3,007,688)* and included an eight month contribution of £762,031 from The Cube Group of Companies Limited and its subsidiary Cube Music Limited (collectively "Cube") which Immedia acquired during the year. Excluding the acquisition, continuing revenues grew by 23.3% as a result of new subscriptions and broadcasting trials.

Operating profit before depreciation, amortisation, interest and (in 2005) an exceptional impairment charge was £643,418 *(2005: £73,391)*. The loss on ordinary activities before taxation was £245,727 *(2005: loss £1,051,416)*. The retained loss for the year was £231,239 *(2005: loss £1,051,416)*. The basic and diluted loss per share was 1.87 pence *(2005: loss 9.43 pence)*.

Gross profits increased by £813,845 over 2005 including a contribution of £353,307 from Cube. The underlying increase in continuing gross profits was £460,538, up 27.1% on 2005 as a result of the performance of new subscriptions and broadcasting trials.

Administrative expenses (excluding in 2005 an exceptional impairment charge of £445,849) increased by £437,557 to £2,762,852. Of this total, £416,335 arose as a result of the Cube acquisition, limiting the year on year increase in continuing costs to less than 1%.

Cube's post acquisition operating loss of £32,035 was a significantly lower financial contribution to Group results than had been expected at the time of completing the acquisition and resulted from reduced customer expenditure in certain key areas, and delay in signing new business. The disappointing contribution from Cube was offset by a strong performance from radio broadcasting.

Deferred Consideration

The terms of the Cube acquisition included the provision to pay the vendors a deferred purchase consideration of up to £700,000 in cash together with up to 1,632,653 ordinary shares of 10 pence each, dependent on certain post acquisition performance criteria. As a result of the performance achieved to 30 September 2006, a total of £250,000 in cash and 1,216,281 ordinary shares of 10 pence each became payable. The cash payment was completed on 30 November 2006 and the shares were issued on 29 March 2007.

A final deferred consideration of up to £450,000 in cash was payable subject to certain minimum performance targets for the six months to 31 March 2007 being met. Those performance targets were not met thus no further deferred consideration is payable.

Share Capital

On 08 May 2006, 1,632,653 ordinary shares of 10 pence each were issued to the vendors of Cube as part of the purchase consideration for the acquisition. The market value of the shares at issue was 20 pence. At 31 December 2006 a further 1,216,281 ordinary shares of 10 pence each were held in the Shares to be issued reserve pending issue to Cube's vendors under the terms of the purchase.

Therefore, as of 29 March 2007, Immedia's issued share capital comprises 14,556,844 shares of common stock of par value 10p each. All of these ordinary shares carry voting rights.

Cash flow and Financing

The total of £861,000 of cash generated during the year was 185% of the level achieved in 2005 and this, together with £790,000 of cash deposits brought forward, was used to fund the £1,075,000 net cash cost of the Cube acquisition, to purchase £200,000 of additional network and broadcasting equipment, and to repay on schedule the final £175,000 of term loans raised in 2003. A balance of £200,000 was retained in the business.

Accounting Standards

Immedia adopted FRS 20 'Share based payments', FRS 21 'Events after the balance sheet date' and FRS 28 'Corresponding amounts' for the first time during the financial year ended 31 December 2006; there has been no material impact on the accounts as a result.

Immedia adopted International Financial Reporting Standards (IFRS) from 1 January 2007. The impact on the financial statements will be reported later.

Conclusion

The Cube acquisition has been strategically important and has enabled Immedia to extend its competitive position into additional and complementary markets; however, its lower than expected financial contribution has set back the Group's finances. In 2007 Immedia's financial focus will be to pursue the key objectives of sales led growth, achieving further progress in reducing core costs, and completing the integration of the Cube business.

Charles Barker-Benfield
Finance Director

17 May 2007

Directors' Report

The Directors present their report and the audited financial statements of Immedia Broadcasting Plc ("the Company") for the year to 31 December 2006.

Principal Activities

The principal activity of the Company in the year under review was that of holding company; the principal activities of its trading subsidiaries Immedia Broadcast Limited and Cube Music Limited were that of marketing services.

Business Review

Turnover in 2006 was £4,472,225 *(2005: £3,007,688)*. The operating profit before depreciation, amortisation, interest and exceptional impairment charge was £643,418 *(2005: £73,391)*. The loss on ordinary activities before taxation was £245,727 *(2005: loss £1,051,416)*. The retained loss for the year was £231,239 *(2005: loss £1,051,416)*. The basic and diluted loss per share was 1.87 pence *(2005: loss 9.43 pence)*. Further financial information is given in the Financial Review on page 5.

The Group's marketing services consist of bespoke radio and audio-visual programming, music content and equipment installation to the retail industry. Clients are predominantly blue chip businesses who use the Group's marketing services to communicate their brand both to their customers and to their staff.

The markets targeted by the Group include those retailers who position themselves at the forefront of their peers in their use of advanced communications media. Immedia's positioning within these markets is at the high quality end delivering bespoke solutions. The Group's competitive advantage derives from excellence in communication through its use of skilled production teams and presenters.

Immedia is currently one of the smaller companies listed on the Alternative Investment Market. Immedia's clear aim for the future is to grow the business and improve profitability. Winning new business is a key focus for the management team and opportunities for growth are reviewed regularly at Board meetings.

The process of winning new business often includes providing a trial broadcast period to a prospective client during which the format and content of the broadcast is confirmed. Independent market research provides feedback on the effectiveness of the trial.

The Group works closely with technology suppliers to ensure the quality and reliability of its radio and audio visual services.

Past performance has seen success in working closely with clients in delivering the highest standards of communication to both staff and customers. Different technologies are used to deliver radio and audio visual content to customers' estates.

The management team uses a number of key performance indicators, including:

- Performance against budget by turnover and contribution for each main contract
- The number of customer contracts
- The number and value of trials being undertaken
- Operating costs compared with budget

For forward looking performance measurement the board monitors the level and speed of progress with prospects with which the Group is in discussion.

The risks the Group faces are similar to those faced by other small companies servicing larger business within the UK retail sector. (The specific risks associated with interest rates, liquidity and foreign currency are discussed further on page 9 below). Primary risks are in the economic cycle (e.g. the adverse effect of a downturn in consumer spending leading to reduced marketing expenditure amongst clients), and competition (from others in an already crowded media marketplace).

These risks are balanced against the relative financial resilience of the Group's blue chip clients, the innovative and high quality services the Group provides to those clients, and the methods it uses to protect its position in the market.

The development and retention of staff are essential foundations of the Group's strategy to grow the business, and employees are kept informed through regular briefing meetings.

The Group's policy is to minimise the environmental impact of its activities, and in line with best practice it recycles all computer equipment at the end of its useful life, ensuring data storage devices are securely erased.

Proposed Dividend
The Directors do not recommend the payment of a dividend *(2005: £nil)*.

Policy on the Payment of Creditors
It is the Group's policy to make payments to key suppliers of goods and services in line with their stated terms and conditions, although no formal code or standard is followed in this respect. The trade creditor days for the Group at 31 December 2006 were 54 days *(2005: 75 days)*. Immedia Broadcasting Plc is a holding company and therefore has no trade suppliers.

Political and Charitable Donations
The Group made charitable donations of £693 during the year. There were no political donations.

Material Shareholdings
Shareholdings over 3.0% advised to the Company at the date of this report (excluding those held by Directors as disclosed below) were as follows: Mr MI Horrocks and related family interests 19.5%, Draganfly Investments 7.6%, Mrs AM Clough 5.2%, Bluehone Investors 4.9%. No person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company in accordance with sections 198 to 208 of the Companies Act 1985.

Market Value of Shares
The share price at 31 December 2006 was 19.5 pence and shares were traded between 10.0 pence and 30.5 pence during the year.

Disclosure of Information to Auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern
On the basis of current financial projections and facilities available, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and consequently the financial statements have been prepared on the going concern basis.

Directors and Directors' Interests
The Directors who held office during the year and their interests in the ordinary shares of the Company at the end of the financial year according to the register of Directors' interests were as follows:

Ordinary 10 pence shares	Shares held at end of year	Conditional shares to be issued (note 20)	Total interest at end of year	Interest at start of year
G Howard-Spink	-	-	-	-
T Brookes	2,046,620	-	2,046,620	1,570,600
C Barker-Benfield (appointed 26 May 2006)	15,000	-	15,000	n/a
F Ryder (appointed 8 May 2006)	717,120	534,234	1,251,354	n/a
R Penney (appointed 8 May 2006)	246,599	183,709	430,308	n/a
P Teague	-	-	-	-
R Parker (resigned 31 May 2006)	n/a	n/a	n/a	40,500

In accordance with the Articles of Association, Geoff Howard-Spink retires from office by rotation at the Annual General Meeting and is eligible for re-election.

In accordance with the Articles of Association, Charles Barker-Benfield, Fiona Ryder and Ross Penney who would all otherwise retire from office, offer themselves for election at the Annual General Meeting.

According to the register of Directors' interests, no rights to subscribe for shares in Group companies were granted to any of the Directors or their immediate families during the financial year.

Directors and Directors' Interests (continued)

	Number of options during the year: At start of year	Granted	Exercised	At end of year	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
T Brookes	170,000	-	(170,000)	-	3.75 p	14.5 p	12 Dec 2003	27 Jan 2013
	20,000	-	-	20,000	20 p	n/a	12 Dec 2003	27 Jan 2013
	90,000	-	-	90,000	110 p	n/a	12 Dec 2003	27 Jan 2013
R Parker	120,000	-	(120,000)	-	3.75 p	23.5 p	12 Dec 2003	27 Jan 2013
	20,000	-	(20,000)	-	20 p	23.5 p	12 Dec 2003	27 Jan 2013
	80,000	-	-	n/a	110 p	n/a	12 Dec 2003	27 Jan 2013

Report of the Board of Directors on Remuneration

During the year the remuneration committee comprised Geoff Howard-Spink (as Chairman) and Peter Teague. The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive and operational Directors including any proposed allocations within the Immedia EMI Share Option Scheme and other benefits. (Details of Directors' share options are given in the table above, and of the EMI Share Option Scheme on page 28 below). The remuneration of the Non-Executive Directors is fixed by the Board as a whole. In framing its remuneration policy, the remuneration committee has given full consideration to the matters set out in the Combined Code.

Remuneration Policy

The remuneration committee has been actively involved in assessing proposed salary increases for Directors, approving annual bonus payments and implementing the share option scheme. The remuneration policy is determined by a number of factors including individual performance, the need to attract, motivate and retain Directors and remuneration levels in comparative companies.

Remuneration

The amounts of remuneration for each Director are shown below. These include basic salary, bonus, estimated money value of benefits in kind and pension contributions.

Director's name	**Salary and fees £**	**Bonus £**	**Compensation for loss of office £**	**Taxable benefits £**	**Total remuneration £**	**2006 Pension total £**	**2006 Total £**	2005 Pension total £	2005 Total £
G Howard-Spink	**35,000**	**-**	**-**	**-**	**35,000**	**-**	**35,000**	-	35,000
T Brookes	**165,000**	**-**	**-**	**12,614**	**177,614**	**-**	**177,614**	-	187,884
C Barker-Benfield	**60,122**	**-**	**-**	**-**	**60,122**	**-**	**60,122**	-	n/a
F Ryder	**51,828**	**-**	**-**	**518**	**52,346**	**-**	**52,346**	-	n/a
R Penney	**40,815**	**-**	**-**	**660**	**41,475**	**-**	**41,475**	-	n/a
P Teague	**17,500**	**-**	**-**	**-**	**17,500**	**-**	**17,500**	-	17,500
R Parker	**48,958**	**-**	**62,050**	**3,822**	**114,830**	**-**	**114,830**	-	145,552
	419,223	**-**	**62,050**	**17,614**	**498,887**	**-**	**498,887**	-	385,936

Taxable benefits relate to car allowances, private medical cover for the Directors and their immediate families, and life assurance cover.

Corporate Governance Report

The Group is not required to comply with the Combined Code and does not currently comply with all of its requirements. However the Board is committed to achieving high standards of Corporate Governance and the Group does voluntarily comply with some of the requirements of the Combined Code as described in this statement and the Report on Directors' Remuneration.

Board of Directors
During the year the Board was chaired by Geoff Howard-Spink as Chairman, with Bruno Brookes as Chief Executive Officer, Charles Barker-Benfield as Finance Director, Fi Ryder as Chief Operating Officer, Ross Penney as Legal & Business Affairs Director and Peter Teague as Non-Executive Director. Geoff Howard-Spink is recognised as the senior independent Non-Executive Director.

The Board meets monthly and has a schedule of matters reserved for its consideration, principally concerning business strategy, direction and financial performance and control.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are observed, and to the Group's professional advisers.

Board Committees
The Board has two principal standing committees: the Audit Committee and the Remuneration Committee, each with specific terms of reference.

Audit Committee
The Audit Committee is comprised of the two Non-Executive Directors and is chaired by Peter Teague. It meets a minimum of twice a year, has written terms of reference and its remit is to review the annual and interim accounts and the appropriateness of accounting policies, to review the internal controls and financial reporting, and to make recommendations on these matters to the Board. It also considers the appointment and fees of the external auditors, the resulting reports and discusses the action taken on problem areas identified by Board members or in external audit reports. The Chairman of the Audit Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

Remuneration Committee
The Remuneration Committee, which is comprised of the two Non-Executive Directors, is chaired by Geoff Howard-Spink and meets a minimum of twice a year. Its remit is to assess the performance of the Executive Directors and to consider and make recommendations to the Board on remuneration policy for Executive Directors and Senior Managers of the required calibre.

Risk Identification
The Board is responsible for the identification and evaluation of key risks to the business. These risks are continuously assessed and include disruption to computer and other business systems, business interruption, competition and regulation.

Treasury
The Group's financial instruments comprise borrowings, cash and liquid resources, and trade debtors and creditors, the principal risk arising from which is interest rate risk, which the Board has reviewed and manages through its policies summarised below. The Group maintains a policy of not trading in financial instruments. This policy has remained unchanged since the beginning of the year. The disclosures set out below exclude short-term debtors and creditors as permitted under FRS 13.

Interest Rate Risk
The Group finances its operations through a mixture of other loans and bank borrowings. The Group borrows at both fixed and floating rates of interest.

Liquidity Risk
Short-term flexibility is achieved by use of overdraft facilities.

Foreign Currency Risk
The Group's operations are conducted primarily in sterling with a small number of low value transactions in Euros. The Group has no material financial exposure to foreign exchange gains and losses on monetary assets and liabilities at the year end and does not hedge any of its trading activities.

Auditors
In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc as the auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Charles Barker-Benfield
Secretary

17 May 2006

8 – 10 New Fetter Lane
London
EC4A 1RS

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Immedia Broadcasting Plc

KPMG Audit Plc, Dukes Keep, Marsh Lane, Southampton, SO14 3EX

We have audited the group and parent company financial statements (the 'financial statements') of Immedia Broadcasting Plc for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's 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 Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 10.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether if, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. 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 group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion:
- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
17 May 2007

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover			
Continuing operations		**3,710,194**	3,007,688
Acquisitions		**762,031**	-
Group turnover	1-2	**4,472,225**	3,007,688
Cost of sales		**(1,958,973)**	(1,308,281)
Gross profit		**2,513,252**	1,699,407
Administrative expenses (including in 2005 an exceptional impairment charge of £445,849)		**(2,762,852)**	(2,771,144)
Operating loss		**(249,600)**	(1,071,737)
of which:			
Continuing operations		**(217,565)**	(1,071,737)
Acquisitions		**(32,035)**	-
Operating profit before depreciation, amortisation, exceptional impairment charge and interest		**643,418**	73,391
Depreciation and amortisation		**(893,018)**	(699,279)
Impairment charge		**-**	(445,849)
Net interest receivable		**3,873**	20,321
Interest receivable and similar income	6	**21,428**	37,817
Interest payable and similar charges	7	**(17,555)**	(17,496)
Loss on ordinary activities before taxation	3	**(245,727)**	(1,051,416)
Tax on loss on ordinary activities	8	**14,488**	-
Loss for the financial year	21	**(231,239)**	(1,051,416)
Loss per share - basic and diluted	9	**(1.87)p**	(9.43)p

The 2006 results include the acquisition of The Cube Group of Companies Limited.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2006

	Note	**2006** **£**	2005 £
Loss for the financial year		**(231,239)**	(1,051,416)
Effect of adoption of FRS 25 on 1 January 2005		**-**	(10,546)
Total recognised gains and losses relating to the financial year	20	**(231,239)**	(1,061,962)

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial years stated above, and their historical cost equivalents.

Consolidated Balance Sheet

at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	11	**1,658,216**	36,637
Tangible assets	12	**561,687**	1,155,712
		2,219,903	1,192,349
Current assets			
Stocks	14	**2,409**	-
Debtors	15	**1,229,434**	866,422
Cash at bank and in hand		**246,147**	838,452
		1,477,990	1,704,874
Creditors: amounts falling due within one year	16	**(1,698,811)**	(1,217,614)
Net current (liabilities)/assets		**(220,821)**	487,260
Total assets less current liabilities		**1,999,082**	1,679,609
Creditors: amounts falling due after more than one year	17	**(3,187)**	-
Net assets		**1,995,895**	1,679,609
Capital and reserves			
Called up share capital	19	**1,334,056**	1,173,897
Share premium account	20	**3,525,727**	3,390,411
Shares to be issued	20	**237,175**	-
Merger reserve	20	**2,245,333**	2,245,333
Profit and loss account	20	**(5,346,396)**	(5,130,032)
Equity shareholders' funds	21	**1,995,895**	1,679,609

These financial statements were approved by the board of Directors on 17 May 2007 and were signed on its behalf by:

T Brookes
Director

Company Balance Sheet

at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	13	**2,606,375**	761,700
		2,606,375	761,700
Current assets			
Debtors	15	**1,240,238**	2,936,152
Cash at bank and in hand		**506**	535
		1,240,744	2,936,687
Creditors: amounts falling due within one year	16	**(10,584)**	(1,405)
Net current assets		**1,230,160**	2,935,282
Total assets less current liabilities		**3,836,535**	3,696,982
Net assets		**3,836,535**	3,696,982
Capital and reserves			
Called up share capital	19	**1,334,056**	1,173,897
Share premium account	20	**3,525,727**	3,390,411
Shares to be issued	20	**237,175**	-
Profit and loss account	20	**(1,260,423)**	(867,326)
Equity shareholders' funds	21	**3,836,535**	3,696,982

These financial statements were approved by the board of Directors on 17 May 2007 and were signed on its behalf by:

T Brookes
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Note	2006 £	2005 £
Cash inflow from operating activities	22	**861,124**	464,524
Return on investments & servicing of finance			
Interest received		**21,428**	37,817
Interest paid		**(17,555)**	(17,496)
Net cash inflow from returns on investments & servicing of finance		**3,873**	20,321
Taxation			
Corporation tax paid		**(1,882)**	-
Capital expenditure & financial investment			
Payments to acquire tangible fixed assets		**(200,894)**	(473,978)
Receipts from sales of tangible fixed assets		**-**	500
Net cash outflow on capital expenditure		**(200,894)**	(473,478)
Acquisitions & disposals			
Payments to acquire subsidiary	10	**(1,280,969)**	-
Net cash acquired with subsidiary	10	**204,236**	-
Net cash outflow for acquisitions and disposals		**(1,076,733)**	-
Net cash (outflow)/inflow before management of liquid resources and financing		**(414,512)**	11,367
Management of liquid resources			
Cash withdrawn from short-term deposit	23	**790,000**	210,000
Financing			
Share issue costs (taken against share premium account)		**-**	(10,498)
Repayment of bank loans	23	**(9,500)**	-
Repayment of Other loans	23	**(175,000)**	(50,000)
Repayment of leases	23	**(4,932)**	-
Proceeds of exercise of share options		**14,875**	-
Purchase of own shares for Immedia Employee Benefit Trust		**-**	(6,865)
Effect of adoption of FRS 25 on 1 January 2005		**-**	28,253
Net cash outflow from financing		**(174,557)**	(39,110)
Increase in cash in the year		**200,931**	182,257
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		**200,931**	182,257
Net debt acquired on purchase of subsidiary	10	**(33,314)**	-
Cash outflow from decrease in liquid resources		**(790,000)**	(210,000)
Revaluation of Other loans under FRS 25		**13,367**	-
Cash outflow from decrease in debt		**189,432**	44,382
Movement in net funds		**(419,584)**	16,639
Net funds at 1 January		**643,497**	626,858
Net funds at 31 December	23	**223,913**	643,497

Notes

(forming part of the financial statements)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

FRS 20 'Share based payments' has been adopted for the first time in the year and has no impact on the current or prior year.

FRS 21 'Events after the balance sheet date' and FRS 28 'Corresponding amounts' have also been adopted for the first time in the year and neither has had a material effect on the accounts.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of Consolidation

On 20 November 2003 a new holding company was brought into the Group. This was carried out by a share for share exchange and the existing shareholders of Immedia Broadcast Limited received 1,000 10p Ordinary shares in Immedia Broadcasting Plc for every share held. There was no cash consideration. This Group reconstruction has been accounted for as a merger as permitted by FRS 6 acquisitions and mergers.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt with in the financial statements of the holding company was £407,972 *(2005: loss £439,530)*.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost. The Cube Group of Companies Limited was acquired on 8 May 2006 and has been accounted for by the acquisition method of accounting.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions since 1 January 1998 is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life, being 20 years.

Tangible Fixed Assets and Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	33% straight line
Fixtures and fittings	-	20 - 33% straight line
Network equipment	-	20% straight line

Stock

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

1 Accounting Policies (continued)

Leases
Assets held under finance lease agreements are included in tangible fixed assets and are depreciated in accordance with the depreciation policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are taken to the profit and loss account so that the annual rate of charge on the outstanding obligation at the end of each accounting period is approximately constant. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension Contributions
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Employee Benefit Trust
The Group operates an employee benefit trust (EBT) for the benefit of its employees through Immedia Broadcasting Trustees Limited which acts as Trustee. At 31 December 2006 the EBT held 213,500 shares in Immedia Broadcasting Plc in trust for employees against the future exercise of options granted under the Immedia EMI Share Option Scheme *(2005: 563,500 shares)*. All options vested before the adoption date of FRS 20 so there was no impact on its adoption. Under UITF abstract 38 – Accounting for Employee Share Option Trusts – the own shares held in the trust have been deducted from shareholders' funds (note 21).

Cash and Liquid Resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise short term deposits of less than one year (other than cash).

Taxation
The charge for corporation tax is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover
Turnover represents the amount invoiced by the Group for the provision of services and equipment in the normal course of business, excluding value added tax. Turnover comprises income from the sale of advertising airtime, sponsorship and promotions. Airtime revenue is recognised on the date of broadcast. Sponsorship and promotions revenue are recognised over the life of the contract.

2 Segmental Information

Region of Origin

All Group activities originate in the United Kingdom. All turnover arose from the Group's principal activity of marketing services.

	United Kingdom 2006 £	**Europe 2006 £**	**Total 2006 £**	United Kingdom 2005 £	Europe 2005 £	Total 2005 £
Region of destination						
Sales to third parties	**3,504,890**	**967,335**	**4,472,225**	2,283,603	724,085	3,007,688
Net assets						
Segment net assets	**1,871,184**	**125,749**	**1,996,933**	817,509	257,100	1,074,609
Unallocated net assets			**(1,038)**			605,000
Total net assets			**1,995,895**			1,679,609

The split of operating loss has not been provided as it is commercially sensitive and in the view of the Directors disclosure would be damaging to the business.

3 Loss on Ordinary Activities Before Taxation

	2006 £	2005 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Group - audit	**34,400**	21,000
- fees paid to the auditors and their associates in respect of other services	**8,760**	12,750
- Fees paid to the auditors in respect of acquisition due diligence	**60,500**	-
Company - audit	**8,600**	7,000
Depreciation and amounts written off tangible and intangible fixed assets		
- Owned	**889,230**	699,279
- Leased	**3,788**	-
(Profit) on disposal of tangible fixed assets	**-**	(500)
Impairment charge on tangible fixed assets	**-**	445,849
Hire of plant & machinery	**-**	-
Hire of other assets - operating leases	**78,390**	42,591

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4 Remuneration of Directors

	2006 £	2005 £
Directors' emoluments (including employer's national insurance of £40,335 in 2006 and £46,656 in 2005)	**539,222**	432,592
Amounts receivable under long term incentive schemes	**-**	-
	539,222	432,592
Company contributions to money purchase pension schemes	**-**	-
	539,222	432,592

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £175,704 *(2005: £187,884)*.

	2006 Number of Directors	2005 Number of Directors
The number of Directors who exercised share options was	**2**	-
Retirement benefits are accruing to the following numbers of Directors under money purchase pension schemes	**1**	1

5 Staff Numbers and Costs

The average number of persons employed (including Directors) during the year, analysed by category, was as follows:

	Group Number of employees		Company Number of employees	
	2006	2005	**2006**	2005
Administration and operations	**14**	13	**2**	2
Production and distribution	**16**	12	**-**	-
	30	25	**2**	2
The aggregate payroll costs of these persons were as follows:	**2006 £**	2005 £	**2006 £**	2005 £
Wages and salaries	**962,105**	1,052,223	**340,634**	366,313
Social security costs	**118,273**	115,733	**42,196**	46,656
	1,080,378	1,167,956	**382,830**	412,969

The Group made no pension contributions in the year *(2005: £nil)*.

6 Interest Receivable and Similar Income

Interest receivable is as follows:

	2006 £	2005 £
On bank balances	**21,428**	37,817

7 Interest Payable and Similar Charges

Interest payable is as follows:

	2006 £	2005 £
On bank loans and overdrafts	**2,161**	794
On other loans	**13,173**	16,702
On finance leases	**936**	-
Other interest charges	**1,285**	-
	17,555	17,496

8 Tax on Loss on Ordinary Activities

Analysis of charge in year

	2006 £	2005 £
UK corporation tax		
Credit adjustments in respect of prior periods	**(14,488)**	-

The current tax charge for the period is higher *(2005: higher)* than the standard rate of corporation tax in the UK for small companies *(19%, 2005: 19%)*. The differences are explained below:

Current tax reconciliation		
Loss on ordinary activities before tax	**(245,727)**	(1,051,416)
Current tax at 19% *(2005: 19%)*	**(46,688)**	(199,769)
Effects of:		
Expenses not deductible for tax purposes	**14,528**	11,023
Amortisation of intangible assets	**14,053**	-
Excess of depreciation over capital allowances	**24,859**	74,114
Utilisation of tax losses	**347**	-
Tax deductions not in accounts (exercise of share options)	**(8,108)**	-
Pre-acquisition movements in Cube	**1,009**	-
Creation of tax losses not recognised	**-**	114,632
Credit adjustments in respect of prior periods	**(14,488)**	-
Total current tax (credit)	**(14,488)**	-

The deferred tax asset arising in respect of timing differences between capital allowances and depreciation of £270,000 *(2005: asset of £211,000)* has been added to *(2005: added to)* accumulated trading losses. The residual trading losses create a deferred tax asset of £611,000 *(2005: £1,173,000)* which has not been recognised due to the uncertainty of the timing of its eventual crystallisation.

9 Loss Per Share

	2006 Number	2005 Number
Weighted average number of shares in issue	**12,772,489**	11,707,910
Less weighted average number of own shares	**(383,747)**	(563,500)
Weighted average number of shares in issue for basic loss per share	**12,388,742**	11,144,410

The basic and diluted loss per share are calculated using the loss for the financial period of £231,239 *(2005: loss £1,051,416)*. The diluted loss per share is calculated after reflecting the outstanding share options and conditional issuable shares at the year end. In accordance with FRS 22 the diluted basic loss per share is stated as the same amount as basic as there is no dilutive effect.

10 Acquisition

On 8 May 2006 the Company completed its acquisition of The Cube Group of Companies Limited and its trading subsidiary Cube Music Limited.

The purchase consideration, which was satisfied in cash and in shares, was payable partially on completion and partially on satisfactory completion of certain post acquisition performance criteria, as follows:

	Cash £	**Shares £**	**Total £**
Consideration			
Paid on completion	800,000	326,531	1,126,531
Other costs of acquisition	230,969	-	230,969
Conditional consideration paid after completion			
Cash	250,000	-	250,000
Shares to be issued (note 20)	-	237,175	237,175
Total consideration	1,280,969	563,706	1,844,675

	Book value £	**Fair value adjustments £**	**Net £**
Net assets acquired			
Tangible fixed assets	431,520	(361,999)	69,521
Debtors	222,185	-	222,185
Net cash	204,236	-	204,236
Creditors payable within one year	(313,496)	-	(313,496)
Bank loans	(23,604)	-	(23,604)
Obligations under finance leases	(9,710)	-	(9,710)
Total net assets acquired	511,131	(361,999)	149,132
Goodwill arising on acquisition (note 11)			**1,695,543**

10 Acquisition (continued)

The consolidated results of the Cube Group of Companies Limited and its subsidiary Cube Music Limited, directly prior to and post acquisition were as follows:

	Year to 30 Sept 2005 (unaudited) £	7 months to 8 May 2006 £	8 months to 31 Dec 2006 £
Turnover	1,677,862	1,069,437	**762,031**
Operating profit/(loss)	157,660	6,474	**(32,035)**
Interest payable	(3,904)	(1,167)	**(1,081)**
Profit/(loss) before taxation	153,756	5,307	**(33,116)**
Taxation	(16,315)	-	**14,488**
Profit/(loss) after taxation	137,441	5,307	**(18,628)**

At acquisition, Cube Music Limited's accounts included its directors' historic revaluation of its music video library within tangible fixed assets amounting to £362,000. This video library had zero historic cost and to align with group accounting policy has been adjusted to a notional value of £1 on acquisition.

The goodwill arising on acquisition is being amortised over 20 years.

11 Intangible Fixed Assets

	Goodwill £
Group	
Cost	
At beginning of year	109,900
Acquisition (note 10)	1,695,543
At end of year	1,805,443
Amortisation	
At beginning of year	73,263
Charge for year	73,964
At end of year	147,227
Net book value	
At 31 December 2006	**1,658,216**
At 31 December 2005	36,637

Notes (continued)

12 Tangible Fixed Assets

	Plant and machinery £	Fixtures & fittings £	Network Equipment £	Total £
Group				
Cost				
At beginning of year	615,366	245,852	2,378,993	3,240,211
Acquisition	52,009	69,011	-	121,020
Additions	8,365	27,132	165,397	200,894
Disposals	-	(6,375)	(351,873)	(358,248)
At end of year	675,740	335,620	2,192,517	3,203,877
Depreciation				
At beginning of year	441,317	153,773	1,489,409	2,084,499
Acquisition	25,047	26,452	-	51,499
Charge for year	127,089	67,732	624,233	819,054
On disposals	-	(2,125)	(310,737)	(312,862)
At end of year	593,453	245,832	1,802,905	2,642,190
Net book value				
At 31 December 2006	**82,287**	**89,788**	**389,612**	**561,687**
At 31 December 2005	174,049	92,079	889,584	1,155,712

The net book value of fixtures and fittings includes an amount of £3,036 *(2005: £nil)* in respect of assets held under finance leases.

13 Fixed Asset Investments

Subsidiary Undertakings – Company

	2006 £	2005 £
Cost and net book value		
At beginning of year	**761,700**	761,700
Acquisition of The Cube Group of Companies Limited	**1,844,675**	-
At end of year	**2,606,375**	761,700

The Company holds 100% of the ordinary share capital of Immedia Broadcast Limited and of The Cube Group of Companies Limited (both incorporated in England and Wales) and has included the results of both companies in its group consolidation.

Immedia Broadcast Limited holds 100% of the ordinary share capital of Immedia Broadcasting Trustees Limited (a trust holding company) (incorporated in England and Wales).

The Cube Group of Companies Limited holds 100% of the ordinary share capital of Cube Music Limited (incorporated in England and Wales).

14 Stocks

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Work in progress	**2,409**	-	**-**	-

15 Debtors

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Trade debtors	**1,009,127**	472,862	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**1,192,407**	2,786,709
Taxation and social security	**-**	-	**-**	10,817
Other debtors and prepayments	**220,307**	393,560	**47,831**	138,626
	1,229,434	866,422	**1,240,238**	2,936,152

All debtors are due within one year.

16 Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Bank overdrafts	**3,352**	6,588	**-**	-
Bank loans (note 17)	**10,917**	-	**-**	-
Other loans (note 17)	**-**	188,367	**-**	-
Obligations under finance leases	**4,778**	-	**-**	-
Trade creditors	**653,878**	396,683	**-**	-
Other taxation and social security	**125,684**	66,048	**-**	-
Accruals and deferred income	**900,202**	559,928	**10,584**	1,405
	1,698,811	1,217,614	**10,584**	1,405

Bank loans comprise two five-year term loans arranged with the Royal Bank of Scotland under the DTI sponsored Small Companies' Loan Guarantee scheme by Cube Music Limited. Loan 1, originally for £50,000, has £6,667 outstanding which will be repaid in 2007 and carries a fixed interest rate of 9.4%. Loan 2, originally for £20,000, has £7,437 outstanding of which £4,250 will be repaid in 2007 and £3,187 in 2008 and carries a fixed interest rate of 8.7%.

The Other loans were unsecured and were repaid during 2006. They carried a fixed interest rate of 8.0%. Finance leases are due within one year.

Notes (continued)

17 Creditors: Amounts Falling Due After More than One Year

Group

	2006 £	2005 £
Bank loans	**3,187**	-

Analysis of Debt:

	2006 £	2005 £
Falling due in one year or less, or on demand (note 16)		
Bank loans	**10,917**	-
Other loans	**-**	188,367
Falling due between one and two years:		
Bank loans	**3,187**	-
	14,104	188,367

(See footnote to note 16)

18 Derivatives and Financial Instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found in the Directors' Report on page 9.

Interest Rate Bank Currency Profile of Financial Instruments at Year End

The disclosures set out below exclude short-term debtors and creditors as permitted under FRS 13.

Financial Liabilities

	2006 £	2005 £
Fixed rate liabilities		
Sterling: repaid September 2006 (i)	**-**	188,367
Sterling: repayable in 2007 (ii)	**10,917**	-
Sterling: repayable in 2007 (iii)	**4,778**	-
Sterling: repayable in 2008 (iv)	**3,187**	-
	18,882	188,367

(i) Interest was fixed at 8% p.a. (ii) Comprises two loans on which interest is fixed at 8.7% and at 9.35% (iii) Comprises two leases on which interest is fixed at 10.1% (iv) One loan on which interest is fixed at 8.7%.

	2006 £	2005 £
Floating rate liabilities		
Sterling	**3,352**	6,588

The facility is repayable on demand and bears interest at rates based on the Royal Bank of Scotland Plc base rate plus 3% *(2005: repayable on demand bearing interest at Barclays Bank Plc base rate plus 4%).*

18 Derivatives and Financial Instruments (continued)

Financial Assets

	2006 £	2005 £
Sterling	**246,147**	838,452

Fair value

The above financial assets and liabilities consist of short-term bank deposits, bank loans, other loans, finance leases and bank overdrafts. Accordingly, they are stated at carrying value (which in the Directors' opinion equates to fair value).

Currency risk

The Group's operations are conducted in sterling. The Group has no material financial exposure to foreign exchange gains and losses on monetary assets and liabilities at the year end and does not hedge any of its trading activities.

Borrowing facilities

At 31 December 2006 borrowings, which were for Cube Music Limited, consisted of two bank loans under the DTI Small Companies Loan Guarantee scheme and a £25,000 overdraft facility (all with the Royal Bank of Scotland Plc) and two finance leases (with Lombard Asset Finance). The bank loans and overdraft facility are secured by debenture on the assets of Cube Music Limited. There were no undrawn committed borrowing facilities *(2005: none)*.

In 2005 the bank overdraft was secured by Barclays Bank Plc's right of set off against short-term bank deposits.

19 Called up Share Capital

	2006 £	2005 £
Authorised		
36,000,000 Ordinary shares of 10 pence each	**3,600,000**	3,600,000
Allotted, called up and fully paid		
13,340,563 Ordinary shares of 10 pence each	**1,334,056**	1,170,791
Liabilities classified as shares	**-**	3,106
Shares classified in shareholders' funds	**1,334,056**	1,170,791
	1,334,056	1,173,897
Movements in year		
At beginning of year	**1,173,897**	1,170,791
Liabilities classified as shares (repaid)/reclassified	**(3,106)**	3,106
1,632,653 Ordinary shares of 10 pence each issued *	**163,265**	
	1,334,056	1,173,897

* These shares were issued at 20 pence each.

19 Called up Share Capital (continued)

Employee share options are outstanding as follows:

Option scheme	Date of grant	Number of shares	Option price per share
Immedia EMI Share Option Scheme	27 Jan 2003	10,000	3.75 pence
Immedia EMI Share Option Scheme	29 Oct 2003	35,000	20 pence
Immedia EMI Share Option Scheme	11 Dec 2003	90,000	110 pence

Options granted to employees under the Immedia EMI Share Option Scheme are exercisable at any time between 12 December 2003 and their expiry on the tenth anniversary of the date of grant.

20 Share Premium and Reserves

	Share premium account £	Shares to be issued £	Merger reserve £	Profit and loss account £
Group				
At beginning of year	3,390,411	-	2,245,333	(5,130,032)
Retained loss for the year	-	-	-	(231,239)
Released on repayment of Other loan under FRS 25	(27,949)	-	-	-
New shares issued	163,265	-	-	-
Conditional shares pending issue	-	237,175	-	-
Proceeds from exercise of share options	-	-	-	14,875
At end of year	**3,525,727**	**237,175**	**2,245,333**	**(5,346,396)**
Company				
At beginning of year	3,390,411	-		(867,326)
Retained loss for the year	-	-		(407,972)
Released on repayment of Other loan under FRS 25	(27,949)	-		-
New shares issued	163,265	-		-
Conditional shares pending issue	-	237,175		-
Proceeds from exercise of share options	-	-		14,875
At end of year	**3,525,727**	**237,175**		**(1,260,423)**

There were 1,216,281 ordinary 10 pence shares pending issue under the terms of the acquisition of The Cube Group of Companies Limited at 31 December 2006. These have been included as conditional shares at their market value of 19.5 pence (see note 10).

21 Reconciliation of Shareholders' Funds

	2006 £	2005 £
Group		
Opening shareholders' funds	**1,679,609**	2,725,753
Loss for the financial year after taxation	**(231,239)**	(1,051,416)
New shares issued	**326,530**	-
Conditional shares pending issue	**237,175**	-
Proceeds from exercise of share options	**14,875**	-
Share issue costs	**-**	(10,498)
Effect of adoption of FRS 25 on 1 January 2005	**-**	28,253
Released on repayment of Other loan under FRS 25	**(31,055)**	(5,618)
Purchase of own shares for Immedia Employee Benefit Trust	**-**	(6,865)
Closing shareholders' funds	**1,995,895**	1,679,609
Company		
Opening shareholders' funds	**3,696,982**	4,115,955
Loss for the financial year after taxation	**(407,972)**	(439,530)
New shares issued	**326,530**	-
Proceeds from exercise of share options	**14,875**	-
Conditional shares pending issue	**237,175**	-
Share issue costs	**-**	(10,498)
Effect of adoption of FRS 25 on 1 January 2005	**-**	38,799
Released on repayment of Other loan under FRS 25	**(31,055)**	(7,744)
Closing shareholders' funds	**3,836,535**	3,696,982

22 Reconciliation of Operating Loss to Net Cash Flow from Operating Activities

	2006 £	2005 £
Group		
Operating loss	**(249,600)**	(1,071,737)
Depreciation, amortisation and impairment of tangible and intangible assets	**893,018**	1,145,128
(Profit) on disposal of fixed assets	**-**	(500)
(Increase) in stocks	**(2,409)**	-
(Increase)/decrease in debtors	**(140,827)**	259,182
Increase in creditors	**360,942**	132,451
Net cash inflow from operating activities	**861,124**	464,524

23 Analysis of Changes in Net Funds During the Year

	Cash at bank and in hand including overdrafts £	Short-term deposits £	Bank loans £	Other loans £	Obligations under finance leases £	**Total £**
At beginning of year	41,864	790,000	-	(188,367)	-	**643,497**
Acquisition (note 10)	-	-	(23,604)	-	(9,710)	**(33,314)**
Net cash flow	200,931	(790,000)	9,500	175,000	4,932	**(399,637)**
Revaluation of Other loans	-	-		13,367	-	**13,367**
At end of year	242,795	-	(14,104)	-	(4,778)	**223,913**

24 Related Party Disclosures

BBME Media Group Limited (BBME), a company controlled by Bruno Brookes, owns 1,150,000 shares in the Company. There were no transactions between BBME and the Immedia Broadcasting group in 2006 *(2005: £nil)*.

Morchard Bishop & Co, an accountancy practice controlled by Charles Barker-Benfield, contracts with Immedia Broadcasting Plc to provide support services to the Group. During the period from 26 May to 31 December 2006, Immedia Broadcast Limited paid £46,622 to Morchard Bishop & Co in respect of fees for Charles Barker-Benfield. This amount is included in the total of his remuneration disclosed on page 8.

25 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Group				
Operating leases which expire:				
Within one year	**-**	**-**	-	-
In two to five years inclusive	**101,030**	**-**	42,591	-
After five years	**-**	**-**	-	-
	101,030	**-**	42,591	-

(b) Capital commitments
There were no unprovided capital commitments outstanding at 31 December 2006 *(2005: £nil)*.

26 Pension Schemes

The Group operates a defined contribution pension scheme (the Immedia Broadcast Limited Stakeholder Pension Scheme) with Allied Dunbar Assurance Plc which is open to all employees to join. There were no contributions paid or payable by the Group to the scheme during the year *(2005: £nil)* and there were no outstanding or prepaid contributions at either the beginning or the end of the current or previous financial years.

The Group also operates a defined contribution pension scheme (the Immedia Broadcast Limited Retirement Benefit Scheme) which currently has two members. This scheme is closed to new members. There were no contributions paid or payable by the Group to the scheme during the year *(2005: £nil)* and there were no outstanding or prepaid contributions at either the beginning or the end of the current or previous financial years.

27 Events After the Balance Sheet Date

FRS 21: events after the balance sheet date require the disclosure of changes in tax rates either enacted or announced after the balance sheet date that significantly effect current and deferred tax assets and liabilities. The announcement of a change in tax rate from 30% to 28%, effective from 1 April 2008, will impact the deferred tax balances set out in these accounts (note 8). This change is a non adjusting event.

Notice of Annual General Meeting

Immedia Broadcasting Plc ("the Company")
(Registered in England and Wales under number 04947859)

NOTICE is hereby given that the Annual General Meeting of the Company for the financial year ended 31 December 2006 will be held at the Company's Newbury offices, 7-9 The Broadway, Newbury, Berkshire, RG14 1AS at 10 am on 9 July 2007 for the purpose of considering and, if thought fit, passing the following resolutions which in respect of resolutions numbered 1 to 8 (inclusive) will be proposed as ordinary resolutions and which in respect of resolutions numbered 9 to 11 will be proposed as special resolutions.

ORDINARY BUSINESS:

Ordinary Resolutions

1. To receive and adopt the Company's annual accounts for the year ended 31 December 2006 together with the last directors' report and auditor's report.
2. To receive and approve the Directors' remuneration report for the year ended 31 December 2006.
3. To re-elect Geoff Howard-Spink as a director of the Company, who retires by rotation.
4. To elect to the Board Charles Barker-Benfield who otherwise would retire pursuant to Article 90.
5. To elect to the Board Fiona Ryder who otherwise would retire pursuant to Article 90.
6. To elect to the Board Ross Penney who otherwise would retire pursuant to Article 90.
7. To re-appoint the auditors, KPMG Audit Plc.
8. To authorise the Directors to fix the remuneration of the auditors.

SPECIAL BUSINESS:

Special Resolutions

That in substitution for the existing authorities of the Company, the Directors be and they are hereby given the authority and power contained in Article 5 of the Company's Articles of Association for the period ending on the date of the Annual General Meeting in 2008 or the date which is 15 months after the date of the passing of the Resolution, whichever is the earlier and for such period:

9. the Section 80 Amount shall be £436,705; and
10. the Section 89 Amount shall be £145,568.
11. that subject to the passing of resolutions 9 and 10 the Article 5.5.3 (relating to the Section 80 Amount) and Article 5.5.4 (relating to the Section 89 Amount) be amended to reflect the amounts given in these resolutions and that all reference to previous authorities be removed.

By Order of the Board
Charles Barker-Benfield
Company Secretary

Registered Office:
8-10 New Fetter Lane
London EC4A 1RS

17 May 2007

Notes:
1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with a power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be deposited at the offices of the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8FB not less than 48 hours before the time for holding the meeting or the adjourned meeting. A form of proxy is enclosed with this notice.
3. 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 any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
4. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at 10 am on 7 July 2007 shall be entitled to attend and vote, whether in person or by proxy, at the Annual General Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the register of members after 10 am on 7 July 2007 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. If the Annual General Meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the Company 48 hours before the time of the adjourned meeting.
6. Completion and return of the form of proxy will not preclude members from attending or voting in person at the meeting if they so wish, in which case any votes cast by the proxy will be excluded.

General Information

Directors
Geoff Howard-Spink Chairman
Bruno Brookes Chief Executive
Charles Barker-Benfield
Fi Ryder
Ross Penney
Peter Teague

Company Secretary
Charles Barker-Benfield

Registered Office
8-10 New Fetter Lane
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EC4A 1RS
Registered number 4947859

Solicitors
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8-10 New Fetter Lane
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EC4A 1RS

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RG14 5GP

Auditors
KPMG Audit Plc
Dukes Keep
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