immedia
BROADCASTING PLC

**trusted to...**

**communicate**

educate

inform

# Report & Accounts **2007**

**motivate**

enrich

**inspire**

energise

encourage

**deliver**

www.immediaplc.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

"2007 was a challenging year for Immedia but I am pleased with what has been achieved in terms of structure, product offering and pipeline developments. As a result of the changes that have been made in 2007 I am confident that we have aligned Immedia's offering towards the most profitable areas of growth for 2008 and beyond.

"We believe that we are well equipped to benefit from the growth of the wider digital out-of-home market, and that the actions we have taken over the last six months will enable us to make good progress during the current year."

**Bruno Brookes**
Chief Executive

# Contents

# Chairman's Statement

The year was a tough one for the Company but the Board are confident that the reviews undertaken following the underperformance of the Cube acquisition and consequent changes made in both business strategy and structure will bear fruit in the coming year.

Underlying revenue for the year was slightly down at £3,799,586 compared to £3,855,034 for 2006 with the underlying operating loss of £405,022 for the year a significant improvement on the 2006 underlying operating loss of £785,613.

The strengthened finance function has kept a rigorous control on costs and the Company remains cash generative with cash and cash equivalents of £661,845 at the year-end, again a significant improvement on the prior year balance of £242,795.

The sector that Immedia operates in is undergoing change with a growth in screen-based digital out-of-home media. Digital out-of-home media is increasingly found in the retail sector but importantly also in the leisure sector and whilst this growth has initially been hardware driven, as hardware penetration increases so does the demand for content. We believe that Immedia has the strategy and the skills to exploit this demand for content and foresee that this could become an important source of revenue and profit going forward.

Although it is still early days we have a pipeline of new business that gives us encouragement for the year ahead.

**Geoff Howard-Spink**
Chairman

09 May 2008

# Chief Executive's Review

I am pleased to present our full year results for the financial year ending 31 December 2007.

## Results & Financial Performance

2007 was a challenging year but we believe Immedia has sustained its position well with a strong focus on cost control and profitability. Revenue for the year was £3,904,815 *(2006: £4,472,225)* with underlying revenue (excluding one-off contributions from discontinued contracts) flat on last year. The underlying operating loss before income tax was reduced from £785,613 to £405,022. This year's results have been impacted by the previously disclosed £1.055 million write-off of Cube's intangibles. We do not anticipate any further impairment charges.

Following a disappointing performance by Cube since its acquisition and the loss of two significant contracts in the first quarter of 2007, one of our priorities for 2007 was to restructure the business in order to bring Cube's strong expertise in in-store television under the Immedia brand. This has now been completed and the problems linked to Cube's underperformance are now behind us. In addition, since last September, we have undertaken a significant number of sound and visual installations in the retail sector and remain positive about Cube's clients' contribution to performance at Group level going forward.

At Group level, significant progress has also been made on the financial structure of the Company, with all loans having been repaid during the year. Costs have been rigorously controlled and the Group remains cash generative, with £661,845 cash in the bank *(31 December 2006: £242,795)*.

On the basis of current financial projections prepared up to the end of 2009, recent news of contract renewals, continuing improvements in management of costs, and ongoing availability of facilities, 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.

## Subscription Stations

All of our subscription radio stations continue to perform well.  In October 2007, we were delighted to announce a contract with The GAME Group plc to provide subscription radio to all of the GAME stores across the UK.  The roll-out has been successful and we currently broadcast GAME Live! to approximately 370 stores.

In September, we were also pleased to announce that we had signed a new contract with SPAR UK to continue to broadcast SPAR Live! under a subscription model to circa 1,400 stores for another three years.  The radio station is performing extremely well and we are pleased to say that all advertising airtime has been sold until October 2008.  Immedia has provided SPAR with a full service radio station since June 2004 and we have a strong relationship with the SPAR team which we will seek to build on going forward.

Our station HSBC Live! which broadcasts to 940 branches across the UK continued to perform well.

IKEA Live! rolled out as planned and the station broadcasts to all 20 IKEA stores across the UK.

Lloyds Pharmacy Live! is operating well across all 1,500 stores, our contract has been renewed and we are entering our sixth year of partnership with Lloyds Pharmacy's team.

We have made good progress trialling other radio stations and as one of our objectives to develop content provision going forward, we have continued to provide tailored visual content for a range of first class brands.

## Current Trading and Outlook

2007 was a challenging year for Immedia but I am pleased with what has been achieved in terms of structure, product offering and pipeline developments. As a result of the changes that have been made in 2007 I am confident that we have aligned Immedia's offering towards the most profitable areas of growth for 2008 and beyond.

In the second half of the year, it had become apparent that there were numerous opportunities within the wider market of 'digital out-of-home'. The digital out-of-home sector is widely reported to be one of the fastest growing advertising markets in the world. We have invested substantial time and effort clarifying how we could develop innovative solutions to service customers' needs in this field and as a consequence our strategy is now as follows:

- To continue to win radio and RadioVision contracts from retailers but also in other sectors
- To drive new networks in new territories with existing clients
- To launch new and innovative TV solutions
- To develop our thriving installation and maintenance services
- To generate and develop content for digital network owners across Europe, the Middle East and Africa (EMEA)
- To sign reseller agreements with providers across the EMEA region to offer and distribute Immedia's first class offering

This strategy is being successfully implemented and we also remain focused on cost management and profitability.

Current trading is in line with our expectations and we are also delighted to announce today that our contract with HSBC has been renewed for another two years. We look forward to developing our relationship with HSBC further.

We believe that we are well equipped to benefit from the growth of the wider digital out-of-home market, and that the actions we have taken over the last six months will enable us to make good progress during the current year.

**Bruno Brookes**
Chief Executive
09 May 2008

# 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 a non-executive Director of Chrysalis Group plc and of New Star Investment Trust plc.

**Trevor (known as "Bruno") Brookes,**
Chief Executive Officer aged 49

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 54

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 his broad commercial experience to the Immedia board.

**Ross Penney,**
Business Affairs Director aged 44

Ross graduated from Cambridge University in 1986. He was Head of Licensing at collecting society Video Performance Limited, during which he gained an MBA from Imperial College London and developed the Music Mall concept for the record industry. He then set up a consultancy, Kronos, in 1998 before joining Cube. 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 53
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, a Commissioner on the Board of The Gambling Commission and Chairman of the audit committee of Ofcom.

# Financial Review

## Transition to IFRS reporting

The Group presents its first financial statements under the International Financial Reporting Standards (IFRSs) this year and details of the effects of adoption of IFRSs on the financial statements are given in note 27. As well as the financial impact noted, we believe the financial statements benefit from improved transparency through the provision of more detailed information, which should assist both investors and analysts.

## Group trading results

Although headline revenues fell in 2007 as a result of discontinued contracts, underlying revenues were maintained at £3.8 million, gross profit margins were maintained at 56% and there was improvement in underlying profitability at the EBITDA level and a reduction in underlying operating losses before taxation.

The £1.055 million charge suffered on impairment of the intangible assets is explained in greater detail in note 14 and recognises the deterioration in performance in early 2007 of the Cube audio visual business acquired in 2006.

Whilst the audio visual business made no overall financial contribution to the Group's results in 2007, losing £31,000 at the EBITDA level, the Immedia board is nevertheless encouraged by the level of integration now achieved, the improvement in margins now being delivered, and its role within the business going forwards; no further impairment charge was made for the second half of the financial year.

## Consolidated balance sheet and cash flows

The Group's depreciation of its radio network assets was substantially completed in 2007 and future depreciation charges are expected to be modest. The net reduction in non-current assets during 2007 of £1.6 million includes the Cube impairment of £1.055 million and other depreciation and amortisation charges of £0.5 million. Carrying values of non-current assets are expected to remain at circa £0.5 million in future.

It is encouraging to report an improvement in the Group's current net assets of some £220,000 in the year, with the current ratio returning to parity.

The Group's cash generation rates were also improved in 2007 with 212% of operating profits (before depreciation, amortisation and impairment) converted to cash *(2006: 133%)*; the year ended with cash and cash equivalent balances of £661,845, some 272% higher than 2006.

**Charles Barker-Benfield**
Finance Director

09 May 2008

# Directors' Report

The Directors present their report and the audited financial statements of Immedia Broadcasting Plc ("the Company") for the year to 31 December 2007.

**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**

Revenue in 2007 was £3,904,815 *(2006: £4,472,225)*. The operating profit before depreciation, amortisation, interest and impairment charge (EBITDA) was £206,369 *(2006: £643,418)*. The operating loss was £1,375,909 *(2006: loss £363,523)* and the loss before taxation was £1,355,410 *(2006: loss £359,650)*. The loss for the year attributable to equity shareholders was £1,282,660 *(2006: loss £314,912)*. The basic and diluted loss per share was 9.13 pence *(2006: loss 2.54 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 and visual content and associated 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 and patented technologies.

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. Where its own designs lead to the development of new technology those designs are protected by patents.

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 revenue and gross profit for each business segment, where during 2007 radio over performed against budget by 18% and 20% respectively, audio visual under performed by 10% and 18% respectively, and overall the business over performed against budget by 11% on revenue and 11% on gross profit;
- Performance against budget by overall gross profit percentage where the business achieved 56.7% in 2007 against its budget of 56.8%;
- Cash overheads compared with budget where in 2007 the business spent 11% more than budget
- Cash conversion, where in 2007 the business converted 212% of its EBITDA to cash;

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, foreign currency and credit are discussed further in note 22 on page 35 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 *(2006: £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 2007 were 104 days *(2006: 54 days)*. Immedia Broadcasting Plc is a holding company and therefore has no trade suppliers.

**Political and charitable donations**
The Group did not make any charitable or political donations during the year.

**Material shareholdings**
Shareholdings over 3.0% advised to the Company at the date of this report were as follows: Mr. MI Horrocks and related family interests 19.5%, Mr. TN Brookes 14.1%, Mrs. FM Ryder 8.6%, Draganfly Investments Limited 7.6%, Mrs. AM Clough 5.0%, Bluehone Investors LLP 4.9%, Mr. R Penney 3.0%. 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 2007 was 12.0 pence and shares were traded between 9.0 pence and 20.0 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 ought to have taken as a Director to make himself 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 prepared up to the end of 2009, recent news of contract renewals, continuing improvements in management of costs, and ongoing availability of facilities, 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**
In accordance with the Articles of Association, Peter Teague retires from office by rotation at the Annual General Meeting and is eligible for re-election.

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, or exercised by them, during the financial year.

### 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 together with details of the EMI Share Option Scheme are given in note 18 on page 32 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 £ | 2007 Pension total £ | 2007 Total £ | 2006 Pension total £ | 2006 Total £ |
|---|---|---|---|---|---|---|---|---|---|
| G Howard-Spink | 35,000 | - | - | - | 35,000 | - | 35,000 | - | 35,000 |
| T Brookes | 165,000 | - | - | 10,691 | 175,691 | - | 175,691 | - | 177,614 |
| C Barker-Benfield | 95,423 | - | - | - | 95,423 | - | 95,423 | - | 60,122 |
| F Ryder | 64,955 | - | 50,100 | 565 | 115,620 | - | 115,620 | - | 52,346 |
| R Penney | 83,000 | - | - | 1,096 | 84,096 | - | 84,096 | - | 41,475 |
| P Teague | 17,500 | - | - | - | 17,500 | - | 17,500 | - | 17,500 |
| R Parker | n/a | n/a | n/a | n/a | n/a | n/a | n/a | - | 114,830 |
| | 460,878 | - | 50,100 | 12,352 | 523,330 | - | 523,330 | - | 498,887 |

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, Ross Penney as 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.

## 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

09 May 2008

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 group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the parent company financial statements on the same basis.

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 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.

# 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 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements 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 International Financial Reporting Standards (IFRSs) as adopted by the EU 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit Plc**
Chartered Accountants
Registered Auditor
09 May 2008

# Consolidated Income Statement

for the year ended 31 December 2007

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Revenue** | 5 | **3,904,815** | 4,472,225 |
| Cost of sales | | **(1,691,821)** | (1,958,973) |
| **Gross profit** | | **2,212,994** | 2,513,252 |
| Administrative expenses before impairment charge on intangible assets | | **(2,533,678)** | (2,876,775) |
| Impairment charge on intangible assets | 14 | **(1,055,225)** | - |
| **Operating loss** | | **(1,375,909)** | (363,523) |
| **Operating profit before depreciation, amortisation and impairment charge** | | **206,369** | 643,418 |
| Depreciation and amortisation | | **(527,053)** | (1,006,941) |
| Impairment charge on intangible assets | | **(1,055,225)** | - |
| Finance income | 9 | **22,374** | 21,428 |
| Finance expense | 9 | **(1,875)** | (17,555) |
| **Loss before taxation** | 6 | **(1,355,410)** | (359,650) |
| Income tax | 10 | **72,750** | 44,738 |
| **Loss for the year attributable to equity shareholders** | | **(1,282,660)** | (314,912) |
| **Continuing operations** | | | |
| Loss per share - basic and diluted | 11 | **(9.13)p** | (2.54)p |

There was no income and expense for the current or comparative periods other than that reported in the consolidated income statement.

# Consolidated Balance Sheet

at 31 December 2007

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 13 | **208,837** | 561,687 |
| Intangible assets | 14 | **377,190** | 1,659,773 |
| **Total non-current assets** | | **586,027** | 2,221,460 |
| | | | |
| **Current assets** | | | |
| Inventories - work in progress | | **3,703** | 2,409 |
| Trade and other receivables | 16 | **675,975** | 1,062,296 |
| Prepayments for current assets | | **151,550** | 167,138 |
| Cash and cash equivalents | 17 | **661,845** | 246,147 |
| **Total current assets** | | **1,493,073** | 1,477,990 |
| **Total assets** | | **2,079,100** | 3,699,450 |
| | | | |
| Share capital | 18 | **1,455,684** | 1,334,056 |
| Share premium | 18 | **3,586,541** | 3,525,727 |
| Shares to be issued | 18 | **-** | 237,175 |
| Merger reserve | 18 | **2,245,333** | 2,245,333 |
| Retained losses | 18 | **(6,712,729)** | (5,430,069) |
| **Total equity** | 23 | **574,829** | 1,912,222 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 19 | **-** | 3,187 |
| Deferred tax liabilities | 20 | **12,480** | 85,230 |
| **Total non-current liabilities** | | **12,480** | 88,417 |
| | | | |
| Loans and borrowings | 19 | **-** | 19,047 |
| Trade and other payables | 21 | **1,416,926** | 1,234,865 |
| Deferred income | | **74,865** | 444,899 |
| **Total current liabilities** | | **1,491,791** | 1,698,811 |
| **Total liabilities** | | **1,504,271** | 1,787,228 |
| **Total equity and liabilities** | | **2,079,100** | 3,699,450 |

These financial statements were approved by the board of Directors on 09 May 2008 and were signed on its behalf by:

**T Brookes**
Director

# Company Balance Sheet

at 31 December 2007

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 15 | **761,700** | 2,606,375 |
| **Total non-current assets** | | **761,700** | 2,606,375 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **1,882,128** | 1,239,153 |
| Prepayments for current assets | | **1,133** | 1,085 |
| Cash and cash equivalents | 17 | **-** | 506 |
| **Total current assets** | | **1,883,261** | 1,240,744 |
| **Total assets** | | **2,644,961** | 3,847,119 |
| | | | |
| Share capital | 18 | **1,455,684** | 1,334,056 |
| Share premium | 18 | **3,586,541** | 3,525,727 |
| Shares to be issued | 18 | **-** | 237,175 |
| Retained losses | 18 | **(2,398,375)** | (1,260,423) |
| **Total equity** | 23 | **2,643,850** | 3,836,535 |
| | | | |
| Trade and other payables | 21 | **1,111** | 10,584 |
| **Total current liabilities** | | **1,111** | 10,584 |
| **Total equity and liabilities** | | **2,644,961** | 3,847,119 |

These financial statements were approved by the board of Directors on 09 May 2008 and were signed on its behalf by:

**T Brookes**
Director

# Cash Flow Statements

for the year ended 31 December 2007

| | Note | Group 2007 £ | Group 2006 £ | Company 2007 £ | Company 2006 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss for the year attributable to equity shareholders | | **(1,282,660)** | (314,912) | **(1,137,952)** | (407,972) |
| *Adjustments for:* | | | | | |
| Depreciation, amortisation and impairment | | **1,582,278** | 1,006,941 | **1,055,225** | - |
| Financial income | | **(22,374)** | (21,428) | **(2,604)** | (2,256) |
| Financial expense | | **1,875** | 17,555 | **-** | - |
| Loss on sale of property, plant and equipment | | **19,138** | - | **-** | - |
| Deferred tax credits | 10 | **(72,750)** | (30,250) | **-** | - |
| Decrease/(increase) in trade and other receivables | | **401,909** | (140,827) | **91,694** | 383,889 |
| (Increase) in inventories | | **(1,294)** | (2,409) | **-** | - |
| (Decrease)/increase in trade and other payables | | **(187,973)** | 342,690 | **(9,473)** | 9,179 |
| Tax paid | | **-** | 1,882 | **-** | - |
| **Net cash from operating activities** | | **438,149** | 859,242 | **(3,110)** | (17,160) |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of property, plant and equipment | | **1,753** | - | **-** | - |
| Interest received | | **22,374** | 21,428 | **2,604** | 2,256 |
| Acquisition of subsidiary, net of cash acquired | 12 | **-** | (1,076,733) | **-** | - |
| Acquisition of property, plant and equipment | 13 | **(22,469)** | (200,894) | **-** | - |
| **Net cash from investing activities** | | **1,658** | (1,256,199) | **2,604** | 2,256 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from exercise of share options | | **-** | 14,875 | **-** | 14,875 |
| Interest paid | | **(1,875)** | (17,555) | **-** | - |
| Repayment of borrowings | | **(14,104)** | (9,500) | **-** | - |
| Repayment of other loans | | **-** | (175,000) | **-** | - |
| Payment of finance lease liabilities | | **(4,778)** | (4,932) | **-** | - |
| **Net cash from financing activities** | | **(20,757)** | (192,112) | **-** | 14,875 |
| Net increase/(decrease) in cash and cash equivalents | | **419,050** | (589,069) | **(506)** | (29) |
| Cash and cash equivalents at 1 January | | **242,795** | 831,864 | **506** | 535 |
| **Cash and cash equivalents at 31 December** | 17 | **661,845** | 242,795 | **-** | 506 |

# Notes

(forming part of the financial statements)

## 1 Reporting entity

Immedia Broadcasting plc (the "Company") is a company incorporated and domiciled in the United Kingdom. The address of the Company's registered office is 8-10 New Fetter Lane, London EC4A 1RS.

The parent company financial statements present information about the Company as a separate entity and not about its group. The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in marketing and communication services through radio and screen based media.

## 2 Basis of preparation

Both the parent company financial statements and the consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the consolidated financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

On the basis of current financial projections prepared up to the end of 2009, recent news of contract renewals, continuing improvements in management of costs, and ongoing availability of facilities, 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.

The financial statements were approved by the Board of Directors on 09 May 2008.

### (a) Statement of compliance

The AIM Rules require that the consolidated financial statements of the Company for the year ending 31 December 2007 be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of the transition to Adopted IFRSs.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2(c).

### (b) Measurement convention

The consolidated financial statements have been prepared on the historical cost basis except as noted in note 3 (a) below.

### (c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 determination of fair values;
- Note 14 intangible assets (goodwill impairment tests);
- Note 16 trade and other receivables (review and provisions against doubtful debts).

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group includes an Employee Benefit Trust which is included in the consolidation.

#### (ii) Acquisitions

Acquisitions are accounted for using the purchase method. The cost of an acquisition is measured at fair value at the date of exchange of the consideration provided plus costs directly attributable to the acquisition. Identifiable assets and liabilities of the acquired business that meet the conditions for recognition under IFRS 3 ('Business Combinations') are recognised at their fair value at the date of acquisition. To the extent that the cost of an acquisition exceeds the fair value of the net assets acquired the difference is recorded as goodwill. Where the fair value of the net assets acquired exceeds the cost of an acquisition the difference is recorded in the income statement.

#### (iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

#### (iv) Merger

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. As part of its transition to IFRSs on 1 January 2006 the Group has not restated the Group reconstruction which has been accounted for as a merger as permitted by UK GAAP.

### (b) Property plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in income and expenditure as incurred.

#### (iii) Depreciation

Depreciation is recognised as an expense in income and expenditure on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

| | | |
|---|---|---|
| Plant and machinery | - | 3 years |
| Fixtures and fittings | - | 3 to 5 years |
| Network equipment | - | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## 3 Significant accounting policies *(continued)*

### (c) Intangible assets and goodwill

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and is stated at cost less any accumulated impairment losses. Goodwill, which under IFRSs is not amortised, is tested annually for impairment.

*Acquisitions prior to 1 January 2006*

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2006. In respect of acquisitions prior to 1 January 2006, goodwill represents the amount recognised under the Group's previous accounting framework, UK GAAP.

*Acquisitions on or after 1 January 2006*

For acquisitions on or after 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

(ii) Amortisation

Amortisation is recognised as an expense in income and expenditure on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

| | | |
|---|---|---|
| Customer relationships | - | 2 to 3 years |
| Video library | - | 10 years |

### (d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's balance sheet.

### (e) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### (f) Inventories

Inventories are measured 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.

### (g) Trade receivables

Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. Provisions for impairment are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The impairment recorded is the difference between the carrying value of the receivables and the estimated future cash flows discounted where appropriate. Any impairment required is recorded in the income statement.

## 3 Significant accounting policies *(continued)*

### (h) Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

### (i) Impairment
Non-financial assets

Assets that have indefinite lives are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (j) Revenue
Revenue represents the amount invoiced by the Group for the provision of media services and their related equipment in the normal course of business, excluding value added tax. Revenue from these services and equipment is recognised on the date of broadcast or delivery. Sponsorship and promotions revenue is recognised over the life of the contract.

### (k) Finance income and expenses
Finance income comprises interest income on bank deposits and is recognised as it accrues using the effective interest method.

Finance expenses comprise interest expense on borrowings which is recognised in profit or loss using the effective interest method.

### (l) Taxation
Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## 3 Significant accounting policies *(continued)*

### (l) Taxation *(continued)*
A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (m) Share capital
Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

### (n) Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible loans (up to 30 June 2006) and share options granted to employees.

### (o) Employee benefits
#### (i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due (see note 26).

#### (ii) Share-based compensation
The Group operates an equity settled compensation scheme which grants options to key employees. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest unless this adjustment is due to the share price not achieving the set thresholds for vesting. As permitted by IFRS 1 *('First time adoption of IFRSs')* the Group has taken the exemption not to apply this standard before the transition date.

#### (iii) 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. Transactions of the EBT are treated as being those of the Group and are therefore reflected in the consolidated financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

### (p) Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

### (q) Adopted IFRSs not yet applied
The following Adopted IFRSs were available for early application but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

IFRS 8 *'Operating Segments'* (mandatory for the year commencing on or after 1 January 2009).

IFRIC 11 *'Group and treasury share transactions'* (mandatory for the year commencing on or after 1 March 2007).

## 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Intangible assets

The fair value for initial recognition and impairment review of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets (see note 14 below).

### (ii) Trade and other receivables

The fair value for initial recognition and impairment review of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### (iii) Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### (iv) Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as their carrying value where the cash is repayable on demand.

## 5 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**Business segments**

The Group comprises the following main business segments:

- Radio services. *The production and transmission of live radio programmes for in-store retailer use.*
- Audio and visual content production. *The production and transmission of music, video and other screen based content for business use.*

**Geographical segments**

The Group operates principally within the United Kingdom, with some European Economic Area (EEA) customers. All Group activities originate in the United Kingdom.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

## Notes (continued)

### 5 Segment reporting *(continued)*

| Business segments | Radio 2007 £ | Audio visual 2007 £ | Total 2007 £ | Radio 2006 £ | Audio visual 2006 £ | Total 2006 £ |
|---|---|---|---|---|---|---|
| **Revenue** | **3,050,044** | **854,771** | **3,904,815** | 3,710,194 | 762,031 | 4,472,225 |
| **Gross profit** | **1,780,644** | **432,350** | **2,212,994** | 2,275,843 | 237,409 | 2,513,252 |
| Administrative expenses before depreciation, amortisation and impairment charge | **(1,543,216)** | **(463,409)** | **(2,006,625)** | (1,658,204) | (211,630) | (1,869,834) |
| **EBITDA** | **237,428** | **(31,059)** | **206,369** | 617,639 | 25,779 | 643,418 |
| Depreciation | **(328,272)** | **(26,156)** | **(354,428)** | (798,567) | (20,487) | (819,054) |
| Amortisation of intangible assets | **-** | **(172,625)** | **(172,625)** | (36,637) | (151,250) | (187,887) |
| Impairment charge on intangible assets | **-** | **(1,055,225)** | **(1,055,225)** | - | - | - |
| **Operating loss** | **(90,844)** | **(1,285,065)** | **(1,375,909)** | (217,565) | (145,958) | (363,523) |
| Net finance income | | | **20,499** | | | 3,873 |
| Income tax credit | | | **72,750** | | | 44,738 |
| **Loss for the financial year attributable to equity shareholders** | | | **(1,282,660)** | | | (314,912) |
| Segment assets | **926,760** | **214,712** | **1,141,472** | 2,870,494 | 319,674 | 3,190,168 |
| Unallocated assets | | | **937,628** | | | 509,282 |
| Segment liabilities | **(832,313)** | **(97,520)** | **(929,833)** | (1,092,039) | (184,868) | (1,276,907) |
| Unallocated liabilities | | | **(574,438)** | | | (510,321) |
| **Total net assets** | | | **574,829** | | | 1,912,222 |
| Capital expenditure | **11,259** | **11,210** | **22,469** | 198,656 | 2,238 | 200,894 |

| Geographical segments | UK £ | EEA £ | Total £ | UK £ | EEA £ | Total £ |
|---|---|---|---|---|---|---|
| **Revenue** | **3,676,626** | **228,189** | **3,904,815** | 3,504,890 | 967,335 | 4,472,225 |
| Segment assets | **1,141,472** | **-** | **1,141,472** | 3,090,585 | 99,583 | 3,190,168 |
| Unallocated assets | | | **937,628** | | | 509,282 |
| Segment liabilities | **(929,833)** | **-** | **(929,833)** | (1,215,574) | (61,333) | (1,276,907) |
| Unallocated liabilities | | | **(574,438)** | | | (510,321) |
| **Total net assets** | | | **574,829** | | | 1,912,222 |

## 6 Expenses and auditors' remuneration

| | | 2007 £ | 2006 £ |
|---|---|---|---|
| **Included in profit/loss are the following:** | | | |
| Auditors' remuneration | | | |
| Group | - audit | **34,000** | 34,400 |
| | - fees paid to the auditors and their associates in respect of other services | **8,060** | 8,760 |
| | - fees paid to the auditors in respect of acquisition due diligence | **-** | 60,500 |
| Company | - audit | **8,500** | 8,600 |
| Depreciation and amounts written off tangible and intangible fixed assets | | | |
| | - Owned | **524,017** | 889,230 |
| | - Leased | **3,036** | 3,788 |
| Loss on disposal of tangible fixed assets | | **19,138** | - |
| Impairment charge on intangible fixed assets | | **1,055,225** | - |
| Hire of plant & machinery | | **-** | - |
| Hire of other assets - operating leases | | **101,030** | 78,390 |

Amounts paid to the Company's auditors 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.

## 7 Remuneration of Directors

| | 2007 £ | 2006 £ |
|---|---|---|
| Directors' emoluments (including employer's national insurance of £47,973 in 2007 and £40,335 in 2006) | **571,303** | 539,222 |
| Amounts receivable under long term incentive schemes | **-** | - |
| | **571,303** | 539,222 |
| Contributions to defined contribution plans | **-** | - |
| | **571,303** | 539,222 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £175,691 *(2006: £177,614).*

| | 2007 Number of Directors | 2006 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 |

## 8 Staff numbers and costs

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

| | Group | | Company | |
|---|---|---|---|---|
| | Number of employees | | Number of employees | |
| | **2007** | 2006 | **2007** | 2006 |
| Administration | **13** | 14 | **2** | 2 |
| Production and distribution | **16** | 12 | **-** | - |
| | **29** | 26 | **2** | 2 |

The aggregate payroll costs of these persons were as follows:

| | **2007** £ | 2006 £ | **2007** £ | 2006 £ |
|---|---|---|---|---|
| Wages and salaries | **1,335,770** | 962,105 | **264,000** | 340,634 |
| Compulsory social security contributions | **132,719** | 118,273 | **30,154** | 42,196 |
| Contributions to defined contribution plans | **-** | - | **-** | - |
| | **1,468,489** | 1,080,378 | **294,154** | 382,830 |

The Group made no pension contributions in the year *(2006: £nil)*.

## 9 Finance income and expense

| | **2007** £ | 2006 £ |
|---|---|---|
| Interest income on bank deposits | **22,374** | 21,428 |

| | **2007** £ | 2006 £ |
|---|---|---|
| Interest expense on bank loans and overdrafts | **653** | 2,161 |
| Interest expense on other loans | **-** | 13,173 |
| Interest expense on finance leases | **726** | 936 |
| Other interest expense charges | **496** | 1,285 |
| Finance expense | **1,875** | 17,555 |
| Net finance income | **20,499** | 3,873 |

## 10 Income tax credit in the income statement

| | 2007 £ | 2006 £ |
|---|---|---|
| **Current tax (credit)** | | |
| Current period | - | - |
| Adjustment for prior periods | - | (14,488) |
| **Deferred tax (credit)** | | |
| Reversal of temporary differences | **(72,750)** | (30,250) |
| **Total tax (credit) in consolidated income statement** | **(72,750)** | (44,738) |

### Reconciliation of effective tax rate

The current tax charge for the period is based on an effective rate of 20% *(2006: 19%)* and is higher *(2006: higher)* than the standard rate of corporation tax in the UK for small companies (20%, *2006: 19%*). The differences are explained below:

| | | |
|---|---|---|
| Loss before tax | **(1,355,410)** | (359,650) |
| Current tax at 20% *(2006: 19%)* | **(271,082)** | (68,333) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **4,637** | 14,528 |
| Amortisation and impairment of intangibles | **243,326** | 35,698 |
| Movement in unprovided deferred tax asset | **23,119** | 25,206 |
| Reversal of temporary differences | **(72,750)** | (30,250) |
| Tax deductions not in accounts (exercise of share options) | - | (8,108) |
| Pre-acquisition movements in Cube | - | 1,009 |
| Credit adjustments in respect of prior periods | - | (14,488) |
| Total income tax credit | **(72,750)** | (44,738) |

## 11 Loss per share

| | 2007 Number | 2006 Number |
|---|---|---|
| Weighted average number of shares in issue | **14,260,271** | 12,772,489 |
| Less weighted average number of own shares | **(213,500)** | (383,747) |
| Weighted average number of shares in issue for basic loss per share | **14,046,771** | 12,388,742 |

The basic and diluted loss per share are calculated using the loss for the financial period of £1,282,660 *(2006: loss £314,912)*. The weighted number of shares used for the diluted loss per share is calculated after reflecting the outstanding share options and conditional issuable shares at the year end. But in accordance with IAS 33 the diluted basic loss per share is stated as the same amount as basic as there is no dilutive effect.

## 12 Acquisition of subsidiaries

### Business combination

On 8 May 2006 the Company acquired all the shares of The Cube Group of Companies Limited and its trading subsidiary Cube Music Limited. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

| | Pre acquisition carrying amounts £ | Fair value adjustments £ | Recognised values on acquisition £ |
|---|---|---|---|
| **Net assets acquired** | | | |
| Property plant and equipment | 69,520 | 1 | 69,521 |
| Intangible assets | 362,000 | 330,880 | 692,880 |
| Trade and other receivables | 222,185 | - | 222,185 |
| Cash and cash equivalents | 204,236 | - | 204,236 |
| Loans and borrowings | (33,314) | - | (33,314) |
| Trade and other payables | (313,496) | - | (313,496) |
| Deferred taxation | - | (115,480) | (115,480) |
| Net identifiable assets and liabilities | 511,131 | 215,401 | 726,532 |
| Goodwill on acquisition | | | 1,063,410 |
| Consideration paid [i] | | | 1,789,942 |
| Cash acquired | | | (204,236) |
| Net consideration outflow | | | 1,585,706 |

| **Of which:** | Number | Fair (market) value | £ |
|---|---|---|---|
| Paid in shares | 1,632,653 | 20.0 pence | 326,531 |
| | 1,216,281 | 15.0 pence | 182,442 |
| Paid in cash | | | 1,076,733 |
| | | | 1,585,706 |

[i] Includes professional fees of £218,775 and stamp duty £12,195.

The fair value adjustments on intangible assets relate to customer relationships and the video library (see note 14 below).

The goodwill on acquisition arises from Cube Music's staff and its connected relationships with recording companies.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values). In determining the fair value of contract relationships with customers, the Group applied the discount rate of 23% to the estimated future net earnings; in determining the fair value of the video library the Group used estimated replacement cost.

## 12 Acquisition of subsidiaries *(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 September 2005 (unaudited) £ | 7 months to 8 May 2006 £ | 8 months to 31 December 2006 £ |
|---|---|---|---|
| Revenue | 1,677,862 | 1,069,437 | 762,031 |
| Operating profit/(loss) | 157,660 | 6,474 | (32,035) |
| Finance expense | (3,904) | (1,167) | (1,081) |
| Profit/(loss) before taxation | 153,756 | 5,307 | (33,116) |
| Income tax | (16,315) | - | 14,488 |
| Profit/(loss) for the period attributable to equity shareholders | 137,441 | 5,307 | (18,628) |

## 13 Property, plant and equipment

| | Plant and equipment £ | Fixtures & fittings £ | Network Equipment £ | Total £ |
|---|---|---|---|---|
| **Group** | | | | |
| *Cost* | | | | |
| **At 1 January 2007** | **675,740** | **335,620** | **2,192,517** | **3,203,877** |
| **Additions** | **4,087** | **13,638** | **4,744** | **22,469** |
| **Disposals & retirements** | **-** | **-** | **(1,539,884)** | **(1,539,884)** |
| **At 31 December 2007** | **679,827** | **349,258** | **657,377** | **1,686,462** |
| ***Depreciation and impairment losses*** | | | | |
| **At 1 January 2007** | **593,453** | **245,832** | **1,802,905** | **2,642,190** |
| **Charge for year** | **61,083** | **50,748** | **242,597** | **354,428** |
| **On disposals & retirements** | **-** | **-** | **(1,518,993)** | **(1,518,993)** |
| **At 31 December 2007** | **654,536** | **296,580** | **526,509** | **1,477,625** |
| ***Carrying amounts*** | | | | |
| **At 31 December 2007** | **25,291** | **52,678** | **130,868** | **208,837** |
| *Cost* | | | | |
| At 1 January 2006 | 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 & retirements | - | (6,375) | (351,873) | (358,248) |
| At 31 December 2006 | 675,740 | 335,620 | 2,192,517 | 3,203,877 |
| *Depreciation and impairment losses* | | | | |
| At 1 January 2006 | 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 & retirements | - | (2,125) | (310,737) | (312,862) |
| At 31 December 2006 | 593,453 | 245,832 | 1,802,905 | 2,642,190 |
| *Carrying amounts* | | | | |
| At 31 December 2006 | 82,287 | 89,788 | 389,612 | 561,687 |

## 13 Property, plant and equipment *(continued)*

### Disposals and retirements in 2007

In April 2007 the Group ceased broadcasting on a free of charge basis its Impulse radio brand for independent newsagents and replaced this with a subscription only service.

Radio receiving network equipment which the Group had provided to independent newsagents to receive Impulse radio and which had been fully depreciated following an impairment charge in the Group's 2005 financial statements, has been retired.

Other radio network equipment with a residual value of £20,891 was disposed of on termination of a contract.

### Finance leases

There were no outstanding finance leases in respect of property, plant and equipment at 31 December 2007 *(in 2006 the net book value of fixtures and fittings included an amount of £3,036 in respect of assets held under finance leases).*

## 14 Intangible assets

| | Customer relationships £ | Video library £ | Goodwill £ | Total £ |
|---|---|---|---|---|
| **Group** | | | | |
| *Cost* | | | | |
| At 1 January 2007 | **566,880** | **126,000** | **1,228,043** | **1,920,923** |
| Adjustment [i] | **-** | **-** | **(54,733)** | **(54,733)** |
| At 31 December 2007 | **566,880** | **126,000** | **1,173,310** | **1,866,190** |
| *Amortisation and impairment losses* | | | | |
| At 1 January 2007 | **142,750** | **8,500** | **109,900** | **261,150** |
| Charge for year | **159,500** | **13,125** | **-** | **172,625** |
| Impairment losses | **191,125** | **-** | **864,100** | **1,055,225** |
| At 31 December 2007 | **493,375** | **21,625** | **974,000** | **1,489,000** |
| *Carrying amounts* | | | | |
| At 31 December 2007 | **73,505** | **104,375** | **199,310** | **377,190** |
| *Cost* | | | | |
| At 1 January 2006 | - | - | 109,900 | 109,900 |
| Acquisition | 566,880 | 126,000 | 1,118,143 | 1,811,023 |
| At 31 December 2006 | 566,880 | 126,000 | 1,228,043 | 1,920,923 |
| *Amortisation and impairment losses* | | | | |
| At 1 January 2006 | - | - | 73,263 | 73,263 |
| Charge for year | 142,750 | 8,500 | 36,637 | 187,887 |
| At 31 December 2006 | 142,750 | 8,500 | 109,900 | 261,150 |
| *Carrying amounts* | | | | |
| At 31 December 2006 | 424,130 | 117,500 | 1,118,143 | 1,659,773 |

[i] The adjustment to the cost of goodwill arises from the change in the share price and therefore the value of the deferred share consideration between that initially provided for at 31 December 2006, and that at which the shares were issued on 30 March 2007.

## 14 Intangible assets *(continued)*

### Impairment review and movements in intangible assets and goodwill

For the initial allocation of goodwill arising on the acquisition of Cube Group of Companies to cash-generating units (CGUs) on the adoption of IFRSs (as disclosed in note 12) the Group engaged independent expert valuers.

Assets that have indefinite lives are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management have estimated the discount rate using the weighted average cost of capital of the business; changes in selling prices and direct costs are based on past experience and expectations of future change in the market.

The Group prepares cash flows derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows using estimated growth rates beyond the budgeting period.

The key assumptions for the value in use calculations are: management forecast modest growth to extrapolate cash flows in the period through to December 2009. A post tax discount rate of 21% was applied to cash flow projections which equates to a pre tax rate of approximately 26%.

During the first half of 2007 there were clear indications of impairment of the customer relationships intangible asset and as a result management completed impairment tests on all the Group's intangible assets, including goodwill.

The resulting impairment charges were disclosed in the Group's interim financial statements and are explained in more detail below.

During the second half of 2007 there has been a performance improvement in the audio visual part of the business, but no reversal has been made of any of the impairment charges made during the first half year.

### Method

In the period ending 30 June 2007, the performance of audio visual business was significantly weaker than anticipated following the non-renewal of a significant contract and lower than expected activity with other customers.  These factors indicated potential impairment in customer relationships and goodwill during the period.

The test for impairment under IAS 36 compares the carrying value of an intangible asset against its recoverable amount to the business, where economic value is defined as the higher of the asset's fair value less costs to sell or its value in use. (These measures are based on the net present value of future cash flows).  If the carrying value exceeds the economic value, an impairment exists.

### Economic values of intangible assets

For the Group's intangible assets, the fair values less costs to sell are considered to be the same as the values in use because identical assumptions are used for both valuations.  Management has reviewed the customer relationships and video library for impairment by reference to their fair values less costs to sell and compared the result against their carrying values. In determining the fair values of contract relationships with its customers, the Group applied the discount rate of 23% to the estimated future net earnings; in determining the fair value of the video library, the Group used estimated replacement cost.

The impairment review of the goodwill in the audio visual business was undertaken by reference to its 'value in use'; the audio visual business forms its own CGU within the Group and the net present value test was performed on that CGU.

## 14 Intangible assets *(continued)*

### Impairment: the following calculations arise under the policy described in note 3(g) above

Video library: although the video library had not been used to the level anticipated during the first half of 2007, sustained increased use is expected for the future and management concluded that its fair value less cost to sell exceeded its amortised carrying value of £110,000 at 30 June 2007 and no impairment charge was required. This remains the case at 31 December 2007 when the amortised carrying value was £104,375.

Customer relationships: the fair value less costs to sell of customer relationships at 30 June 2007 was £152,875 which compared with an amortised carrying value of £344,000 resulted in an impairment charge of £191,125. At 31 December 2007 the amortised carrying value of £73,505 is considered to be not less than the fair value less costs to sell and no further impairment charge has been made.

Goodwill: The net present value calculation for goodwill at 30 June 2007 indicated a recoverable amount of £199,300 compared with £1,063,400 at acquisition date, resulting in an impairment charge of £864,100. No further impairment charge is assessed at 31 December 2007.

## 15 Investments in subsidiaries

**Subsidiary undertakings – Company**

| | **2007 £** | 2006 £ |
|---|---|---|
| **Cost and net book value** | | |
| At beginning of year | **2,606,375** | 761,700 |
| Acquisition of The Cube Group of Companies Limited | **-** | 1,844,675 |
| Impairment losses | **(1,055,225)** | - |
| Transfer of investment in The Cube Group of Companies Limited to Immedia Broadcast Limited | **(789,450)** | - |
| At end of year | **761,700** | 2,606,375 |

The following companies are wholly owned subsidiaries whose ultimate parent company is Immedia Broadcasting Plc:

| **Name** | **Registered number** | **Country of incorporation** | **Shareholding** |
|---|---|---|---|
| Immedia Broadcast Limited | 03873102 | England & Wales | 100% |
| Immedia Broadcasting Trustees Limited | 04552356 | England & Wales | 100% |
| The Cube Group of Companies Limited | 03845864 | England & Wales | 100% |
| Cube Music Limited | 03822694 | England & Wales | 100% |
| Immedia Group Limited [(i)] | 06336935 | England & Wales | 100% |

[(i)] Incorporated 8 August 2007

At 31 December 2006 the Company held 100% of the ordinary share capital of Immedia Broadcast Limited and of The Cube Group of Companies Limited (both incorporated in England and Wales).

On 31 December 2007 the Company transferred its ownership of 100% of the ordinary share capital of The Cube Group of Companies Limited to Immedia Broadcast Limited. On 31 December 2007 The Company owned 100% of the ordinary share capital of Immedia Group Limited.

At 31 December 2007 and 31 December 2006, Immedia Broadcast Limited also held 100% of the ordinary share capital of Immedia Broadcasting Trustees Limited (a trust holding company) (incorporated in England and Wales).

At 31 December 2007 and 31 December 2006, The Cube Group of Companies Limited held 100% of the ordinary share capital of Cube Music Limited (incorporated in England and Wales).

## 16 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **£** | £ | **£** | £ |
| Trade receivables | **593,250** | 1,009,127 | **-** | - |
| Amounts owed by subsidiary undertakings | **-** | - | **1,882,128** | 1,239,153 |
| Other debtors | **82,725** | 53,169 | **-** | - |
| | **675,975** | 1,062,296 | **1,882,128** | 1,239,153 |

At 31 December 2007 trade receivables are shown after a provision for impairment of £15,218 *(31 December 2006: £111,154)* arising from disputed charges. £84,500 of the 2006 provision for impairment was released in 2007 following recovery of a disputed debt. All debts are due within one year.

At 31 December the totals of trade receivables past due, net of provision for impairment, were as follows:

| | **2007** | 2006 |
|---|---|---|
| | **£** | £ |
| Up to 3 months past due | **344,084** | 506,772 |
| Over 3 months past due | **58,847** | 413 |
| | **402,931** | 507,185 |

## 17 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **£** | £ | **£** | £ |
| Bank balances | **1,143** | 3,887 | **-** | 506 |
| Call deposits | **660,702** | 242,260 | **-** | - |
| **Cash and cash equivalents** | **661,845** | 246,147 | **-** | 506 |
| Bank overdrafts used for cash management purposes (note 19) | **-** | (3,352) | **-** | - |
| Cash and cash equivalents in the statement of cash flows | **661,845** | 242,795 | **-** | 506 |

# Notes (continued)

## 18 Capital and reserves

The Group's objective when managing its capital structure is to minimise the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximise shareholder return over the long term. The relative proportion of debt to equity will be adjusted over the medium term depending on the cost of debt compared to equity and the level of uncertainty facing the industry and the Group.

**Reconciliation of movement in capital and reserves**

### Share capital

| | 2007 £ | 2006 £ |
|---|---|---|
| **Authorised** | | |
| 36,000,000 Ordinary shares of 10 pence each | **3,600,000** | 3,600,000 |
| **Allotted, called up and fully paid** | | |
| 14,556,844 *(2006: 13,340,563)* Ordinary shares of 10 pence each | **1,455,684** | 1,334,056 |
| **Movements in year** | | |
| At beginning of year | **1,334,056** | 1,173,897 |
| Conversion of convertible debt instruments | **-** | (3,106) |
| 1,632,653 Ordinary shares of 10 pence each issued [a] | **-** | 163,265 |
| 1,216,281 Ordinary shares of 10 pence each issued [b] | **121,628** | - |
| | **1,455,684** | 1,334,056 |

(a) These shares were issued at 20.0 pence each.
(b) These shares were issued at 15.0 pence each.

There are no restrictions on the transfer of shares in Immedia Broadcasting Plc. All shares carry equal voting rights.

### Employee share options (including Directors) 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.

### Directors' share options are outstanding as follows:

| | Number of options during the year | | | | Exercise price | Market price at date of exercise | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|
| | At start of year | Granted | Exercised | At end of year | | | | |
| T Brookes | 20,000 | - | - | 20,000 | 20 p | n/a | 12 Dec 2003 | 28 Oct 2013 |
| | 90,000 | - | - | 90,000 | 110 p | n/a | 12 Dec 2003 | 10 Dec 2013 |

At 31 December 2007 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 *(2006: 213,500 shares)*. All options vested before the adoption date of IFRS 2 so there was no impact on its adoption.

## 18 Capital and reserves *(continued)*

### Share premium and reserves

Group

| Reserves as at 31 December 2007 | Share premium account £ | Shares to be issued £ | Merger reserve £ | Retained earnings £ |
|---|---|---|---|---|
| At 1 January 2007 | 3,525,727 | 237,175 | 2,245,333 | (5,430,069) |
| Retained loss for the year | - | - | - | (1,282,660) |
| 1,216,281 Ordinary shares of 10 pence each issued in year | 60,814 | (237,175) | - | - |
| **At 31 December 2007** | **3,586,541** | **-** | **2,245,333** | **(6,712,729)** |

| **Reserves as at 31 December 2006** | | | | |
|---|---|---|---|---|
| At 1 January 2006 | 3,390,411 | - | 2,245,333 | (5,130,032) |
| Retained loss for the year | - | - | - | (314,912) |
| Released on repayment of convertible debt instruments | (27,949) | - | - | - |
| New shares issued | 163,265 | - | - | - |
| Conditional shares pending issue | - | 237,175 | - | - |
| Proceeds from exercise of share options | - | - | - | 14,875 |
| **At 31 December 2006** | 3,525,727 | 237,175 | 2,245,333 | (5,430,069) |

Company

| Reserves as at 31 December 2007 | Share premium account £ | Shares to be issued £ | Retained earnings £ |
|---|---|---|---|
| At 1 January 2007 | 3,525,727 | 237,175 | (1,260,423) |
| Retained loss for the year | - | - | (1,137,952) |
| 1,216,281 Ordinary shares of 10 pence each issued in year | 60,814 | (237,175) | - |
| **At 31 December 2007** | **3,586,541** | **-** | **(2,398,375)** |

| **Reserves as at 31 December 2006** | | | |
|---|---|---|---|
| At 1 January 2006 | 3,390,411 | - | (867,326) |
| Retained loss for the year | - | - | (407,972) |
| Released on repayment of convertible debt instruments | (27,949) | - | - |
| New shares issued | 163,265 | - | - |
| Conditional shares pending issue | - | 237,175 | - |
| Proceeds from exercise of share options | - | - | 14,875 |
| **At 31 December 2006** | 3,525,727 | 237,175 | (1,260,423) |

## 19 Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** **£** | 2006 £ | **2007** **£** | 2006 £ |
| **Non-current liabilities** | | | | |
| Unsecured bank loans | **-** | 3,187 | **-** | - |
| | **-** | 3,187 | **-** | - |
| **Current liabilities** | | | | |
| Bank overdrafts | **-** | 3,352 | **-** | - |
| Current portion of unsecured bank loans | **-** | 10,917 | **-** | - |
| Current portion of finance lease liabilities | **-** | 4,778 | **-** | - |
| | **-** | 19,047 | **-** | - |

Unsecured bank loans were repaid in full during 2007. Finance leases were repaid in full during 2007.

## 20 Deferred tax liabilities - Group

Recognised deferred tax liabilities are attributable to the following:

| | **2007** **£** | 2006 £ |
|---|---|---|
| Intangible assets | **12,480** | 85,230 |
| Tax value of loss carry-forwards | **-** | - |
| | **12,480** | 85,230 |

The movements in deferred tax during the year were as follows:

| | **2007** **£** | 2006 £ |
|---|---|---|
| At beginning of year | **85,230** | 115,480 |
| Reversal of temporary differences (note 10) | **(72,750)** | (30,250) |
| At end of year | **12,480** | 85,230 |

The deferred tax asset arising in respect of temporary differences between capital allowances and depreciation of £254,000 *(2006: asset of £270,000)* has been added to *(2006: added to)* accumulated trading losses. The residual trading losses create a potential deferred tax asset of £755,000 *(2006: £611,000)* which has not been recognised due to the uncertainty of the timing of its eventual crystallisation.

## 21 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** **£** | 2006 £ | **2007** **£** | 2006 £ |
| **Current** | | | | |
| Trade payables due to related parties | **3,848** | 8,760 | **-** | - |
| Other trade payables | **737,937** | 645,118 | **-** | - |
| Other taxation and social security | **144,547** | 125,684 | **-** | - |
| Non-trade payables and accrued expenses | **530,594** | 455,303 | **1,111** | 10,584 |
| | **1,416,926** | 1,234,865 | **1,111** | 10,584 |

## 21 Trade and other payables *(continued)*

Included within Other trade payables is £23,500 *(2006: £nil)* for the Group and £nil *(2006: £nil)* for the Company expected to be settled in more than 12 months.

Included within Non-trade payables and accrued expenses are uninvoiced charges for servicing, maintenance and licencing costs for the Group's radio networks, plus accruals for legal and professional fees.

## 22 Financial instruments

At 31 December 2007 the Group had repaid all its borrowings (overdrafts, bank loans, finance leases) and the following disclosures apply to the position extant before its borrowings were repaid. There are no differences between the disclosures given here for the Group and those required for its parent company.

### 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.

### Interest rate risk

The Group finances its operations through a mixture of finance leases and bank borrowings. The Group borrows at both fixed and floating rates of interest. During 2007 all finance leases and bank borrowings were repaid and there was no interest rate risk at 31 December 2007.

### Liquidity risk

Short-term flexibility is achieved by use of overdraft facilities. There was no borrowing on overdraft facilities at 31 December 2007.

### Foreign currency risk

All trading in the UK and the EEA was denominated 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.

### Credit risk

The Group is not subject to significant credit risk with its exposure being limited to a number of multinational blue chip customers. Policies are maintained to ensure the Group makes credit sales only to customers with an appropriate credit rating.

### Market risks

The risks the Group faces are similar to those faced by other small companies servicing larger business within the UK retail sector. 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.

### Fair values

There is no difference between the carrying amounts and the fair values of the Group's IAS 39 categories of financial instruments.

## 22 Financial instruments *(continued)*

### Interest rate bank currency profile of financial instruments at year end

#### Financial liabilities (in comparative year only)

The Group's financial liabilities consist of bank loans, finance leases and bank overdrafts. Their fair value is estimated as carrying value where the cash is repayable on demand.

| | **2007 £** | 2006 £ |
|---|---|---|
| **Fixed rate liabilities** | | |
| Sterling bank loans: repayable in 2007 (i) | - | 10,917 |
| Sterling finance leases: repayable in 2007 (ii) | - | 4,778 |
| Repayable within one year or less: | - | 15,695 |
| Repayable more than one year not more than two years: Sterling bank loan: repayable originally in 2008 (iii) | - | 3,187 |
| | - | 18,882 |

(i) Comprised two loans on which interest was fixed at 8.7% and at 9.35%.
(ii) Comprised two leases on which interest was fixed at 10.1%.
(iii) Comprised one loan on which interest was fixed at 8.7%.

| | | |
|---|---|---|
| **Floating rate liabilities** | | |
| Sterling overdraft | - | 3,352 |

The facility is repayable on demand and bears interest at rates based on The Royal Bank of Scotland Plc base rate plus 3%.

#### Borrowing facilities

The Group had nil borrowings at 31 December 2007. *(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). Security for the bank loans and overdraft facility is by debenture on the assets of Cube Music Limited).*

At 31 December 2007 there were no undrawn committed borrowing facilities *(2006: none)*.

#### Financial assets

The Group's financial assets consist of cash and cash equivalents which comprise cash balances and short-term call deposits. The fair value is estimated as carrying value where the cash is repayable on demand.

| | **2007 £** | 2006 £ |
|---|---|---|
| Sterling cash and cash equivalents | **661,845** | 246,147 |

## 23 Equity reconciliation

| | 2007 £ | 2006 £ |
|---|---|---|
| **Group** | | |
| Opening shareholders' funds | **1,912,222** | 1,679,609 |
| Loss for the financial year after taxation | **(1,282,660)** | (314,912) |
| New shares issued | **182,442** | 326,530 |
| Conditional shares pending issue | **(237,175)** | 237,175 |
| Proceeds from exercise of share options | **-** | 14,875 |
| Released on repayment of convertible debt instruments | **-** | (31,055) |
| Closing shareholders' funds | **574,829** | 1,912,222 |
| **Company** | | |
| Opening shareholders' funds | **3,836,535** | 3,696,982 |
| Loss for the financial year after taxation | **(1,137,952)** | (407,972) |
| New shares issued | **182,442** | 326,530 |
| Conditional shares pending issue | **(237,175)** | 237,175 |
| Proceeds from exercise of share options | **-** | 14,875 |
| Released on repayment of convertible debt instruments | **-** | (31,055) |
| Closing shareholders' funds | **2,643,850** | 3,836,535 |

## 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 2007. *(2006: £nil).*

Morchard Bishop & Co, an accountancy practice controlled by Charles Barker-Benfield, contracts with Immedia Broadcasting Plc to provide accountancy services to the Group. During the year to 31 December 2007 Immedia Broadcast Limited paid £57,923 *(2006: £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.

Immedia Broadcasting Plc and its subsidiary companies:
During the year to 31 December 2007 Immedia Broadcasting Plc completed the following transactions with its subsidiary companies:

With Immedia Broadcast Limited:
- transfer of investment in The Cube Group of Companies Limited at net book value of £789,450;
- recharge of management charges totalling £214,335 *(2006: £nil).*

With the Immedia Broadcasting Employee Benefit Trust:
- loan interest charge of £2,604 *(2006: £2,256).*

Amounts owed to Immedia Broadcasting Plc by its subsidiary undertakings were as follows:

| | 2007 £ | 2006 £ |
|---|---|---|
| Immedia Broadcast Limited | **1,832,778** | 1,192,407 |
| Immedia Broadcasting Employee Benefit Trust | **49,350** | 46,746 |
| | **1,882,128** | 1,239,153 |

## 25 Commitments

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

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| **Group** | | | | |
| Operating leases which expire: | | | | |
| Within one year | **26,244** | **-** | - | - |
| In two to five years inclusive | **60,800** | **-** | 101,030 | - |
| | **87,044** | **-** | 101,030 | - |

### (b) Capital commitments
There were no unprovided capital commitments outstanding at 31 December 2007 *(2006: £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 *(2006: £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 *(2006: £nil)* and there were no outstanding or prepaid contributions at either the beginning or the end of the current or previous financial years.

## 27 Explanation of transition to adopted IFRSs

As stated in note 2, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented for the year to 31 December 2006, and in the preparation of an opening IFRS balance sheet at 1 January 2006 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

## 27 Explanation of transition to adopted IFRSs *(continued)*

### (i) Reconciliation of equity from UK GAAP to adopted IFRSs at 1 January 2006

| | UK GAAP £ | Adjustment £ | IFRS £ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 1,155,712 | - | 1,155,712 |
| Intangible assets | 36,637 | - | 36,637 |
| **Total non-current assets** | 1,192,349 | - | 1,192,349 |
| | | | |
| **Current assets** | | | |
| Inventories | - | - | - |
| Trade and other receivables | 666,713 | - | 666,713 |
| Prepayments for current assets | 199,709 | - | 199,709 |
| Cash and cash equivalents | 831,864 | - | 831,864 |
| **Total current assets** | 1,698,286 | - | 1,698,286 |
| **Total assets** | 2,890,635 | - | 2,890,635 |
| | | | |
| **Equity** | | | |
| Share capital | 1,173,897 | - | 1,173,897 |
| Share premium | 3,390,411 | - | 3,390,411 |
| Shares to be issued | - | - | - |
| Merger reserve | 2,245,333 | - | 2,245,333 |
| Retained losses | (5,130,032) | - | (5,130,032) |
| **Total equity** | 1,679,609 | - | 1,679,609 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | - | - | - |
| Deferred taxation | - | - | - |
| **Total non-current liabilities** | - | - | - |
| | | | |
| Loans and borrowings | 188,367 | - | 188,367 |
| Trade and other payables | 814,590 | - | 814,590 |
| Deferred income | 208,069 | - | 208,069 |
| **Total current liabilities** | 1,211,026 | - | 1,211,026 |
| **Total liabilities** | 1,211,026 | - | 1,211,026 |
| **Total equity and liabilities** | 2,890,635 | - | 2,890,635 |

There are no adjustments from UK GAAP to Adopted IFRSs at 1 January 2006.

## 27 Explanation of transition to adopted IFRSs *(continued)*

### (ii) Reconciliation of equity from UK GAAP to adopted IFRSs at 31 December 2006

| | UK GAAP £ | Adjustment £ | IFRS £ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 561,687 | - | 561,687 |
| Intangible assets | 1,658,216 | 1,557 | 1,659,773 |
| **Total non-current assets** | 2,219,903 | 1,557 | 2,221,460 |
| | | | |
| **Current assets** | | | |
| Inventories | 2,409 | - | 2,409 |
| Trade and other receivables | 1,062,296 | - | 1,062,296 |
| Prepayments for current assets | 167,138 | - | 167,138 |
| Cash and cash equivalents | 246,147 | - | 246,147 |
| **Total current assets** | 1,477,990 | - | 1,477,990 |
| **Total assets** | 3,697,893 | 1,557 | 3,699,450 |
| | | | |
| **Equity** | | | |
| Share capital | 1,334,056 | - | 1,334,056 |
| Share premium | 3,525,727 | - | 3,525,727 |
| Shares to be issued | 237,175 | - | 237,175 |
| Merger reserve | 2,245,333 | - | 2,245,333 |
| Retained losses | (5,346,396) | (83,673) | (5,430,069) |
| **Total equity** | 1,995,895 | (83,673) | 1,912,222 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 3,187 | - | 3,187 |
| Deferred taxation | - | 85,230 | 85,230 |
| **Total non-current liabilities** | 3,187 | 85,230 | 88,417 |
| | | | |
| Loans and borrowings | 19,047 | - | 19,047 |
| Trade and other payables | 1,234,865 | - | 1,234,865 |
| Deferred income | 444,899 | - | 444,899 |
| **Total current liabilities** | 1,698,811 | - | 1,698,811 |
| **Total liabilities** | 1,701,998 | 85,230 | 1,787,228 |
| **Total equity and liabilities** | 3,697,893 | 1,557 | 3,699,450 |

The adjustment arises following the reclassification of part of the goodwill arising on the Cube acquisition under UK GAAP into two new intangible assets of customer relationships and the acquired video library on which deferred taxation of £115,480 is provided. The original goodwill amortisation charge is reversed (credit £37,327) and a recalculated amortisation charge of £151,250 is made on the new intangible assets (see note 14), against which deferred taxation of £30,250 is released. The net adjustment to equity is £83,673 and the net deferred taxation provided is £85,230.

## 27 Explanation of transition to adopted IFRSs *(continued)*

### (iii) Reconciliation of loss for the year to 31 December 2006

| | UK GAAP £ | Adjustment £ | IFRS £ |
|---|---|---|---|
| Continuing operations | | | |
| **Revenue** | 4,472,225 | - | 4,472,225 |
| Cost of sales | (1,958,973) | - | (1,958,973) |
| **Gross profit** | **2,513,252** | **-** | **2,513,252** |
| Administrative expenses | (2,762,852) | (113,923) | (2,876,775) |
| **Results from operating activities** | **(249,600)** | **(113,923)** | **(363,523)** |
| Finance income | 21,428 | - | 21,428 |
| Finance expenses | (17,555) | - | (17,555) |
| **Net finance income** | **3,873** | **-** | **3,873** |
| **(Loss) before income tax** | **(245,727)** | **(113,923)** | **(359,650)** |
| Income tax credit | 14,488 | 30,250 | 44,738 |
| **(Loss) for the year** | **(231,239)** | **(83,673)** | **(314,912)** |

The adjustment is explained in note 27 (ii) above.

### (iv) Reconciliation of cash flows for the year to 31 December 2006

Apart from the normal reclassifications into the IFRS format, there are no adjustments to the cash flows previously reported under UK GAAP for the year to 31 December 2006 in the transition to Adopted IFRSs.

# 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 2007 will be held at the Company's Kingston offices, The Albany Boathouse, Lower Ham Road, Kingston-upon-Thames, Surrey KT2 5BB at 11 am on Wednesday 16 July 2008 for the purpose of considering and, if thought fit, passing the following resolutions which in respect of resolutions numbered 1 to 5 (inclusive) will be proposed as ordinary resolutions and which in respect of resolutions numbered 6 to 9 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 2007 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 2007.
3. To re-elect Peter Teague as a director of the Company, who retires by rotation.
4. To re-appoint the auditors, KPMG Audit Plc.
5. To authorise the Directors to fix the remuneration of the auditors.

## SPECIAL BUSINESS:

### Special Resolutions

6. That the Company's name be changed to Immedia Group Plc.

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 2009 or the date which is 15 months after the date of the passing of the Resolution, whichever is the earlier and for such period:

7. the Section 80 Amount shall be £436,705; and
8. the Section 89 Amount shall be £145,568
9. that subject to the passing of resolutions 7 and 8 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

9 May 2008

**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 BS99 6ZY 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 11 am on 14 July 2008 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 11 am on 14 July 2008 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.

# General Information

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

## Company Secretary
Charles Barker-Benfield

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

## Solicitors
Charles Russell LLP
8-10 New Fetter Lane
London
EC4A 1RS

## Bankers
Royal Bank of Scotland Plc
30 Market Place
Newbury
Berkshire
RG14 5GP

## Auditors
KPMG Audit Plc
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

## Stockbrokers and Nominated Advisers
Daniel Stewart & Company Plc
Becket House
36 Old Jewry
London
EC2R 8DD

## Registrars
Computershare Investor Services Plc
PO Box 82
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Report & Accounts **2007**

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