immedia GROUP PLC

trusted to...

communicate

educate

inform

# Report & Accounts **2008**

**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

"2008 was a challenging year for Immedia but we believe that over the period the company has matured: Immedia is not just a radio business and we are actively working to broaden our offering.

"While we remain cautious about the outlook for 2009, we believe that our services are the best on the market and we will continue to search for ways to bring our offering to new audiences, while developing new opportunities among our strong portfolio of existing clients."

**Bruno Brookes**
Chief Executive

# Contents

# Chairman's Statement

2008 was a year of improvement for Immedia and we have delivered a solid performance against a turbulent economic background. We are pleased to be able to announce that we have moved into profit, a result achieved through tighter cost controls across the business and up-selling new services to our clients.

While revenue for the year was marginally lower at £3,875,010 compared to £3,904,815 for 2007, Immedia achieved a pre tax profit of £82,934 for the year which was a significant improvement on the 2007 pre tax loss of £1,355,410. Furthermore, the company has maintained its record of strong cash generation, with cash and cash equivalents of £883,197 at the year-end, again a significant improvement on the prior year balance of £661,845.

In November we were pleased to welcome Mark Horrocks to the Board as a Non-Executive Director. Mark has held extensive positions in the City and we believe that Immedia will benefit from his wealth of experience. I would also like to take this opportunity to thank all our staff for their hard work and enthusiasm over the period in helping the business grow.

We are operating in an evolving sector that is seeing growth in demand for out-of-home digital media solutions across a variety of markets, including retail, leisure and finance. Immedia has the skills to take advantage of this increasing demand for content and we continue to develop new innovative solutions to meet our clients' needs.

In light of the current economic conditions we are cautious about the year ahead but believe that the strength of our product offering and the breadth of our services position us well to continue to serve the needs of our high quality client base and in doing so attract new customers.

**Geoff Howard-Spink**
Chairman

07 April 2009

# Chief Executive's Review

I am pleased to present our full year results for the financial year ending 31 December 2008.

## Results & Financial Performance

The year was a challenging one for Immedia but we maintained our focus on cost control and profitability and recorded a move to both operating and pre tax profit. Revenues for the year were marginally lower at £3,875,010 *(2007: £3,904,815)*. Pre tax profit increased to £82,934 from a pre tax loss of £1,355,410 in 2007. 2007's results were impacted by the £1,055,225 write-off of Cube's intangibles. As reflected in the current year results we do not anticipate any further impairment charges.

The Group has continued to strengthen its balance sheet over the period. We continue to rigorously control our costs and the Group remains cash generative with £883,197 cash in the bank as at 31 December 2008 *(31 December 2007: £661,845)*.

On the basis of current financial projections prepared up to the end of 2010, 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

Our subscription radio stations continue to perform well, with new opportunities to help our clients with product development. We have integrated the radio and visual strands of our business and have been encouraged by the strong growth of our installation and maintenance business.

On 2 June 2008 we were delighted to announce a two year contract with Roadchef to provide a brand new live radio station to all 29 Roadchef motoring service areas in the UK. This station was successfully launched in July 2008.

Also in July we announced a significant memorandum of understanding with a leading retail banking brand. The trials of our RadioVision product with this company have been very successful and we announced the signing of our contract with a major UK high street bank on 1 April 2009.

Our audio and visual equipment installation and maintenance services business has continued to expand over the period, and has driven growth by providing additional services to existing contracted clients and to new clients who initially seek ad hoc services. There is a significant opportunity for cross-selling our complementary radio services and we expect a number of these clients will look to sign longer term contracts.

Our relationship with HSBC remains strong and our HSBC Live! subscription radio station continues to broadcast to over 1,000 sites across the UK. We have extended the service to HSBC call centres and other corporate buildings.

IKEA Live! has been well received across all its 21 UK locations, including the new store in Southampton, and we will bring Immedia to Ireland with the opening of IKEA's Dublin store later in 2009.

Lloyds Pharmacy Live! operates across all 1,500 stores and we look forward to further developing our longstanding relationship with the team and assisting with new areas of product development during our seventh year of service.

We have been working closely with SPAR and provide a subscription model to more than 1,400 stores across the UK, replacing the free to air service. This has resulted in a lower cost base as well as an increase in revenue. Over the course of the year we continued to install our services across more of its 2,500-strong estate.

We are now broadcasting GAME Live! to 379 GAME stores across the UK, having moved on from pre-contract trials and installations in 2007 to a full subscription service in the first half of 2008.

We are currently trialling other radio stations and believe that our breadth of offering will continue to attract new clients.

## Current Trading and Outlook

2008 was a challenging year for Immedia but we believe that over the period the company has matured: Immedia is not just a radio business and we are actively working to broaden our offering. In 2009, we intend to increase the flexibility of our services by offering a wider range of music and video content offerings to bolster our core business. This will enable clients of any size to purchase the content they need, in line with their requirements and budgets. We will continue to develop our screen business, providing more hardware, telecoms and visual content, and will support this through the further growth of our installation and maintenance business.

While we remain cautious about the outlook for 2009, we believe that our services are the best on the market and we will continue to search for ways to bring our offering to new audiences, while developing new opportunities among our strong portfolio of existing clients.

**Bruno Brookes**
Chief Executive

07 April 2009

# Directors

**Geoff Howard-Spink,**
Chairman aged 64
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 55

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 45

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 Group Plc covers all aspects of the legal and business affairs function including contracts and music licensing.

**Peter Teague,**
Non-executive Director aged 54
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 Elexon Limited, New Technology CADCAM Limited, Voice Commerce Group Limited, a Commissioner on the Board of The Gambling Commission and Chairman of the audit committee of Ofcom.

**Mark Horrocks,**
Non-Executive Director aged 46

Mark joined the city in 1983 as a Financial Analyst to the Guardian Royal Exchange Group Plc and went onto manage the UK equity portfolios of the main Pension and Life funds representing assets of over £2bn until leaving in 1997 to pursue his own interests in the Small Company marketplace. He went on to join the Boards of several quoted small companies and gained much understanding of the needs of such companies as quoted businesses. In 1999 he jointly created and launched the Small Company Investment Trust Intrinsic Value Plc and is currently a Partner in Intrinsic Capital LLP.

# Financial Review

## Group trading results

Revenues in 2008 were maintained at just under £3.9 million, gross profit margins improved to 58.5%, cash overhead costs were reduced and there was a 47% year on year improvement in underlying profitability at the level of operating profit before depreciation, amortisation and impairment charges. Depreciation and amortisation charges fell by 53%, there were no impairment losses and the group achieved an operating profit of £57,116 for the full year. This reflects a significantly stronger second half performance following the operating loss of £(115,423) at 30th June, and is a welcome improvement on previous years' losses.

## Consolidated balance sheet and cash flows

As anticipated last year, carrying values of non-current assets have levelled out at circa £0.5 million with depreciation of self funded radio networks now complete. The group now ensures that customers themselves finance the purchase of radio and audio visual network equipment, concentrating its resources on the delivery of content. However, it is also increasingly involved in the supply, installation and maintenance of such equipment to customers and these services have grown profitably during 2008.

During the year the group spent £109,000 on the fitting out and equipping of its new offices in Newbury, of which £66,000 was financed by a three year covenant-free unsecured bank loan bearing interest at 4% above bank base rate. This cost included expenditure in improved technology and equipment for the delivery of the group's services, and further investment in these areas is planned to ensure Immedia's services continue to be market leading.

It is encouraging to report the enhancement of net current assets during 2008, including further strong cash generation. The group closed 2008 with cash balances at £883,000, some 33% higher than at the end of the previous year.

**Charles Barker-Benfield**
Finance Director

07 April 2009

# Directors' Report

The Directors present their report and the audited financial statements of Immedia Group Plc ("the Company", "Immedia") for the year to 31 December 2008. On 8 September 2008 the Company changed its name from Immedia Broadcasting Plc to Immedia Group Plc following shareholder approval at the July 2008 Annual General Meeting.

## Principal activities

The principal activity of the Company in the year under review was that of holding company; the principal activity of its trading subsidiary Immedia Broadcast Limited was that of marketing services. Other subsidiary companies in the group are dormant (see note 15 on page 29 below).

## Business Review

The following consolidated financial information is presented for the Company and its subsidiaries (together referred to as the "Group"). Revenue in 2008 was £3,875,010 *(2007: £3,904,815)*. The operating profit before depreciation, amortisation, interest and impairment charge was £304,943 *(2007: £206,369)*. The operating profit was £57,116 *(2007: loss £1,375,909)* and the profit before taxation was £82,934 *(2007: loss £1,355,410)*. The profit for the year attributable to equity shareholders was £80,118 *(2007: loss £1,282,660)*. The basic and diluted earnings per share was 0.56 pence *(2007: loss 9.13 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 continuing 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 and trade marks.

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 gross profit value where during 2008 the business over performed by 2%;
- Performance against budget by overall gross profit percentage where the business achieved 58.5% in 2008 against its budget of 48.8%;
- Cash overheads compared with budget where in 2008 the business spent 4% more than budget;
- Cash conversion, where in 2008 the business converted 103% of its operating profit before depreciation, amortisation, and interest 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). Primary risks remain within 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 continue to be 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 *(2007: £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 average time taken by the Group to pay trade suppliers throughout 2008 was 41 days *(2007: 48 days)*. Immedia Group 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 21.7%, Mr. TN Brookes 14.1%, Draganfly Investments Limited 7.6%, Mrs. AM Clough 5.0%, Bluehone Investors LLP 4.9%, Immedia Broadcasting Trustees Limited 3.9%, 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 2008 was 6.5 pence and shares were traded between 6.5 pence and 12.0 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 2010, 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

The directors who held office during the year were as follows:
G Howard-Spink
T Brookes
C Barker-Benfield
R Penney
P Teague
M Horrocks (appointed 23 October 2008)

Mark Horrocks, who was appointed a director since the last annual general meeting, retires in accordance with the articles of association and, being eligible, offers himself for re-election. The director retiring by rotation is Bruno Brookes who, being eligible, offers himself for re-election.

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

According to the register of Directors' interests, new options to subscribe for shares in the Company were granted to directors during the year as shown in note 27 below. No options to subscribe to shares in the Company were exercised by directors or their immediate families 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, with Mark Horrocks joining on his appointment as a director. 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. 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 comparable 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 £** | **Taxable benefits £** | **Total remuneration £** | **2008 Pension total £** | **2008 Total £** | 2007 Pension total £ | 2007 Total £ |
|---|---|---|---|---|---|---|---|---|
| G Howard-Spink | **35,000** | **-** | **-** | **35,000** | **-** | **35,000** | - | 35,000 |
| T Brookes | **165,000** | **-** | **10,500** | **175,500** | **-** | **175,500** | - | 175,691 |
| C Barker-Benfield | **90,000** | **-** | **-** | **90,000** | **-** | **90,000** | - | 95,423 |
| R Penney | **83,000** | **6,898** | **6,635** | **96,533** | **-** | **96,533** | - | 84,096 |
| P Teague | **17,500** | **-** | **-** | **17,500** | **-** | **17,500** | - | 17,500 |
| M Horrocks | **3,388** | **-** | **-** | **3,388** | **-** | **3,388** | - | n/a |
| F Ryder | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | - | 115,620 |
| | **393,888** | **6,898** | **17,135** | **417,921** | **-** | **417,921** | - | 523,330 |

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

## 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, Peter Teague and Mark Horrocks as Non-Executive Directors. 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 three 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 three 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 business interruption, disruption to computer and other business systems, 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

07 April 2009

5 Fleet Place
London
EC4M 7RD

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

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

Company law requires the directors to prepare 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 law 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.

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

# Independent Auditors' Report to the Members of Immedia Group Plc

We have audited the group and parent company financial statements (the ''financial statements'') of Immedia Group Plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group 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 are 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. The information given in the Directors' Report includes that specific information presented in the Financial Review that is cross referred from the Business Review section of the Directors' Report. 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 2008 and of its profit 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 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit Plc**
Chartered Accountants
Registered Auditor
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

07 April 2009

# Consolidated Income Statement

for the year ended 31 December 2008

| | Note | 2008 £ | 2007 £ |
|---|---|---|---|
| **Revenue** | 5 | **3,875,010** | 3,904,815 |
| Cost of sales | | **(1,608,926)** | (1,691,821) |
| **Gross profit** | | **2,266,084** | 2,212,994 |
| Administrative expenses before impairment charge on intangible assets | | **(2,208,968)** | (2,533,678) |
| Impairment charge on intangible assets | 13 | **-** | (1,055,225) |
| **Operating profit/(loss)** | | **57,116** | (1,375,909) |
| **Operating profit before depreciation, amortisation and impairment charge** | | **304,943** | 206,369 |
| Depreciation and amortisation | | **(247,827)** | (527,053) |
| Impairment charge on intangible assets | | **-** | (1,055,225) |
| Finance income | 9 | **25,925** | 22,374 |
| Finance cost | 9 | **(107)** | (1,875) |
| **Profit/(loss) before taxation** | 6 | **82,934** | (1,355,410) |
| Income tax (charge)/credit | 10 | **(2,816)** | 72,750 |
| **Profit/(loss) for the year attributable to equity shareholders** | | **80,118** | (1,282,660) |
| **Continuing operations** | | | |
| Earnings/(loss) per share - basic | 11 | **0.56p** | (9.13)p |
| Earnings/(loss) per share - diluted | 11 | **0.56p** | (9.13)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 2008

| | Note | 2008 £ | 2007 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **196,479** | 208,837 |
| Intangible assets | 13 | **291,085** | 377,190 |
| **Total non-current assets** | | **487,564** | 586,027 |
| | | | |
| **Current assets** | | | |
| Inventories | 14 | **96,142** | 3,703 |
| Trade and other receivables | 16 | **617,003** | 675,975 |
| Prepayments for current assets | | **131,282** | 151,550 |
| Cash and cash equivalents | 17 | **883,197** | 661,845 |
| **Total current assets** | | **1,727,624** | 1,493,073 |
| **Total assets** | | **2,215,188** | 2,079,100 |
| | | | |
| Share capital | 18 | **1,455,684** | 1,455,684 |
| Share premium | 18 | **3,586,541** | 3,586,541 |
| Merger reserve | 18 | **2,245,333** | 2,245,333 |
| Retained losses | 18 | **(6,666,324)** | (6,712,729) |
| **Total equity** | 23 | **621,234** | 574,829 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 19 | **44,000** | - |
| Deferred tax liabilities | 20 | **15,296** | 12,480 |
| **Total non-current liabilities** | | **59,296** | 12,480 |
| | | | |
| Loans and borrowings | 19 | **22,000** | - |
| Trade and other payables | 21 | **1,434,798** | 1,416,926 |
| Deferred income | | **77,860** | 74,865 |
| **Total current liabilities** | | **1,534,658** | 1,491,791 |
| **Total liabilities** | | **1,593,954** | 1,504,271 |
| **Total equity and liabilities** | | **2,215,188** | 2,079,100 |
| | | | |
| Total net current assets | | **192,966** | 1,282 |
| Total net non-current assets | | **428,268** | 573,547 |
| **Net assets** | | **621,234** | 574,829 |

These financial statements were approved by the board of Directors on 7 April 2009 and were signed on its behalf by:

**T Brookes**
Director

# Company Balance Sheet

at 31 December 2008

| | Note | 2008 £ | 2007 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 15 | **761,700** | 761,700 |
| **Total non-current assets** | | **761,700** | 761,700 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 16 | **1,786,354** | 1,882,128 |
| Prepayments for current assets | | **11,188** | 1,133 |
| **Total current assets** | | **1,797,542** | 1,883,261 |
| **Total assets** | | **2,559,242** | 2,644,961 |
| | | | |
| Share capital | 18 | **1,455,684** | 1,455,684 |
| Share premium | 18 | **3,586,541** | 3,586,541 |
| Retained losses | 18 | **(2,491,014)** | (2,398,375) |
| **Total equity** | 23 | **2,551,211** | 2,643,850 |
| | | | |
| Trade and other payables | 21 | **8,031** | 1,111 |
| **Total current liabilities** | | **8,031** | 1,111 |
| **Total equity and liabilities** | | **2,559,242** | 2,644,961 |
| | | | |
| Total net current assets | | **1,789,511** | 1,882,150 |
| Total net non-current assets | | **761,700** | 761,700 |
| **Net assets** | | **2,551,211** | 2,643,850 |

These financial statements were approved by the board of Directors on 7 April 2009 and were signed on its behalf by:

**T Brookes**
Director

# Cash Flow Statements

for the year ended 31 December 2008

| | Note | Group 2008 £ | Group 2007 £ | Company 2008 £ | Company 2007 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) for the year attributable to equity shareholders | | **80,118** | (1,282,660) | **(92,639)** | (1,137,952) |
| *Adjustments for:* | | | | | |
| Depreciation, amortisation and impairment | | **247,827** | 1,582,278 | **-** | 1,055,225 |
| Financial income | | **(25,925)** | (22,374) | **(2,275)** | (2,604) |
| Financial expense | | **107** | 1,875 | **-** | - |
| Loss on sale of property, plant and equipment | | **2,871** | 19,138 | **-** | - |
| Deferred tax charge/(credits) | 10 | **2,816** | (72,750) | **-** | - |
| Decrease in trade and other receivables | | **79,240** | 401,909 | **85,719** | 91,694 |
| (Increase) in inventories | | **(92,439)** | (1,294) | **-** | - |
| Increase/(decrease) in trade and other payables | | **20,867** | (187,973) | **6,920** | (9,473) |
| **Net cash from operating activities** | | **315,482** | 438,149 | **(2,275)** | (3,110) |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of property, plant and equipment | | **423** | 1,753 | **-** | - |
| Interest received | | **25,925** | 22,374 | **2,275** | 2,604 |
| Acquisition of property, plant and equipment | 12 | **(152,658)** | (22,469) | **-** | - |
| **Net cash from investing activities** | | **(126,310)** | 1,658 | **2,275** | 2,604 |
| **Cash flows from financing activities** | | | | | |
| Interest paid | | **(107)** | (1,875) | **-** | - |
| Repayment of borrowings | | **-** | (14,104) | **-** | - |
| Proceeds from long-term borrowings | | **66,000** | - | **-** | - |
| Purchase of own shares for EBT | | **(33,713)** | - | **-** | - |
| Payment of finance lease liabilities | | **-** | (4,778) | **-** | - |
| **Net cash from financing activities** | | **32,180** | (20,757) | **-** | - |
| Net increase/(decrease) in cash and cash equivalents | | **221,352** | 419,050 | **-** | (506) |
| Cash and cash equivalents at 1 January | | **661,845** | 242,795 | **-** | 506 |
| **Cash and cash equivalents at 31 December** | 17 | **883,197** | 661,845 | **-** | - |

# Notes

(forming part of the financial statements)

## 1 Reporting entity

Immedia Group plc (the "Company") is a company incorporated and domiciled in the United Kingdom. The address of the Company's registered office is 5 Fleet Place, London EC4M 7RD. The principal place of business is at The Old Brewery, The Broadway, Newbury, Berkshire RG14 1AU.

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 2008 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 (IFRSs) 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.

As highlighted in note 22 below, the group meets its day-to-day working capital requirements through the combined use of its cash balances, a covenant-free unsecured bank loan, and debtor and creditor balances. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its working capital.

Historically there have also been available overdraft facilities which the group chose in 2008 not to renew; however, the group holds regular discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal, when sought, would be forthcoming on any other than acceptable terms. Therefore the group will open renewal negotiations with the bank if and when required and has at this stage not sought any written commitment that previously available facilities will be renewed.

On the basis of current financial projections prepared up to the end of 2010, recent news of new contracts and 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 7 April 2009.

### (a) Statement of compliance

The AIM Rules require that the consolidated financial statements of the Company 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.

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.

## 2 Basis of preparation *(continued)*

### (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 judgements and 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 13 intangible assets (goodwill impairment tests);
- Note 16 trade and other receivables (review and provisions against doubtful debts);
- Note 25 contingent liabilities.

## 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 Group Plc for every share held. There was no cash consideration. As part of its transition to IFRS 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.

## 3 Significant accounting policies *(continued)*

**(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, office and IT equipment | - | 3 to 5 years |
| Network equipment | - | 5 years, or contract term if shorter |

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

**(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) Investments in subsidiaries**

Investments in subsidiaries are stated at cost less impairment.

**(e) Leased assets**

Leases where 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.

## 3 Significant accounting policies *(continued)*

### (f) 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.

### (g) 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.

### (h) 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.

### (i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

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

### (k) Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rate ruling at the dates the fair value was determined. Non – monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### (l) 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 the income statement. 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.

## 3 Significant accounting policies *(continued)*

### (l) Impairment *(continued)*

Non-financial assets *(continued)*

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.

### (m) Revenue

Revenue represents the amounts receivable by the Group for the provision of its media services, related equipment and equipment maintenance services 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, respectively. Revenue from equipment maintenance services, sponsorship and promotions is recognised over the life of the contract.

### (n) Finance income and cost

Finance income comprises interest income on bank deposits and is recognised as it accrues using the effective interest method.

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

### (o) 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.

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.

### (p) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

### (q) 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 share options granted to employees.

## 3 Significant accounting policies *(continued)*

### (r) 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 27).

#### (ii) Share-based compensation

The Group operates an equity settled compensation scheme which grants options to qualifying 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.

#### (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 (see note 23).

### (s) 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.

### (t) Adopted IFRSs not yet applied

Additional adopted IFRSs available for early application have not been applied by the Group as they are not expected to have a material effect on these financial statements.

## 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 the particular 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 13 below).

#### (ii) Trade and other receivables

The fair value of trade and other receivables is estimated as their recoverable value; all are short-term so values are not discounted, but provision for impairment is made where recovery is doubtful.

#### (iii) Trade and other payables

The fair value of trade and other payables is estimated as their carrying value as all are short-term and values are not discounted.

#### (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

Up to the end of 2007 and before the integration of its radio and audio visual services the Group comprised 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.*

From 1 January 2008 the Group's radio and audio visual services have been integrated in one business and therefore there is no analysis of separate business segments to provide in these financial statements. The comparative data for 2007 has been restated into a single segment accordingly.

### 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.

| | **UK 2008 £** | **EEA 2008 £** | **Total 2008 £** | UK 2007 £ | EEA 2007 £ | Total 2007 £ |
|---|---|---|---|---|---|---|
| **Revenue** | **3,874,529** | **481** | **3,875,010** | 3,676,626 | 228,189 | 3,904,815 |
| Segment assets | **997,781** | **-** | **997,781** | 1,141,472 | - | 1,141,472 |
| Unallocated assets | | | **1,217,407** | | | 937,628 |
| Total assets | | | **2,215,188** | | | 2,079,100 |
| Segment liabilities | **(819,699)** | **-** | **(819,699)** | (929,833) | - | (929,833) |
| Unallocated liabilities | | | **(774,255)** | | | (574,438) |
| Total liabilities | | | **(1,593,954)** | | | (1,504,271) |
| **Total net assets** | | | **621,234** | | | 574,829 |

## 6 Expenses and auditors' remuneration

| | | 2008 £ | 2007 £ |
|---|---|---|---|
| **Included in profit/loss are the following:** | | | |
| Auditors' remuneration | | | |
| Group | - audit of these financial statements | **25,000** | 34,000 |
| | - fees paid to the auditors and their associates in respect of other services | **700** | 8,060 |
| Included in Group audit total: Company | - audit | **6,250** | 8,500 |
| Depreciation and amounts written off tangible and intangible fixed assets | | | |
| | - Owned | **247,827** | 524,017 |
| | - Leased | **-** | 3,036 |
| Loss on disposal of tangible fixed assets | | **2,871** | 19,138 |
| Impairment charge on intangible fixed assets | | **-** | 1,055,225 |
| Hire of other assets - operating leases | | **106,870** | 101,030 |

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

| | 2008 £ | 2007 £ |
|---|---|---|
| Directors' emoluments (including employer's national insurance of £39,897 in 2008 and £47,973 in 2007) | **457,818** | 571,303 |
| Contributions to defined contribution plans | **-** | - |
| | **457,818** | 571,303 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £175,500 *(2007: £175,691)*.

| | 2008 Number of Directors | 2007 Number of Directors |
|---|---|---|
| The number of Directors who exercised share options was | **-** | - |
| 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 Number of employees | | Company Number of employees | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Administration | **13** | 13 | **2** | 2 |
| Production and distribution | **13** | 16 | **-** | - |
| | **26** | 29 | **2** | 2 |

The aggregate payroll costs of these persons were as follows:

| | **2008** £ | 2007 £ | **2008** £ | 2007 £ |
|---|---|---|---|---|
| Wages and salaries | **1,185,636** | 1,335,770 | **349,286** | 264,000 |
| Compulsory social security contributions | **125,910** | 132,719 | **40,780** | 30,154 |
| Contributions to defined contribution plans | **-** | - | **-** | - |
| | **1,311,546** | 1,468,489 | **390,066** | 294,154 |

The Group made no pension contributions in the year *(2007: £nil)*.

## 9 Finance income and cost

| | **2008** £ | 2007 £ |
|---|---|---|
| Interest income on bank deposits | **25,925** | 22,374 |

| | **2008** £ | 2007 £ |
|---|---|---|
| Interest expense on bank loans and overdrafts | **84** | 653 |
| Interest expense on finance leases | **-** | 726 |
| Other interest expense charges | **23** | 496 |
| Finance cost | **107** | 1,875 |
| Net finance income | **25,818** | 20,499 |

## 10 Income tax charge/(credit) in the income statement

| | **2008** **£** | 2007 £ |
|---|---|---|
| **Current tax** | | |
| Current period | **-** | - |
| **Deferred tax charge/(credit)** | | |
| Adjustment in respect of prior periods | **17,167** | - |
| Reversal of temporary differences | **(14,351)** | (72,750) |
| **Total tax charge/(credit) in consolidated income statement** | **2,816** | (72,750) |

### Reconciliation of effective tax rate

The current tax charge for the period is based on an effective rate of 21% *(2007: 20%)* and is higher *(2007: higher)* than the standard rate of corporation tax in the UK for small companies (21%, *2007: 20%*). The differences are explained below:

| | | |
|---|---|---|
| Profit/(loss) before tax | **82,934** | (1,355,410) |
| Current tax at 21% *(2007: 20%)* | **17,416** | (271,082) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **6,400** | 4,637 |
| Amortisation and impairment of intangibles | **18,082** | 243,326 |
| Utilisation of tax losses | **(39,082)** | (49,631) |
| Total tax charge/(credit) | **2,816** | (72,750) |

## 11 Earnings/(loss) per share

| | **2008** **Number** | 2007 Number |
|---|---|---|
| Weighted average number of shares in issue | **14,556,844** | 14,260,271 |
| Less weighted average number of own shares | **(367,097)** | (213,500) |
| Weighted average number of shares in issue for basic loss per share | **14,189,747** | 14,046,771 |

The basic and diluted earnings/(loss) per share are calculated using the after tax profit attributable to equity shareholders for the financial period of £80,118 *(2007: loss £1,282,660)*. The weighted number of shares used for the diluted earnings/(loss) per share is calculated after reflecting the outstanding share options throughout the year. *(In 2007 – 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).*

# Notes (continued)

## 12 Property, plant and equipment

| | Plant and equipment £ | Fixtures & fittings £ | Network Equipment £ | Total £ |
|---|---|---|---|---|
| **Group** | | | | |
| *Cost* | | | | |
| At 1 January 2008 | **679,827** | **349,258** | **657,377** | **1,686,462** |
| Additions | **15,657** | **134,869** | **2,132** | **152,658** |
| Disposals & retirements | **-** | **(87,189)** | **-** | **(87,189)** |
| At 31 December 2008 | **695,484** | **396,938** | **659,509** | **1,751,931** |
| *Depreciation and impairment losses* | | | | |
| At 1 January 2008 | **654,536** | **296,580** | **526,509** | **1,477,625** |
| Charge for year | **24,589** | **43,721** | **93,412** | **161,722** |
| On disposals & retirements | **-** | **(83,895)** | **-** | **(83,895)** |
| At 31 December 2008 | **679,125** | **256,406** | **619,921** | **1,555,452** |
| *Carrying amounts* | | | | |
| At 31 December 2008 | **16,359** | **140,532** | **39,588** | **196,479** |
| *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 |

### Disposals and retirements

In 2008 fixtures, fittings and office equipment was disposed of following the relocation of the company's main offices in Newbury. *(In 2007 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, was 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 2008 *(2007: £nil)*.

## 13 Intangible assets

| | Customer relationships £ | Video library £ | Goodwill £ | Total £ |
|---|---|---|---|---|
| **Group** | | | | |
| *Cost* | | | | |
| At 1 January and 31 December 2008 | **566,880** | **126,000** | **1,173,310** | **1,866,190** |
| *Amortisation and impairment losses* | | | | |
| At 1 January 2008 | **493,375** | **21,625** | **974,000** | **1,489,000** |
| Charge for year | **73,505** | **12,600** | **-** | **86,105** |
| At 31 December 2008 | **566,880** | **34,225** | **974,000** | **1,575,105** |
| *Carrying amounts* | | | | |
| At 31 December 2008 | **-** | **91,775** | **199,310** | **291,085** |
| *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 |

(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.

**Impairment review and movements in intangible assets and goodwill**
Assets that have indefinite lives (goodwill) are tested for impairment annually. Assets that are subject to amortisation or depreciation (customer relationships, video library) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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

The recoverable amounts of the CGUs 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 has 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 key assumptions for the value in use calculations are: management's forecast of modest growth to extrapolate cash flows in the period through to December 2012, and a conservative post tax discount rate of 17% *(2007: 21%)* applied to cash flow projections; this equates to a pre tax rate of approximately 22% *(2007: 26%)*.

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

## 13 Intangible assets *(continued)*

**Impairment review and movements in intangible assets and goodwill** *(continued)*

### Impairment test

The test for impairment under IAS 36 compares the carrying value of an intangible asset against its economic value (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

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.

### *2007 impairment charges: the following calculations arose under the policy described in note 3(l) 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 remained the case at 31 December 2007 when the amortised carrying value was £104,375.*

*In reviewing the video library for impairment at 30 June 2007 management compared its fair value less costs to sell against its carrying value. In determining the fair value of the video library, the Group used estimated replacement cost.*

*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 was 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 was assessed at 31 December 2007.*

## 14 Inventories

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2008 £** | 2007 £ | **2008 £** | 2007 £ |
| Work in progress | **29,122** | 3,703 | **-** | - |
| Finished goods | **67,020** | - | **-** | - |
| | **96,142** | 3,703 | **-** | - |

The inventory expense included in cost of sales in the Consolidated Income Statement was £528,325 *(2007: £357,616)*. Impairment charges for obsolete and slow moving inventories were £1,958 *(2007: £9,050)*.

## 15 Investments in subsidiaries

### Subsidiary undertakings – Company

| | 2008 £ | 2007 £ |
|---|---|---|
| **Cost and net book value** | | |
| At beginning of year | **761,700** | 2,606,375 |
| 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** | 761,700 |

The following companies are wholly owned subsidiaries whose ultimate parent company is Immedia Group Plc.

| Name | Registered number | Country of incorporation | Shareholding | Activity |
|---|---|---|---|---|
| Immedia Broadcast Limited | 03873102 | England & Wales | 100% | Marketing services |
| Immedia Broadcasting Trustees Limited | 04552356 | England & Wales | 100% | Trustee to EBT |
| The Cube Group of Companies Limited | 03845864 | England & Wales | 100% | Dormant |
| Cube Music Limited | 03822694 | England & Wales | 100% | Dormant |
| Immedia Broadcasting Limited (i) | 06336935 | England & Wales | 100% | Dormant |
| You TV Limited (ii) | 06546384 | England & Wales | 100% | Dormant |
| Immedia TV Limited (ii) | 06546391 | England & Wales | 100% | Dormant |

(i) Incorporated 8 August 2007 as Immedia Group Limited; name changed 8 September 2008 to Immedia Broadcasting Limited when Immedia Broadcasting Plc changed its name to Immedia Group Plc.
(ii) Incorporated 27 March 2008.

At 31 December 2008 and 31 December 2007 the Company held 100% of the ordinary share capital of Immedia Broadcast Limited, The Cube Group of Companies Limited and Immedia Broadcasting Limited, and at 31 December 2008 the Company also held 100% of the ordinary share capital of You TV Limited and Immedia TV Limited.

At 31 December 2008 and 31 December 2007, Immedia Broadcast Limited held 100% of the ordinary share capital of Immedia Broadcasting Trustees Limited (a trust holding company).

At 31 December 2008 and 31 December 2007, The Cube Group of Companies Limited held 100% of the ordinary share capital of Cube Music Limited.

## 16 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** **£** | 2007 £ | **2008** **£** | 2007 £ |
| Trade receivables | **554,607** | 593,250 | **-** | - |
| Amounts owed by subsidiary undertakings (note 26) | **-** | - | **1,786,354** | 1,882,128 |
| Other debtors | **62,396** | 82,725 | **-** | - |
| | **617,003** | 675,975 | **1,786,354** | 1,882,128 |

At 31 December 2008 trade receivables are shown after a provision for impairment of £28,064 *(31 December 2007: £15,218)* arising from slow moving debts and disputed charges. During 2008 £10,603 of the 2007 provision for impairment was utilised and a further provision of £23,449 was created. All debts are due within one year.

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

| | Group | |
|---|---|---|
| | **2008** **£** | 2007 £ |
| Up to 3 months past due | **239,930** | 344,084 |
| Over 3 months past due | **55,177** | 58,847 |
| | **295,107** | 402,931 |

## 17 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** **£** | 2007 £ | **2008** **£** | 2007 £ |
| Bank balances | **11,359** | 1,143 | **-** | - |
| Call deposits | **871,838** | 660,702 | **-** | - |
| Cash and cash equivalents | **883,197** | 661,845 | **-** | - |

Cash and cash equivalents comprise cash balances and short-term call deposits.

## 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.

## 18 Capital and reserves *(continued)*

### Reconciliation of movement in capital and reserves

Share capital

| | 2008 £ | 2007 £ |
|---|---|---|
| **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 Ordinary shares of 10 pence each | **1,455,684** | 1,455,684 |
| **Movements in year** | | |
| At beginning of year | **1,455,684** | 1,334,056 |
| 1,216,281 Ordinary shares of 10 pence each (issued at 15 pence each) | **-** | 121,628 |
| At end of year | **1,455,684** | 1,455,684 |

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

### Share premium and reserves

Group

| **Reserves as at 31 December 2008** | Share premium account £ | Shares to be issued £ | Merger reserve £ | Retained earnings £ |
|---|---|---|---|---|
| At 1 January 2008 | 3,586,541 | - | 2,245,333 | (6,712,729) |
| Retained profit for the year | - | - | - | 80,118 |
| Purchase of own shares by EBT | - | - | - | (33,713) |
| **At 31 December 2008** | **3,586,541** | **-** | **2,245,333** | **(6,666,324)** |
| | | | | |
| **Reserves as at 31 December 2007** | | | | |
| 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) |

Company

| **Reserves as at 31 December 2008** | Share premium account £ | Shares to be issued £ | Retained earnings £ |
|---|---|---|---|
| At 1 January 2008 | 3,586,541 | - | (2,398,375) |
| Retained loss for the year | - | - | (92,639) |
| **At 31 December 2008** | **3,586,541** | **-** | **(2,491,014)** |
| | | | |
| **Reserves as at 31 December 2007** | | | |
| 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) |

## 19 Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** **£** | 2007 £ | **2008** **£** | 2007 £ |
| **Non-current liabilities** | | | | |
| Unsecured bank loans | **44,000** | - | **-** | - |
| **Current liabilities** | | | | |
| Current portion of unsecured bank loans | **22,000** | - | **-** | - |

The new covenant-free unsecured bank loan, initiated on 24 December 2008, is provided by Lombard North Central Plc for a total of £66,000; it bears interest at 4.0% above National Westminster Bank base rate and is repayable in fixed value instalments over 3 years (see note 22). Any reduction in the overall interest cost over the term will be adjusted for in the final instalment; any increase in the overall interest cost over the term will require additional instalment(s).

## 20 Deferred tax liabilities - Group

Recognised deferred tax liabilities are attributable to the following:

| | **2008** **£** | 2007 £ |
|---|---|---|
| Intangible assets | **15,296** | 12,480 |

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

| | **2008** **£** | 2007 £ |
|---|---|---|
| At beginning of year | **12,480** | 85,230 |
| Adjustment in respect of prior periods (note 10) | **17,167** | - |
| Reversal of temporary differences (note 10) | **(14,351)** | (72,750) |
| At end of year | **15,296** | 12,480 |

The deferred tax asset arising in respect of temporary differences between capital allowances and depreciation of £688,000 *(2007: asset of £254,000)* has been added to *(2007: added to)* accumulated trading losses. The residual trading losses create a potential deferred tax asset of £751,000 *(2007: £755,000)* which has not been recognised due to the uncertainty of the timing of its eventual crystallisation.

## 21 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** **£** | 2007 £ | **2008** **£** | 2007 £ |
| **Current** | | | | |
| Trade payables due to related parties | **4,266** | 3,848 | **-** | - |
| Other trade payables [(i), (ii)] | **615,626** | 737,937 | **-** | - |
| Other taxation and social security | **151,858** | 144,547 | **-** | - |
| Non-trade payables and accrued expenses [(iii)] | **663,048** | 530,594 | **8,031** | 1,111 |
| | **1,434,798** | 1,416,926 | **8,031** | 1,111 |

(i) In 2008 included within Other trade payables were foreign currency amounts of €18,000 *(2007: €nil)*.
(ii) In 2007 included within Other trade payables were amounts of £23,500 for the Group and £nil for the Company which were expected to be settled in more than 12 months.
(iii) In 2008 and 2007 included within Non-trade payables and accrued expenses are uninvoiced charges for servicing, maintenance and licensing costs for the Group's radio networks, plus accruals for legal and professional fees.

## 22 Financial instruments

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 through which it meets its day to day working capital requirements comprise cash and liquid resources, unsecured bank borrowings, and trade debtors and creditors. The principal risk on these financial instruments is market 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 part of its operations through an unsecured bank loan where it has borrowed at floating rates of interest. At 31 December 2008 the unsecured bank loan was charged interest at 4.0% above National Westminster Bank Plc base rate *(2007: none)*. Bank base rate was 2.0% at 31 December 2008 and has fallen by 150 basis points to 0.5% at the date of this report.

### Borrowing facilities

The Group had borrowings of £66,000 at 31 December 2008 *(2007: £nil)*. These borrowings comprised one covenant-free unsecured bank loan with a repayment term of three years maturing in December 2011. There were no further committed borrowing facilities at 31 December 2008 *(2007: an undrawn £25,000 secured overdraft facility)*.

### Liquidity risk

Short-term flexibility is normally achieved by the use of cash balances. All financial liabilities are payable within one year except for the unsecured bank loan which is repayable over three years. Further details of this loan are given in note 19.

### Foreign currency risk

In both 2008 and 2007 all revenues in the UK and the EEA were denominated in sterling, but during 2008 certain costs were denominated in Euros. These costs in 2008 had an annualised value of c.€180,000 *(2007: €nil)*. A similar value of costs is expected to be incurred in Euros in 2009. The Group has no material financial exposure to foreign exchange gains and losses on monetary assets and liabilities at the year end other than as disclosed in note 21, 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 its multinational blue chip customers. The trade receivables balance of £554,607 *(2007: £593,250)* represents the maximum exposure to credit risk. 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).

During the current recession management believes these risks remain 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.

## 22 Financial instruments *(continued)*

### IAS 39 categories of financial instruments

| | Carrying amount | |
|---|---|---|
| | **2008** | 2007 |
| | **£** | £ |
| **Group** | | |
| Financial assets | | |
| Cash and cash equivalents (note 17) | **883,197** | 661,845 |
| Trade receivables (note 16) | **554,607** | 593,250 |
| Total financial assets | **1,437,804** | 1,255,095 |
| Financial liabilities | | |
| Interest bearing loans and borrowings (note 19) | **66,000** | - |
| Trade payables (note 21) | **619,892** | 741,785 |
| Total financial liabilities | **685,892** | 741,785 |

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

## 23 Equity reconciliation

| | **2008** | 2007 |
|---|---|---|
| | **£** | £ |
| **Group** | | |
| Opening shareholders' funds | **574,829** | 1,912,222 |
| Profit/(loss) for the financial year after taxation | **80,118** | (1,282,660) |
| New shares issued | **-** | 182,442 |
| Conditional shares pending issue | **-** | (237,175) |
| Purchase of own shares by EBT | **(33,713)** | - |
| Closing shareholders' funds | **621,234** | 574,829 |

| | | |
|---|---|---|
| **Company** | | |
| Opening shareholders' funds | **2,643,850** | 3,836,535 |
| Loss for the financial year after taxation | **(92,639)** | (1,137,952) |
| New shares issued | **-** | 182,442 |
| Conditional shares pending issue | **-** | (237,175) |
| Closing shareholders' funds | **2,551,211** | 2,643,850 |

## 24 Commitments

**(a) Total commitments under non-cancellable operating leases are payable as follows:**

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Land and buildings £** | **Other £** | Land and buildings £ | Other £ |
| **Group** | | | | |
| Operating leases which expire: | | | | |
| Within one year | **55,733** | **-** | 26,244 | - |
| In two to five years inclusive | **212,000** | **-** | 116,533 | - |
| | **267,733** | **-** | 142,777 | - |

A new lease was signed on 19 February 2009 for a total commitment of £130,000, with a break option at five years and expiring after nine years.

**(b) Capital commitments**
There were no unprovided capital commitments outstanding at 31 December 2008 *(2007: £nil)*.

## 25 Contingent liability

The Group is in discussion with certain music licensing authorities on the existence and amount of a prior period liability for which management has included its best estimate within creditors and for which the probability and amount of any outflow of resources is uncertain.

## 26 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 any companies in the Group in 2008 *(2007: £nil)*.

Morchard Bishop & Co, an accountancy practice controlled by Charles Barker-Benfield, contracts with Immedia Group Plc to provide accountancy services to the Group. During the year to 31 December 2008 Immedia Broadcast Limited paid £66,000 *(2007: £57,923)* 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.

Dewscope Limited and Horrocks Guardian Limited, companies controlled by Mark Horrocks, own 3,161,638 shares in the Company. Draganfly Investments Limited, a company in which Mark Horrocks has an indirect beneficial interest, owns 1,108,000 shares in the Company. There were no transactions between Dewscope Limited, Horrocks Guardian Limited or Draganfly Investments Limited and any companies in the Group in 2008 *(2007: n/a)*.

## 26 Related party disclosures *(continued)*

**Immedia Group Plc and its subsidiary companies:**
During the year to 31 December 2008 Immedia Group Plc completed the following transactions with its subsidiary companies:

With Immedia Broadcast Limited:
- recharge of management charges totalling £341,270 *(2007: £214,335)*.
- in 2007, transfer of investment in The Cube Group of Companies Limited at net book value of £789,450.

With the Immedia Broadcasting Employee Benefit Trust:
- loan interest charge of £2,275 *(2007: £2,604)*.

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

| | **2008 £** | 2007 £ |
|---|---|---|
| Immedia Broadcast Limited | **1,734,729** | 1,832,778 |
| Immedia Broadcasting Employee Benefit Trust | **51,625** | 49,350 |
| | **1,786,354** | 1,882,128 |

## 27 Employee benefits

**Share-based payments – Group and Company**
The terms and conditions of share options awarded to employees (including Directors) are as follows:

Number of share options outstanding at 31 December:

| **Option scheme** | Date of grant | Exercise price per share | **2008 Number of shares** | 2007 Number of shares |
|---|---|---|---|---|
| Immedia EMI Share Option Scheme[(ii)] | 27 Jan 2003 | 3.75 pence | **10,000** | 10,000 |
| Immedia EMI Share Option Scheme[(ii)] | 29 Oct 2003 | 20.0 pence | **35,000** | 35,000 |
| Immedia EMI Share Option Scheme[(ii), (iii)] | 11 Dec 2003 | 110.0 pence | **-** | 90,000 |
| Immedia EMI Share Option Scheme[(iv)] | 7 Nov 2008 | 10.0 pence | **224,500** | - |
| | | | **269,500** | 135,000 |

No options were exercised in 2008 or in 2007.

(i) At 31 December 2008 the Employee Benefit Trust held 564,854 shares in Immedia Group Plc in trust for employees against the future exercise of share options granted under the Immedia EMI Share Option Scheme *(2007: 213,500 shares)*. The cost of the 351,354 shares acquired during the year has been debited to reserves (see note 18).

(ii) Options granted to employees on or before 11 December 2003 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. These options were fully vested before the effective date of IFRS 2 so there was no impact on its adoption.

(iii) These options were cancelled on the grant of options in (iv) below.

(iv) Options granted to employees on 7 November 2008 under the Immedia EMI Share Option Scheme have been awarded subject to the Group achieving all of the following audited profits before taxation: for the financial year ending 31 December 2009: £250,000; 31 December 2010: £500,000; 31 December 2011: £750,000.

The vesting period commenced on 7 November 2008 and completes, subject to achievement of the financial performance criteria noted above, on publication of the Group's audited financial statements for the year to 31 December 2011; vested options will be exercisable at any time within two years following that publication date, after which time they will expire.

Accounting for the equity settled cost of these options under IFRS 2 aligns with the vesting period; no charges have been recognised in these financial statements for the year to 31 December 2008 due to their immateriality.

## 27 Employee benefits *(continued)*

### Share-based payments – Group and Company *(continued)*

At 31 December 2008 Directors' and other employees' share options were outstanding as follows:

| | At start of year | Number of shares during the year: Granted | Exercised | Cancelled | At end of year | Exercise price | Market price at date of exercise | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|
| T Brookes | 20,000 | - | - | - | 20,000 | 20p | n/a | 12 Dec 2003 | 28 Oct 2013 |
| T Brookes | 90,000 | - | - | (90,000) | - | 110p | n/a | See note (iii) above | n/a |
| T Brookes | - | 30,000 | - | - | 30,000 | 10p | n/a | See note (iv) above | See note (iv) above |
| C Barker-Benfield | - | 27,000 | - | - | 27,000 | 10p | n/a | See note (iv) above | See note (iv) above |
| R Penney | - | 27,000 | - | - | 27,000 | 10p | n/a | See note (iv) above | See note (iv) above |
| Other employees | 10,000 | - | - | - | 10,000 | 3.75p | n/a | 12 Dec 2003 | 28 Oct 2013 |
| Other employees | 15,000 | - | - | - | 15,000 | 20p | n/a | 12 Dec 2003 | 28 Oct 2013 |
| Other employees | - | 140,500 | - | - | 140,500 | 10p | n/a | See note (iv) above | See note (iv) above |
| **Totals** | 135,000 | 224,500 | - | (90,000) | 269,500 | | | | |

### Pension schemes – Group and Company

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 *(2007: £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 *(2007: £nil)* and there were no outstanding or prepaid contributions at either the beginning or the end of the current or previous financial years.

# Notice of Annual General Meeting

Immedia Group 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 2008 will be held at the Company's Newbury offices, The Old Brewery, The Broadway, Newbury, Berkshire RG14 1AU at 10 am on 11 June 2009 for the purpose of considering and, if thought fit, passing the following resolutions which in respect of resolutions numbered 1 to 7 (inclusive) will be proposed as ordinary resolutions and which in respect of resolutions numbered 8 to 10 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 2008 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 2008.
3. To re-elect Bruno Brookes as a director of the Company, who retires by rotation.
4. To elect Mark Horrocks as a director of the Company.
5. To re-appoint the auditors, KPMG Audit Plc.
6. To authorise the Directors to fix the remuneration of the auditors.
7. That the Company may send or supply its annual report and accounts for the year ended 31 December 2009 and every successive accounting period by making them available on a website or by other electronic means.

## SPECIAL BUSINESS:

### Special Resolutions

That in substitution for the existing authorities of the Company, the Directors be and they are hereby given the authority and power contained in Article 5 of the Company's Articles of Association for the period ending on the date of the Annual General Meeting in 2010 or the date which is 15 months after the date of the passing of the Resolution, whichever is the earlier and for such period:

8. the Section 80 Amount shall be £485,228; and
9. the Section 89 Amount shall be £145,568
10. 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:
5 Fleet Place
London EC4M 7RD

07 April 2009

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with a power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be deposited at the offices of the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8FB not less than 48 hours before the time for holding the meeting or the adjourned meeting. A form of proxy is enclosed with this notice.

3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

4. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.

5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of Members of the Company as at 10 am on 09 June 2009 shall be entitled to attend and vote, whether in person or by proxy, at the Annual General Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the register of members after 10 am on 09 June 2009 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
Mark Horrocks

## Company Secretary

Charles Barker-Benfield

## Registered Office

5 Fleet Place
London
EC4M 7RD
Registered number 4947859

## Solicitors

Charles Russell LLP
5 Fleet Place
London
EC4M 7RD

## 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
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

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