Immedia Broadcasting Plc

Directors' report and financial statements

31 December 2004

Registered number 4947859

Contents

General Information

Directors

Geoffrey Howard-Spink *Chairman*

Bruno Brookes *Chief Executive*

Robert Parker

Peter Teague

Company Secretary

Robert Parker

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London

EC4A 1RS

Registered number 4947859

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Bankers

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W1D 3QR

Stockbrokers

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EC3A 7QR

Auditors

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Arlington Business Park

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RG7 4SD

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PO Box 82

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BS99 7NH

Chairman's Statement

I am pleased to be able to report that the Company is now trading profitably before depreciation, amortisation and interest in its first year as a listed company.

There is a full review of the business and of the sector in which Immedia is operating in the CEO's Review below and I will not repeat what is in there.

However, I believe it is important for shareholders to understand the two important dynamics in the business that are covered in more depth in the CEO's Review.

Firstly there is continuing interest from a number of major High Street names in in-store media and in the unique Immedia solution.

Secondly, we are also seeing a growing awareness amongst advertisers and their media buying agencies of the sales effectiveness of the in-store media sector and a willingness to move marketing funds into the sector.

I believe these two dynamics combined provide a strong base from which the Company can move forward in the coming year.

Geoff Howard-Spink

Non-Executive Chairman

23 March 2005

Chief Executive's Review

I am pleased to present our results for the twelve month period ending 31 December 2004 and to be able to report further progress in the development of Immedia's business.

The results represent our fourth year of growth and a move into trading profitability before depreciation, amortisation and interest. In the last year, there has been a greater opportunity for Immedia to grow its list of clients, as retailers and media buyers have improved their understanding of our strong offering. Accordingly, we believe we have further reinforced Immedia's position as market leader in the UK for the provision of live in-store radio stations. Immedia's radio stations continue to demonstrate their commercial effectiveness for retailers, supported by impressive case studies that show excellent ROI for advertisers. Media buying agencies are developing specialist 'out of home' media buying divisions to focus on this new media space. Trade suppliers have increasingly found their advertising campaigns effective, supported by credible independent research. This has resulted in the announcement of an exclusive advertising deal for the chocolate sector for 'Impulse Live'.

New Product Development

There is no doubt that as the 'out of home' digital media industry develops we are continuing to impress retailers with our key knowledge and understanding of how to engage audiences. This is quite simply due to high quality content, driven by experienced presenters with the 'common touch'. Immedia's knowledge in engaging audience stems from its experience in building similar audiences and loyalty in terrestrial radio, both in the BBC and commercial sector. We believe that our competitors (particularly in the plasma screen sector) are concentrating too much on the 'technology' and less on what the in-store media will do to generate more value for the consumer and drive incremental sales. Whilst there has been considerable focus on screen networks like Tesco TV, there is now a greater realisation that the live radio offering brings a human touch which looped adverts on a plasma screen simply cannot do.

For this reason, Immedia have gone one step further to develop an additional product known as Radiovision. Working with QM Group we have developed a unique offering where radio works in unison with plasma screens in-store. This impressive technology will see live in-store radio working alongside specially consolidated video that can be instantly triggered by presenters when they explain product or services. Radiovision was launched at the Multi Channel Retail show in London on the 15 March 2005.

We are about to run our first trial with a major retailer, and have been asked to tender the Radiovision product for another.

Immedia floated on AIM on the 12 December 2003 and the net proceeds from the admission to AIM were used to:

- continue rollout of the Impulse Live Network to Convenience and CTN sector;

- provide working capital for the Group;
- repay certain outstanding loans and debts; and
- acquire a business and certain assets from BBME.

In total £2.46m of funds were used during the year, sourced from short-term deposits (£2.2m) bank balances (£0.22m) and interest received (£0.04m). These were used for capital expenditure (£1.17m), the repayment of other loans (£0.5m) and financing working capital growth through increased debtors (£0.53m) and payment of creditors (£0.41m).

Summary of Immedia's business

Immedia is the market leader (by clients and sites installed) in the UK for the provision of in-store Live Radio services. We develop an original new radio station around the retailer's brand and personality, featuring live presenters, music to suit attitudinal mood, and information on product offerings and staff initiatives. Each station is launched and broadcast from our studios in Newbury and broadcast live via encrypted satellite and/or broadband networks into their store estate. We provide a complete turnkey service, to include speaker installations and maintenance. All of the sound materials including adverts and features are created in-house. Immedia also sells airtime on the radio stations for the retailer. Immedia recently announced its agreement with Unique Group to develop the sales force to sell airtime on all of Immedia's radio stations.

Immedia's model is dependant on a mixture of subscription fees from retailers together with advertising revenues. All of our current radio stations apart from 'Impulse Live' rely on this revenue model. Impulse Live is now the largest in-store media network in the UK, with the service moving towards a presence in 5,000 convenience stores (currently in 3,700 outlets) and which is wholly owned by Immedia. The radio station broadcasts its tailored content to the convenience store sector. Since Immedia owns the entire network, it receives 100% of the airtime revenues. However, as the network grows with new convenience retail groups, there is opportunity to generate further subscription revenue for the provision of 'traffic managed' specific content and branding. Spar was the first group to sign to this arrangement. We are confident that other convenience retail groups will choose to join the Impulse network, as the 'traffic managed' network system is a more cost effective solution offering a superior product.

<u>Immedia Channels</u>

Impulse Live

'Impulse Live' was launched to the convenience sector in 2002. The radio network is the largest in store media in the UK influencing 22 million visitors each year. The network includes Spar stores, Londis, Texaco, Star News, Mills Group and many of the leading independents.

Spar stores signed an exclusive contract to join the Impulse network, and the rollout is continuing: currently 1,200 Spar stores receive Impulse Live.

Over 100 household brands have advertised on the Impulse Channel, of which 60% re-book airtime campaigns. In-store advertising is a fast growing marketing initiative and Immedia's radio stations such as Impulse Live communicate with customers at the point of purchase.

Other bespoke Channels

Dixons Live - Lloyds Pharmacy Live - Vitusapotek Idag - Iceland Live – Ikea Live.

In May 2003 Immedia successfully rolled out Lloyds Pharmacy Live to 1,360 Lloyds pharmacies across the UK.

This year Immedia signed two new contracts with Dixons and Vitusapotek (Norwegian pharmaceutical retailer). The Company has also started a trial with Ikea for Ikea Live in its stores.

In addition, Immedia is currently in talks with a number of major retail clients which may result in pilots or roll-outs in the future.

Current trading and future prospects

Immedia's unique offering presents a highly compelling business case to retailers and we believe we are well placed to significantly develop the business further. The concept which Immedia created is just beginning to mature and opportunities to win contracts are healthier. Whilst we continue to focus on the UK market, other opportunities are within reach in other territories. Immedia has already proved its ability to launch stations in a foreign language with the success of Vitusapotek in Norway. Current trading is good and we remain excited about our prospects.

Bruno Brookes
Chief Executive
23 March 2005

Directors

Geoffrey Howard-Spink, Non-Executive Chairman aged 60, Chairman of Remuneration Committee

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

Trevor Neil (known as "Bruno") Brookes, Chief Executive Officer aged 45

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.

Robert Glyn Parker, Finance Director aged 38

Robert qualified as a chartered accountant in 1993. Prior to joining Immedia in February 2002, Robert worked for National Grid plc in a strategic capacity, was Finance Director of Eircom (UK) Limited, a start-up operator in the UK telecommunications market, and was Head of Finance for Sumitomo Electric Europe Limited.

Peter Roy Teague, Non-Executive Director aged 50, 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 Chief Executive Officer of Anisa (UK) Limited, an IT services company backed by 3i plc.

Financial review

Group trading results

Group turnover increased to £2.97 million *(2003: £1.88m)* as a result of organic growth from the addition of 2 new retail radio contracts.

Administrative expenses increased to £2.03 million, reflecting the growth in the production and administration teams. Total administrative expenses last year were £1.62m

The overall loss for the financial year was reduced to £367,448 *(2003: loss £679,084)*. The operating profit before depreciation and amortisation, exceptional items and interest was £138,174 *(2003: loss £17,747)*.

Consolidated balance sheet and cash flows

At the year end the net assets were £2.73 million *(2003: £3.09m)*. The Group ended the year with tangible fixed assets of £1.79 million, with the investment in the Impulse Live network *(2003: £1.14m)*, cash at bank of £1.0 million *(2003: £3.3m)*. Overall other loan borrowing was £250,000 *(2003: £750,000)*.

In total £2.46m of funds were used during the year, sourced from short-term deposits (£2.2m) bank balances (£0.22m) and interest received (£0.04m). These were used for capital expenditure (£1.17m), the repayment of other loans (£0.5m) and financing working capital growth through increased debtors (£0.53m) and payment of creditors (£0.41m).

Robert Parker
Finance Director

23 March 2005

Directors' report

The Directors present their report and the audited financial statements of Immedia Broadcasting Plc for the year to 31 December 2004.

Principal activities

The principal activity of the Company in the year under review was that of holding company; the principal activity of its subsidiary Immedia Broadcast Limited was that of marketing services.

Business Review

The loss before tax for year was £367,448 *(2003: loss £678,892).* The retained loss for the year was £367,448 *(2003: loss £679,084).* The basic loss per share was 3.29 pence *(2003: loss 9.33 pence).*

Proposed dividend

The Directors do not recommend the payment of a dividend *(2003 £nil).*

Going Concern

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

Policy on the payment of creditors

It is the Group's policy to make payments to key suppliers of goods and services in line with their stated terms and conditions, although no formal code or standard is followed in this respect. The trade creditor days for the Group at 31 December 2004 were 75 days *(2003: 77 days).* Immedia Broadcasting Plc is a holding company and therefore has no trade suppliers.

Directors and Directors' interests

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

Ordinary 10 pence shares	Interest at end of year	Interest at start of year
G Howard-Spink	-	-
T Brookes	1,505,600	1,505,600
R Parker	35,500	35,500
P Teague	-	-

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

Directors' report *(continued)*

According to the register of Directors' interests, no rights to subscribe for shares in Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	Number of options during the year				Exercise price	Date from which exercisable	Expiry date
	At start of year	Granted	Exercised	At end of year			
T Brookes	170,000	-	-	170,000	3.75 p	12 Dec 2003	27 Jan 2013
	20,000	-	-	20,000	20 p	12 Dec 2003	29 Oct 2013
	90,000	-	-	90,000	110 p	12 Dec 2003	11 Dec 2013
R Parker	120,000	-	-	120,000	3.75 p	12 Dec 2003	27 Jan 2013
	20,000	-	-	20,000	20 p	12 Dec 2003	29 Oct 2013
	80,000	-	-	80,000	110 p	12 Dec 2003	11 Dec 2013

Report of the Board of Directors on remuneration

During the year the remuneration committee comprised Geoffrey Howard-Spink (as Chairman) and Peter Teague. The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive and operational Directors including any proposed allocations within the Immedia EMI Share Option Scheme and other benefits. (Details of Directors' share options are given in the table above, and of the EMI Share Option Scheme on page 27 below). The remuneration of the Non-Executive Directors is fixed by the Board as a whole. In framing its remuneration policy, the remuneration committee has given full consideration to the matters set out in the Combined Code.

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

Remuneration
The amounts of remuneration for each Director are shown below. These include basic salary, estimated money value of benefits in kind and pension contributions. There were no bonuses paid in the year *(2003: nil).*

Director's name	**Salary and fees**	**Taxable benefits**	**Total remuneration**	**2004 Pension total**	**2004 Total**	2003 Pension total	2003 Total
	£	**£**	**£**	**£**	**£**	£	£
G Howard-Spink	**35,000**	**-**	**35,000**	**-**	**35,000**	-	-
T Brookes	**140,250**	**10,400**	**150,650**	**-**	**150,650**	-	10,033
R Parker	**103,750**	**8,900**	**112,650**	**-**	**112,650**	-	8,342
P Teague	**17,500**	**-**	**17,500**	**-**	**17,500**	-	-
	296,500	**19,300**	**315,800**	**-**	**315,800**	-	18,375

Directors' report *(continued)*

Taxable benefits relate to car allowances, private medical cover for the Directors and their immediate families, and life assurance cover. Aggregate remuneration of Directors in the period from 1 January 2003 up to the date of their appointment as Group Directors is disclosed in subsidiary accounts and amounted to £228,642.

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 Geoffrey Howard-Spink as Non-Executive Chairman, with Bruno Brookes as Chief Executive Officer, Robert Parker as Finance Director and Peter Teague as Non-Executive Director. Geoffrey Howard-Spink is recognised as the senior independent Non-Executive Director.

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

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

Board Committees

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

Audit Committee

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

Remuneration Committee

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

Risk identification

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

Directors' report *(continued)*

Treasury

The Group's financial instruments comprise borrowings, cash and liquid resources, and trade debtors and creditors. The Group maintains a policy of not trading in financial instruments. The principal risk arising from the Group's financial instruments is interest rate risk, which the Board has reviewed and manages through its policies summarised below. This policy has remained unchanged since the beginning of the year. The disclosures set out below exclude short-term debtors and creditors as permitted under FRS13.

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

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

Going Concern

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

Material shareholdings

Shareholdings over 3.0% advised to the Company at the date of this report (excluding those held by Directors as disclosed on page 8) were as follows: New Star Asset Management 11.1%, F&C Asset Management 8.1%, Equity Partnership Investment 6.5%, Intrinsic Value plc 3.9%, Canada Life 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 2004 was 48 pence and shares were traded between 48 pence and 121.6 pence during the year.

Political and charitable donations

The Group made neither political nor charitable donations during the year.

Auditors

On 4 December 2003 KPMG Audit Plc were appointed auditors of the Group and in accordance with Section 384 of the Companies Act 1985 a resolution for their re-appointment is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

T Brookes
Director

8 – 10 New Fetter Lane
London
EC4A 1RS

23 March 2005

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

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

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

KPMG Audit Plc
Arlington Business Park
Reading
Berkshire
RG7 4SD

Report of the Independent Auditors to the members of Immedia Broadcasting Plc

We have audited the financial statements on pages 16 to 32.

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 are responsible for preparing the directors' report and, as described on page 12, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
23 March 2005

Consolidated Profit and Loss account

for the year ended 31 December 2004

	Note	2004	2003
		£	£
Turnover	1-2	**2,969,651**	1,877,345
Cost of sales		**(1,342,677)**	(870,975)
Gross profit		**1,626,974**	1,006,370
Administrative expenses		**(2,032,957)**	(1,620,733)
Operating loss		**(405,983)**	(614,363)
Interest receivable and similar income	6	**63,011**	5,118
Interest payable and similar charges	7	**(24,476)**	(69,647)
Operating profit/(loss) before depreciation and amortisation, exceptional items and interest		**138,174**	(17,747)
Depreciation and amortisation		**(544,157)**	(293,761)
Exceptional items		**-**	(302,855)
Net interest receivable/(payable)		**38,535**	(64,529)
Loss on ordinary activities before taxation	3	**(367,448)**	(678,892)
Tax on loss on ordinary activities	8	**-**	(192)
Loss for the financial year	20	**(367,448)**	(679,084)
Loss per share – basic and diluted	9	**(3.29) p**	(9.33) p

In the two years to 31 December 2004, the Company made no acquisitions and had no discontinued operations.

There are no recognised gains or losses, other than the loss for the financial year. Accordingly no statement of total recognised gains and losses is given.

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

Consolidated Balance Sheet
at 31 December 2004

	Note	2004	2003
		£	£
Fixed assets			
Intangible assets	*10*	**73,267**	109,900
Tangible assets	*11*	**1,790,232**	1,136,556
		1,863,499	1,246,456
Current assets			
Stocks	*13*	**-**	1,115
Debtors	*14*	**1,125,604**	597,469
Cash at bank and in hand		**1,000,215**	3,320,555
		2,125,819	3,919,139
Creditors: amounts falling due within one year	*15*	**(1,053,565)**	(1,312,394)
Net current assets		**1,072,254**	2,606,745
Total assets less current liabilities		**2,935,753**	3,853,201
Creditors: amounts falling due after more then one year	*16*	**(200,000)**	(750,000)
Provisions for liabilities and charges	*17*	**(10,000)**	(10,000)
Net assets		**2,725,753**	3,093,201
Capital and reserves			
Called up share capital	*19*	**1,170,791**	1,170,791
Share premium account	*20*	**3,372,960**	3,372,960
Merger reserve	*20*	**2,245,333**	2,245,333
Profit and loss account	*20*	**(4,063,331)**	(3,695,883)
Equity shareholders' funds	*21*	**2,725,753**	3,093,201

These financial statements were approved by the board of Directors on 23 March 2005 and were signed on its behalf by:

T Brookes
Director

Company Balance Sheet
at 31 December 2004

	Note	2004	2003
		£	£
Fixed assets			
Investments	*12*	**761,700**	761,700
		761,700	761,700
Current assets			
Stocks	*13*	**-**	1,115
Debtors	*14*	**3,357,730**	3,741,276
		3,357,730	3,742,391
Creditors: amounts falling due within one year	*15*	**(3,475)**	(10,660)
Net current assets		**3,354,255**	3,731,731
Total assets less current liabilities		**4,115,955**	4,493,431
Net assets		**4,115,955**	4,493,431
Capital and reserves			
Called up share capital	*19*	**1,170,791**	1,170,791
Share premium account	*20*	**3,372,960**	3,372,960
Profit and loss account	*20*	**(427,796)**	(50,320)
Equity shareholders' funds	*21*	**4,115,955**	4,493,431

These financial statements were approved by the board of Directors on 23 March 2005 and were signed on its behalf by:

T Brookes
Director

Consolidated cash flow statement

For the year ended 31 December 2004

	Note	2004	2003
		£	£
Cash outflow from operating activities	22	**(789,491)**	(29,604)
Return on investments & servicing of finance			
Interest received		**63,011**	5,118
Interest paid		**(24,476)**	(69,647)
Net cash inflow/(outflow) from returns on investments & servicing of finance		**38,535**	(64,529)
Taxation			
Corporation tax paid		-	(192)
Capital expenditure & financial investment			
Payments to acquire tangible fixed assets		**(1,170,938)**	(926,477)
Payments to acquire investments		-	(33,000)
Receipts from sales of tangible fixed assets		**815**	1,210
Net cash outflow on capital expenditure & financial investment		**(1,170,123)**	(958,267)
Net cash outflow before management of liquid resources and financing		**(1,921,079)**	(1,052,592)
Management of liquid resources			
Cash withdrawn from/(placed on) short-term deposit		**2,200,000**	(3,200,000)
Financing			
New other loans		-	650,000
Repayment of other loans		**(500,000)**	-
Repayment of capital element of finance leases and hire purchase rental payments		-	(12,000)
Issue of ordinary share capital		-	3,782,051
Net cash (outflow)/inflow from financing		**(500,000)**	4,420,051
(Decrease)/increase in cash in the year		**(221,079)**	167,459

	Note	2004	2003
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		**(221,079)**	167,459
Cash (outflow)/inflow from (decrease)/increase in liquid resources		**(2,200,000)**	3,200,000
Cash outflow/(inflow) from decrease/(increase) in debt		**500,000**	(650,000)
Cash outflow from decrease in lease financing		-	12,000
Movement in net (debt)/funds		**(1,921,079)**	2,729,459
Net funds/(debt) at 1 January		**2,547,937**	(181,522)
Net funds at 31 December	23	**626,858**	2,547,937

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Basis of consolidation

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

This Group reconstruction has been accounted for as a merger as permitted by FRS 6 acquisitions and mergers. Following these principles the entities are combined. This transaction qualifies under section 131 of the Companies Act 1985, which exempts the parties from creating share premium on this transaction. The difference between the investment value carried in Immedia Broadcasting Plc and the capital base of Immedia Broadcast Limited is taken to a merger reserve. Under the merger method, subsidiaries acquired are included as if they had always been members of the Group.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt with in the financial statements of the holding company was £377,476 *(2003: £50,320)*.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions since 1 January 1998 is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life, being 3 years.

Tangible fixed assets and depreciation

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

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

Leases

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

Notes *(continued)*

1 Accounting policies *(continued)*

Pension contributions

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

Employee Benefit Trust

The Group operates an employee benefit trust (EBT) for the benefit of its employees through Immedia Broadcasting Trustees Limited which acts as Trustee. At 31 December 2004 and 2003 the EBT held 551,000 shares in Immedia Broadcasting Plc in trust for employees against the future exercise of options granted under the Immedia EMI Share Option Scheme. Under UITF abstract 38 – Accounting for Employee Share Option Trusts – the own shares held in the trust have been deducted from shareholders' funds (note 21).

Stocks

Stocks and work in progress are valued at the lower of cost or net realisable value.

Cash and liquid resources

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

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

Taxation

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

Turnover

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

Notes *(continued)*

2 Segmental information

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

	United Kingdom	**Europe**	**Total**	United Kingdom	Europe	Total
	2004	**2004**	**2004**	2003	2003	2003
	£	**£**	**£**	£	£	£
Region of destination						
Sales to third parties	**2,390,938**	**578,713**	**2,969,651**	1,877,345	-	1,877,345
Net assets						
Segment net assets	**1,843,200**	**175,010**	**2,018,210**	589,672	-	589,672
Unallocated net assets			**707,543**			2,503,529
Total net assets			**2,725,753**			3,093,201

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

3 Loss on ordinary activities before taxation

	2004	2003
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Group - audit	**18,500**	16,000
- fees paid to the auditors and their associates in respect of other services	**26,240**	5,000
Company - audit	**6,500**	-
Amortisation of intangible assets	**36,633**	-
Depreciation and amounts written off tangible fixed assets		
Owned	**507,524**	291,380
Leased	-	2,383
Loss on disposal of fixed assets	**8,923**	1,212
Hire of plant & machinery	**2,804**	2,190
Hire of building	**34,035**	71,499

Exceptional items (2003)

Exceptional items in 2003 related to the legal fees associated with an aborted investment and other funding of £152,500 and contract drafting of £72,000, all included within administrative expenses.

In addition within cost of sales in 2003 there was an exceptional item relating to the re-point of all Newsagent Radio satellites amounting to £78,355.

Notes *(continued)*

4 Remuneration of Directors

	2004 £	2003 £
Directors' emoluments	353,490	20,727
Amounts receivable under long term incentive schemes	-	-
	353,490	20,727
Company contributions to money purchase pension schemes	-	-
	353,490	20,727

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £150,650 *(2003: £10,033)*.

The comparative data for 2003 covers Immedia Broadcasting Plc directors for the period from the date of their appointment to 31 December.

	2004 Number of Directors	2003 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

5 Staff numbers and costs

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

	Number of employees 2004	2003
Administration	14	12
Production and distribution	10	6
	24	18

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	951,842	634,670
Social security costs	116,969	72,624
	1,068,811	707,294

The Company made no pension contributions in the year *(2003: £nil)*.

Notes *(continued)*

6 Interest receivable and similar income

Interest receivable is as follows:

	2004	2003
	£	
On bank balances	**63,011**	5,118

7 Interest payable and similar charges

Interest payable is as follows:

	2004	2003
	£	£
On bank overdrafts	**1,320**	1,009
On other loans	**23,156**	68,638
	24,476	69,647

8 Taxation

Analysis of charge in year	**2004**	2003
	£	£
UK corporation tax		
Current tax on income for the year	**-**	-
Adjustments in respect of prior periods	**-**	192
Tax on loss on ordinary activities	**-**	192

The current tax charge for the period is higher *(2003: higher)* than the standard rate of corporation tax in the UK for small companies (19%, *2003: 19%*). The differences are explained below:

Current tax reconciliation		
Loss on ordinary activities before tax	**(367,448)**	(678,892)
Current tax at 19% *(2003: 19%)*	**(69,815)**	(128,989)
Effects of:		
Expenses not deductible for tax purposes	**2,069**	11,095
Excess capital allowances over depreciation	**16,966**	(80,285)
Creation of tax losses not recognised	**50,780**	198,179
Adjustment to tax charge in respect of prior periods	**-**	192
Total current tax charge	**-**	192

The deferred tax liability arising in respect of timing differences between capital allowances and depreciation of £76,000 *(2003: £84,000)* has been offset by accumulated trading losses. The residual trading losses create a deferred tax asset of £634,000 *(2003: £575,000)* which has not been recognised due to the uncertainty of the timing of its eventual crystallisation.

Notes *(continued)*

9 Loss per share

	2004 Number	2003 Number
Weighted average number of shares in issue	**11,707,910**	7,829,951
Less own shares	**(551,000)**	(551,000)
Weighted average number of shares in issue for basic loss per share	**11,156,910**	7,278,951

The basic and diluted loss per share are calculated using the loss for the financial period of £367,448 *(2003: loss £679,084)*. In accordance with FRS14 the diluted basic loss per share is stated as the same amount as basic as there is no dilutive effect.

10 Intangible fixed assets

	Goodwill
Group	**£**
Cost	
At beginning and end of year	109,900
Amortisation	
At beginning of year	-
Charge for year	36,633
At end of year	36,633
Net book value	
At 31 December 2004	**73,267**
At 31 December 2003	109,900

Notes *(continued)*

11 Tangible fixed assets

	Plant and machinery £	Fixtures & fittings £	Network Equipment £	Total £
Group				
Cost				
At beginning of year	328,779	146,449	1,185,461	1,660,689
Additions	239,144	69,343	862,451	1,170,938
Disposals	(1,790)	(31,683)	(16,859)	(50,332)
At end of year	566,133	184,109	2,031,053	2,781,295
Depreciation				
At beginning of year	170,884	63,367	289,882	524,133
Charge for year	127,089	54,404	326,031	507,524
On disposals	(1,790)	(28,970)	(9,834)	(40,594)
At end of year	296,183	88,801	606,079	991,063
Net book value				
At 31 December 2004	**269,950**	**95,308**	**1,424,974**	**1,790,232**
At 31 December 2003	157,895	83,082	895,579	1,136,556

12 Fixed asset investments

Subsidiary undertakings - Company	**2004 £**	2003 £
Cost and net book value		
At beginning and end of year	**761,700**	761,700

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

13 Stocks

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Stock of consumable materials	-	1,115	-	1,115

Notes *(continued)*

14 Debtors

	Group 2004 £	2003 £	Company 2004 £	2003 £
Trade debtors	**837,809**	352,566	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**3,301,886**	3,678,241
Taxation and social security	**-**	98,378	**55,844**	55,535
Other debtors and prepayments	**287,795**	146,525	**-**	7,500
	1,125,604	597,469	**3,357,730**	3,741,276

All debtors are due within one year.

15 Creditors: amounts falling due within one year

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank overdrafts	**123,357**	22,618	**-**	-
Other loans (note 16)	**50,000**	-	**-**	-
Trade creditors	**389,670**	925,228	**2,070**	-
Other taxation and social security	**43,987**	35,749	**-**	9,255
Other creditors	**3,603**	1,691	**-**	-
Accruals and deferred income	**442,948**	327,108	**1,405**	1,405
	1,053,565	1,312,394	**3,475**	10,660

The other loans are unsecured and are repayable in February 2005. They carry a fixed interest rate of 8%.

16 Creditors: amounts falling due after more then one year

Group

	2004 £	2003 £
Other loans	**200,000**	750,000

These loans are unsecured and are repayable or convertible to shares in September 2006. They carry a fixed interest rate of 8%.

Analysis of debt:

	2004 £	2003 £
Other loans can be analysed as falling due:		
In one year or less, or on demand (note 15)	**50,000**	-
Between one and two years	**200,000**	750,000
	250,000	750,000

Notes *(continued)*

17 Provisions for liabilities and charges

Group

	2004 £	2003 £
Provisions at beginning and end of year	**10,000**	10,000

The provision is for costs relating to a terminated lease.

18 Derivatives and financial instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found in the Directors' report on page 11.

Interest rate bank currency profile of financial instruments at year end
The disclosures set out below exclude short-term debtors and creditors as permitted under FRS13.

Financial liabilities

	2004 £	2003 £
Fixed rate liabilities		
Sterling: repayable February 2005	**50,000**	-
Sterling: repayable September 2006	**200,000**	750,000
	250,000	750,000

Interest is fixed at 8% p.a.

	2004 £	2003 £
Floating rate liabilities		
Sterling	**123,357**	22,618

The facility is repayable on demand and bears interest at rates based on the Barclays Bank PLC base rate plus 4%.

Financial assets

	2004 £	2003 £
Sterling	**1,000,215**	3,320,555

Fair value

The above financial assets and liabilities consist of short-term bank deposits, other loans and bank overdrafts. Accordingly, they are stated at fair value.

Currency risk

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

Borrowing facilities

At 31 December 2004 and 2003 the Group's other loans were unsecured. The bank overdraft was secured by the bank's right of set off against short-term bank deposits and there were no undrawn committed borrowing facilities *(2003: none)*.

Notes *(continued)*

19 Called up share capital

	2004	2003
	£	£
Authorised		
36,000,000 Ordinary shares of 10 pence each	**3,600,000**	3,600,000
Allotted, called up and fully paid		
11,707,910 Ordinary shares of 10 pence each	**1,170,791**	1,170,791

Employee share options are outstanding as follows:

Option scheme	Date of grant	Number of shares	Option price per share
Immedia EMI Share Option Scheme	27 Jan 2003	430,000	3.75 pence
Immedia EMI Share Option Scheme	29 Oct 2003	55,000	20 pence
Immedia EMI Share Option Scheme	11 Dec 2003	250,000	110 pence

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

Warrants and unsecured convertible loan notes are outstanding as follows:

a) Warrants over 125,000 shares were granted on 2 December 2003 and are exercisable between the dates and at the exercise price shown under a) in the table below;

b) £250,000 unsecured convertible loan notes granted 30 September 2003 bearing interest at 8% per annum, wholly repayable on 19 September 2006 or convertible into fully paid ordinary shares per b) in table below.

	Dates between which warrants are exercisable and unsecured loan notes are convertible		Number of shares	Option or conversion price per share
a) Share warrants	2 Dec 2003	30 Oct 2005	125,000	91.912 pence
b) Unsecured convertible loan notes	2 Dec 2003	19 Sep 2006	238,031	105.028 pence

Notes *(continued)*

20 Share premium and reserves

	Share premium account £	Merger reserve £	Profit and loss account £
Group			
At beginning of year	3,372,960	2,245,333	(3,695,883)
Retained loss for the year	-	-	(367,448)
At end of year	3,372,960	2,245,333	(4,063,331)
Company			
At beginning of year	3,372,960		(50,320)
Retained loss for the year	-		(377,476)
At end of year	3,372,960		(427,796)

21 Reconciliation of shareholders' funds

	2004 £	2003 £
Group		
Opening shareholders' funds	3,093,201	(2,983,799)
Loss for the financial year after taxation	(367,448)	(679,084)
New share capital issued	-	1,170,791
Share premium thereon (net of issue costs)	-	3,372,960
Merger reserve	-	2,245,333
Purchase of own shares for Immedia Employee Benefit Trust	-	(33,000)
Closing shareholders' funds	2,725,753	3,093,201
Company		
Opening shareholders' funds	4,493,431	-
Loss for the financial year after taxation	(377,476)	(50,320)
New share capital issued	-	1,170,791
Share premium thereon (net of issue costs)	-	3,372,960
Closing shareholders' funds	4,115,955	4,493,431

Total issue costs taken to the share premium account in 2003 were £717,949.

Notes *(continued)*

22 Reconciliation of operating loss to net cash flow from operating activities

	2004	2003
	£	£
Group		
Operating loss	**(405,983)**	(614,363)
Depreciation and amortisation of tangible and intangible assets	**544,157**	293,761
Loss on disposal of fixed assets	**8,923**	1,212
Decrease/(increase) in stocks	**1,115**	(1,115)
(Increase) in debtors	**(528,135)**	(378,478)
(Decrease)/increase in creditors	**(409,568)**	669,379
Net cash outflow from operating activities	**(789,491)**	(29,604)

23 Analysis of changes in net (debt)/funds during the year

	Cash at bank and in hand	Short-term deposits	Other loans	**Total**
	£	£	£	**£**
At beginning of year	97,937	3,200,000	(750,000)	**2,547,937**
Net cash flow	(221,079)	(2,200,000)	500,000	**(1,921,079)**
At end of year	(123,142)	1,000,000	(250,000)	**626,858**

24 Related party disclosures

BBME Media Group Limited, a company controlled by Bruno Brookes, owns 1,150,000 shares in the Company and provides facilities at the Newbury premises to Immedia. The total amount of invoices issued was £5,000 *(2003: £61,909)*. The balance outstanding at the year end was £5,000 *(2003: £nil)*.

Notes *(continued)*

25 Commitments

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

	2004		2003	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Group				
Operating leases which expire:				
Within one year	**-**	**-**	-	-
In two to five years inclusive	**35,016**	**-**	35,016	-
After five years	**-**	**-**	-	-
	35,016	**-**	35,016	-

(b) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	£	£	**£**	£
Contracted	**-**	66,872	**-**	66,872

26 Pension schemes

The Group operates a defined contribution pension scheme (the Immedia Broadcast Limited Stakeholder Pension Scheme) with Allied Dunbar Assurance Plc which is open to all employees to join. There were no contributions paid or payable by the Group to the scheme during the year *(2003: £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 *(2003: £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 Meeting

NOTICE IS HEREBY GIVEN that the first Annual general Meeting of Immedia Broadcasting Plc will be held at 7-9 The Broadway, Newbury, Berkshire RG14 1AS on 26 May 2005 at 10.00 a.m. for the following purposes:

1 To receive and adopt the Directors' report and accounts for the year ended 31 December 2004.
2 To re-elect Directors retiring by rotation.
3 To approve the Directors' remuneration report for the year ended 31 December 2004.
4 To re-appoint KPMG Audit Plc as Auditors.
5 To authorise the Directors to agree the Auditors' remuneration.

To transact any other ordinary business.

By Order of the Board

R Parker
Secretary

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

23 March 2005

NOTES
A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.

Forms of proxy to be valid should be completed and returned (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) so as to reach the office of the Company's Registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH, not less than 48 hours before the time fixed for the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders, registered on the Register of Members as at 10.00 a.m. on 24 May 2005, shall be entitled to attend and vote at the meeting in respect of shares registered in their name at the time. Changes to entries on the relevant Register of Members after 10.00 a.m. on 24 May 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.