Immedia Group PLC - IME
Final Results for the year ended 31 December 2017
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Immedia Group Plc

multi-media content and digital solutions provider to global businesses and organisations

"2018 has started very positively for the Group with the recent announcement of a substantial installation rollout in branches of a major UK financial institution. This is just one of numerous new business opportunities currently in play. The Group is making good progress in driving forward a strategy of extending Immedia's services portfolio by assisting major brands and retailers to leverage owned digital channels provided by Immedia to connect, engage and convert customers."

Final Results for the year ended 31 December 2017

Immedia Group Plc ("Immedia" or "the Group" or "the Company") (AIM: IME) today announces its final results for the year ended 31 December 2017.

2017 Highlights

- A year of reset for the Group that has enabled us to move forward with confidence into 2018 and beyond
- 36% increase in revenue however, EBITDA reduced due to delays in expected new business coming through until after the year end, one-off costs and working capital requirements related to our AVC business
- Costs have been optimised to the size of the business, with *c.*£250k of annual cost removed
- The Group remains virtually debt free and is now cash generative
- Having launched in late 2017 our new engagement platform DreamStream X, interest levels in Immedia's products and services are exceptionally high and point to a much-improved financial performance in 2018 compared to the disappointing results in 2017

2017 Financial Summary

	12 months ended 31 December 2017	**12 months ended 31 December 2016**
Revenue	**£3,548,689**	£2,610,121
(Loss) before interest, taxation, depreciation, amortisation and impairment charges **(EBITDA)**	**£(512,847)**	£(83,025)
(Loss) before tax	**£(693,268)**	£(184,372)
Net fair value profit/(loss) on available for sale assets	**£7,800**	£(90,000)
Total comprehensive (loss) for the year	**£(663,768)**	£(279,065)
Basic (loss) per share	**(4.89)p**	(1.38)p
Diluted (loss) per share	**(4.89)p**	(1.38)p
Basic pre-tax (loss) per share	**(5.05)p**	(1.34)p
Year-end balance of cash and cash equivalents	**£53,743**	£125,886
Net funds	**£46,687**	£115,103

Bruno Brookes, Chief Executive of Immedia, said:

"2017 was a very challenging year that, somewhat paradoxically, leaves us well placed and optimistic as 2018 progresses.

As indicated in the interim report published in September 2017, the first half of last year was more difficult than expected, and regrettably the second half of the year continued in the same vein. The Group was frustrated primarily by delays outside its control in expected new business coming on stream and lower than anticipated revenues from our AVC division. Whilst producing incredible work that we are rightly proud of, we have had to deal with continued adverse conditions in the local Aberdeen economy. However, we are now seeing significant improvement in trading and expect this to continue in the current year.

Finally, I am pleased to report that, at Group level, 2018 will see a considerable improvement in financial performance as long awaited new business opportunities materialise, with new momentum across the business and measures taken in 2017 to enable improved cost management."

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About Immedia Group Plc

Immedia Group is a multi-media content and digital solutions provider to global businesses and organisations, who are investing in internal and/or brand communications.

Our business provides a wide range of 'live' branded channels specifically to retail locations across the UK and Europe with an estimated listening audience of 8.5 million listeners per week.

Immedia's interactive audio channels deliver original and relevant content, via its own DreamStream X platform with encrypted DreamStream technology deployed in each location. DreamStream X provides a mix of 'on brand' national and localised content to a client's workforce and customer base. Each channel is supported with powerful data analytics tools which monitor audience activity and provide data to enable us to further enhance audience engagement.

Immedia Group also creates original video content, 3D animation, app and web development, as well as supplying and installing Audio Visual equipment.

Immedia's clients include: HSBC, Shell, Subway, BP, Superdrug, JD Sports, O2, BMW, IKEA and FIFA.

To read more about our business, visit www.immediaplc.com

Immedia Group Plc

Final Results for the year ended 31 December 2017

Statement by the Chairman, Tim Hipperson

2017 was a year of reset for the Group that has enabled us to move forward with confidence into 2018 and beyond as we look to leverage the growth of audio, audio platforms and the increasing need for brands to engage and entertain through owned media channels.

There has rarely been such strong alignment between the Group's product and service offering and the prevailing dynamics of our market. We find ourselves in a content sweet spot that chimes with the key themes in the market - multi content streams, social media and customer engagement as well as the shift towards owned media from bought media.

Having launched our new engagement platform DreamStream X in late 2017, interest levels in Immedia's products and services are exceptionally high and point to a much-improved financial performance in 2018 compared to the disappointing results in 2017.

Results

Whilst revenue grew 36% on the previous year to £3,548,689 (2016: £2,610,121), the Group reported an EBITDA loss (earnings or loss before interest, taxation, depreciation, amortisation and impairment charges and other exceptional items) of £512,847 (2016: loss £83,025) and a loss before tax of £693,268 (2016: loss £184,372) which equates to a pre-tax loss per share of 5.05p compared to a pre-tax loss per share of 1.34p in 2016.

The significant reduction in EBITDA is due to a mix of factors: delays in expected new business until after the year end, one-off costs and working capital requirements related to our Aberdeen business, and addressing weaker than anticipated demand in that market.

Cash balances were also reduced when compared to 2016, reflecting the additional working capital required to run a larger Group and to complete the integration of our Aberdeen operations. Therefore, we have taken steps to realign the cost base in 2017, achieving a reduction in annual cost of some £250k. This will ensure that we have the right model as we move forward in 2018, as a result of which we expect cash balances to increase significantly both from our pipeline of increased new business and the impact of more stringent cost control measures.

Current Trading and Future Prospects

2018 has started very positively for the Group. The recent announcement of a substantial installation rollout in branches of a major UK financial institution is just one of numerous new business opportunities currently in play.

Our collective knowledge and skills-set have underpinned our ability to integrate, consolidate and strengthen the Group's product and service offering which, by the 2017 year-end, has also afforded us greater marketing and client opportunities in our key target sectors.

The confidence referred to at the start of this statement is palpable within the business and reflected in the amount and quality of work accomplished by all the team in both Aberdeen and Newbury. I would like to thank each and every one of them.

Board Changes

We announced in August 2017 that Geoff Howard-Spink was standing down as Chairman of Immedia Group Plc after nearly 14 years' distinguished service. We owe Geoff huge thanks for his wise counsel and contribution to the business.

In April 2017 we appointed a new independent non-executive Director, Simon Leathers, who is also Chair of the Audit Committee. Together with my appointment as Chairman, the newly constructed Board is committed to driving forward a clear strategy of extending Immedia's services' portfolio by assisting major brands and retailers to leverage owned digital channels provided by Immedia to connect, engage and convert customers. We aim to maximise the opportunities now available to us and thereby deliver enhanced value to our shareholders.

Review by the Chief Executive, Bruno Brookes

The Business
The Group has made considerable progress in establishing itself as a pre-eminent specialist provider of multi-media content and digital solutions for major brands. Assisted by the creative and technical capability of AVC we are now developing our enhanced mix of bespoke physical and digital content for retail and beyond.

We are leaders on the path to total social integration, to an environment where, through our exceptional creative ability and broadcast knowledge, we now provide brands with the opportunity to own their own channels via a plethora of audience engagement platforms including narrowcast and broadcast, web and mobile with social media interaction via apps and websites. We are helping brands to evolve as media owners rather than as media buyers. We are making good progress, having completed considerable work on the JD-X project for JD Sports Fashion plc, which we expect to be launched in the near future.

We are delighted that the take up across six European territories of our SUBWAY® Radio service has exceeded management expectations, with nearly 3000 sites supplied and managed as at the year end, and discussions continue on a further service for the remaining countries in Europe in which SUBWAY® operates.

2017 highlights from AVC Immedia include coverage of the U20 FIFA World Cup in South Korea to create content for the FIFA YouTube channel, and other projects including a new induction film for Dana Petroleum, a 3D visualisation project for the new Aberdeen Exhibition and Conference Centre, work for Bibby Offshore, a 3D/VR project for DNV and a large 3D animation project for Total. Other film projects included Weir Oil and Gas in Dubai and Saudi Arabia.

Results
As intimated in the trading update released in January the Group reported a loss before tax of £693,268 on revenues of £3,548,689. This was slightly higher than our estimate at the end of January due to late adjustments which came out of the year end accounts preparation process. The total comprehensive loss was slightly less at £663,768, as the carrying value in our strategic investment in the AiM quoted spoken word audio platform Audioboom Group Plc (AiM: BOOM) increased by £7,800.

As indicated in the interim report published in September 2017, the first half of last year was more difficult than expected, and regrettably the second half of the year continued in the same vein. The Group was frustrated primarily by delays outside its control in expected new business coming on stream and lower than anticipated revenues from our AVC division. Whilst producing incredible work that we are rightly proud of, we have had to deal with continued adverse conditions in the local Aberdeen economy. However we are now seeing significant improvement in trading and expect this to continue in the current year.

I am pleased to report that, at Group level, 2018 will see a considerable improvement in financial performance as long awaited new business opportunities materialise, with new momentum across the business and measures taken in 2017 to enable improved cost management.

Current Trading and Future Prospects
Over the last 12 months we have strengthened management in operations and finance. A considerable amount of work has been completed to maximise efficiency in the enlarged business. We have reduced costs by c.£250k per annum, leaving us well placed to be able to capitalise on the new business developments referred to earlier in the report.

Levels of enquiry and activity within the Group are high and we continue to look at expanding certain core product teams.
Our Aberdeen division, AVC Immedia, continues to produce first rate work for clients in its expanding marketplace. Whilst local market conditions brought challenges, a rising oil price has encouraged some new confidence in business development from its traditional customer base. We have taken steps to broaden the geographical reach of our Aberdeen operations and are confident that we will see the benefit of this in 2018. Indeed, we are pleased to report that (unaudited) Q1 2018 revenue for AVC has exceeded the budgeted figure.

Everything audio has evolved as a "hot spot" in the marketing mix. Combined with exponential growth in the demand for and delivery of audio and visual retail experience projects, the number of new business opportunities we are pursuing has never been greater. We expect to be able to bring you news of these developments during this financial period.

Financial review by Ross Penney, Business Affairs Director

Group Trading Results

2017 was a year of challenge in which dynamic activity across the business was offset by slower than anticipated conversion of new business opportunities and weaker than expected trading conditions for our AVC business.

Revenue grew by 36% to £3,548,689 (2016: £2,610,121), an increase substantially accounted for by a full year of trading from our Aberdeen subsidiary AVC. Correspondingly, the Group bore a full year of costs relating to AVC.

The business has worked hard throughout the year to manage costs and cash effectively and has implemented measures to ensure that 2018 began with costs optimised for the size of the business. The arrival of anticipated new business beginning to feed through in 2018 will therefore have a dramatic effect on both underlying profitability and cash balances.

Consolidated Statement of Financial Position and Cash Flows

Cash management has been paramount in what has been a testing 2017 with the integration of the AVC business. Whilst cash collections from customers improved in 2017 cash outgoings increased resulting in a decrease in cash balances. However, the Group remains virtually debt free. In 2017, the Group invested £18,631 in tangible fixed assets and repaid leases totalling £3,727. The net cash outflow from Group activities was £72,143 and the Group ended the year with cash balances of £53,743.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue		**3,548,689**	2,610,121
Cost of sales		**(1,759,046)**	(1,285,369)
Gross profit		**1,789,643**	1,324,752
Administrative expenses		**(2,481,761)**	(1,525,719)
Other exceptional income		**-**	17,125
Loss from operations		**(692,118)**	(183,842)
Finance income		**202**	2,540
Finance cost		**(1,352)**	(3,070)
Loss before tax		**(693,268)**	(184,372)
Tax income/(expense)		**21,700**	(4,693)
Loss for the year from continuing operations		**(671,568)**	(189,065)
Loss per share			
Basic (pence)	4	**(4.89)**	(1.38)
Diluted (pence)	4	**(4.89)**	(1.38)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 £	2016 £
Loss for the year		**(671,568)**	(189,065)
Items that may be reclassified subsequently to profit or loss			
Net fair value profit/(loss) on available for sale assets during the year	3	**7,800**	(90,000)
Total comprehensive loss for the year		**(663,768)**	(279,065)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	2017	2016
	£	£
Non-current assets		
Property, plant and equipment	**200,838**	303,929
Intangible assets	**366,099**	425,044
Deferred tax assets	**34,850**	13,150
Available for sale assets	**172,800**	165,000
Total non-current assets	**774,587**	907,123
Current assets		
Inventories	**69,803**	98,353
Trade and other receivables	**519,129**	807,506
Prepayments	**107,915**	87,014
Cash and cash equivalents	**53,743**	125,886
Total current assets	**750,590**	1,118,759
Total assets	**1,525,177**	2,025,882
Equity		
Share capital	**1,455,684**	1,455,684
Share premium	**3,586,541**	3,586,541
Merger reserve	**2,245,333**	2,245,333
Share based payment reserve	**4,578**	4,578
Investment valuation reserve	**82,800**	75,000
Retained losses	**(7,199,494)**	(6,527,926)
Total equity	**175,442**	839,210
Liabilities		
Non-current liabilities		
Finance leases	**1,542**	5,796
Provisions	**42,500**	42,500
Total non-current liabilities	**44,042**	48,296
Current Liabilities		
Finance leases	**5,514**	4,987
Trade and other payables	**1,233,522**	944,841
Deferred income	**66,657**	188,548
Total current liabilities	**1,305,693**	1,138,376
Total liabilities	**1,347,735**	1,186,672
Total equity and liabilities	**1,525,177**	2,025,882

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Merger reserve	Share based payment reserve	Investment valuation reserve	Retained losses	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2017	1,455,684	3,586,541	2,245,333	4,578	75,000	(6,527,926)	839,210
Loss for the year	-	-	-	-	-	(671,568)	(671,568)
Other comprehensive income for the year:							
Net fair value gain on available for sale financial assets	-	-	-	-	7,800	-	7,800
Total comprehensive gain/(loss) for the year	-	-	-	-	7,800	(671,568)	(663,768)
Balance at 31 December 2017	**1,455,684**	**3,586,541**	**2,245,333**	**4,578**	**82,800**	**(7,199,494)**	**175,442**

Total equity as at 31 December 2016	Share capital	Share premium account	Merger reserve	Share based payment reserve	Investment valuation reserve	Retained losses	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2016	1,455,684	3,586,541	2,245,333	4,578	165,000	(6,335,948)	1,121,188
Transactions with owners	-	-	-	-	-	(2,913)	(2,913)
Loss for the year	-	-	-	-	-	(189,065)	(189,065)
Other comprehensive income for the year:							
Net fair value loss on available for sale financial assets	-	-	-	-	(90,000)	-	(90,000)
Total comprehensive loss for the year	-	-	-	-	(90,000)	(189,065)	(279,065)
Balance at 31 December 2016	**1,455,684**	**3,586,541**	**2,245,333**	**4,578**	**75,000**	**(6,527,926)**	**839,210**

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017

	Consolidated		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Cash flows from operating activities				
Loss for the year before income tax	**(693,268)**	(184,372)	**(185,732)**	(133,742
Adjustments for:				
Depreciation, amortisation and impairment charges	**179,271**	117,942	**-**	-
Exceptional gain from negative goodwill	**-**	(98,647)	**-**	-
Loss on sales of assets	**1,396**	-	**-**	-
Finance income	**(202)**	(2,540)	**-**	(600)
Finance expense	**1,352**	3,070	**-**	-
Decrease/(increase) in trade and other receivables and prepayments	**267,476**	50,450	**(15,146)**	(759)
Decrease in inventories	**28,550**	3,792	**-**	-
Increase in trade and other payables and deferred income	**166,790**	154,110	**200,878**	134,501
(Decrease) in provisions	**-**	(14,063)	**-**	-
Net cash from operating activities	**(48,635)**	29,742	**-**	(600)
Taxation				
Taxation	**-**	-	**-**	-
Cash flows from investing activities				
Interest received	**202**	2,540	**-**	600
Acquisition of property, plant and equipment	**(18,631)**	(44,363)	**-**	-
Payment to acquire trade of AVC	**-**	(200,000)	**-**	-
Net cash from investing activities	**(18,429)**	(241,823)	**-**	600
Cash flows from financing activities				
Repayment of finance leases	**(3,727)**	(9,485)	**-**	-
Interest paid	**(1,352)**	(3,070)	**-**	-
Sale of EBT shares on exercise of share options	**-**	2,597	**-**	-
Purchase of own shares for EBT	**-**	(5,510)	**-**	-
Net cash from financing activities	**(5,079)**	(15,468)	**-**	-
Net decrease in cash and cash equivalents	**(72,143)**	(227,549)	**-**	-
Cash and cash equivalents at 1 January	**125,886**	353,435	**-**	-
Cash and cash equivalents at 31 December	**53,743**	125,886	**-**	-

NOTES TO THE FINANCIAL INFORMATION

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The financial information for the year ended 31 December 2016 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 December 2017 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them.

The 2017 accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Annual Report and Notice of Annual General Meeting will be posted to the shareholders by 28 April 2018 and will be made available on the Company's website (www.immediaplc.com) at that time.

This preliminary announcement was approved by the Board on 13 April 2018.

1. Reporting entity

Immedia Group Plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The address of the Company's registered office, and its principal place of business, is 7-9 The Broadway, Newbury, Berkshire RG14 1AS.

The consolidated financial information of the Company as at and for the year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Group"). The Group is involved in marketing and communication services through the provision of interactive digital channels products and services using music, radio and screen-based media to provide brand conversation, engaging entertainment and innovative technical solutions. It also supplies, installs and maintains the equipment required to deliver these services.

2. Basis of preparation

The financial information has been prepared and approved by the Directors in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The Directors have considered the Group's prospects for winning new business and reviewed a range of possible outcomes when reviewing forecasts of future cash flows of the Group. Based on current financial projections prepared to 30 June 2019, recent news of new contracts won and of contract renewals and continuing improvements in the management of costs, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and consequently the financial information has been prepared on the going concern basis.

3. Available for sale assets

In March 2014 the Group invested £90,000 in the purchase of 6,000,000 shares in AudioBoom Group Plc, an AiM-listed spoken-word audio platform for hosting distributing and monetising content, as part of the Group's strategy to broaden its digital marketing and communications services.

At 31 December 2017 the investment remains designated as available for sale with fair value changes recognised in other comprehensive income). At 31 December 2017 the fair value of the investment was £172,800 *(31 December 2016: £165,000)* with a net fair value gain in 2017 of £7,800 recognised in other comprehensive income *(2016: loss £90,000)*.

As at the date of approval of this report, the investment represents c.0.8% of AudioBoom Group Plc's ordinary shares in issue and has a fair value of £217,800.

4. Loss per share

	2017 Number	2016 Number
Basic		
Weighted average number of shares in issue	**14,556,844**	14,556,844
Less weighted average number of own shares	**(832,374)**	(832,374)
Weighted average number of shares in issue for basic earnings per share	**13,724,470**	13,724,470
Basic loss per share	**(4.89)p**	(1.38)p

Diluted	**2017 Number**	2016 Number
Weighted average number of shares in issue	**13,724,470**	13,724,470
Add shares which dilute	**-**	-
Weighted average number of shares in issue for diluted earnings per share	**13,724,470**	13,724,470
Diluted loss per share	**(4.89)p**	(1.38)p

The **basic** and **diluted** loss per share are calculated using the after-tax loss attributable to equity shareholders for the financial period of £671,568 *(2016: loss £189,065).*

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 in both 2017 and 2016.

Pre-tax (loss)/earnings per share	**2017**	2016
Basic pre-tax (loss) per share	**(5.05)p**	(1.34)p
Diluted pre-tax (loss) per share	**(5.05)p**	(1.34)p

The basic and diluted **pre-tax** (loss)/earnings per share are calculated using the before tax (loss)/earnings attributable to equity shareholders for the financial period of £693,268 *(2016: £184,372).*