Immedia Group PLC - IME
Final Results for the year ended 31 December 2016
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IMMEDIA GROUP PLC

("Immedia" or "the Group" or "the Company")

Final Results for the year ended 31 December 2016

Immedia Group Plc (AIM: IME) a multi-media content and digital solutions provider to global businesses and organisations, today announces its final results for the year ended 31 December 2016.

Highlights

2016 was an important year in the development of the Company:

- Substantial acquisition of AVC Media Enterprises Ltd ("AVC") in September 2016; funded solely from the Group's own cash resources

- Three significant new clients were acquired, the full year financial impact of which will only be seen in 2017

- The Group is free of non-leasing debt and is cash generative.

- Reduction in EBITDA for the year due to the addition of overhead costs from AVC, prior to merger related synergies being achieved and the lag in realisation of contribution from our new client wins after the expiry of some other contracts

Current Trading

Since the year end we have already seen the anticipated benefits of the AVC acquisition coming through, both in terms of revenue from its own clients and additional services that can be integrated into the Company's product and service offering to Immedia's existing clients, and we expect that to continue and develop over the course of the year.

Financial Summary

	12 months to 31 December 2016	12 months to 31 December 2015
Revenue	**£2,610,121**	£2,366,293
(Loss)/earnings before interest, taxation, depreciation, amortisation, impairment charges and other exceptional income **(EBITDA)**	**£(83,025)**	£54,767
(Loss)/profit before tax	**£(184,372)**	£5,379
Net fair value (loss) on available for sale assets	**£(90,000)**	£(352,200)
Total comprehensive (loss) for the year	**£(279,065)**	£(446,881)
Basic (loss) per share	**(1.38)p**	(0.69)p
Diluted (loss) per share	**(1.38)p**	(0.69)p
Basic pre-tax (loss)/earnings per share	**(1.34)p**	0.04p
Year-end balance of cash and cash equivalents	**£125,886**	£353,435
Net funds	**£115,103**	£344,664

Bruno Brookes, Chief Executive of Immedia, said:

"In 2016 Immedia enhanced its strategic positioning and scale of operations by acquiring the business and certain assets of AVC Media Enterprises Ltd in Aberdeen. With a reputation built over 30 years, we are delighted to add AVC's multimedia offering to the Group's capability. AVC specialises in 3D / 4D video production, Virtual Reality and all areas of creative digital design. The business also delivers high end AV design, supply and installation. Amongst a growing list, clients include FIFA, BP, Transocean and Aberdeen University.

The year has also brought some frustrations as contracts have expired in the normal course of events; substantial new contracts have been won, but with some delays to planning and expected delivery of revenues. However, these new business wins now demonstrate that our revenue and profit growth difficulties are behind us.

Our strong focus on cash management in 2016 has been rewarding and was evidenced by the acquisition and assimilation of the AVC business on an entirely self-financed basis. Revenue generation from our acquisition is growing as expected and the integration is providing healthier margins, specifically in our AV installation work. We are pleased with AVC's customer wins, which includes work to complete 41 videos for Robert Gordon University, a six figure total amount.

Immedia's investment in multifunctional app technology has continued and will be maintained in 2017 as we continue to develop new opportunities in sport and education.

The year has begun very positively across all sectors and we look forward to the year ahead with confidence."

This announcement contains information which, prior to its disclosure, was inside information for the purposes of the Market Abuse Regulation.

Enquiries:

Immedia Group Plc	
Bruno Brookes - Chief Executive	Tel: +44 (0) 1635 556200
www.immediaplc.com	
SPARK Advisory Partners Limited (NOMAD) Mark Brady/Neil Baldwin	Tel: +44 (0) 203 368 3550
SI Capital Ltd (Broker) Nick Emerson	Tel: +44 (0) 1483 413500

Chairman's Statement

2016 was an important year in the development of your company with, what we believe will be the transformative acquisition of the AVC Media Enterprises business in September and three significant client wins for Immedia Broadcast.

AVC brings new skills and capabilities as well as some significant new clients and we welcome Spencer Buchan and his team in Aberdeen to the Group.

Results

On revenue of £2,610,121 (2015: £2,366,293), growing 10% on the previous year, the Group delivered EBITDA loss of £83,025 (2015: profit £54,767) and loss before tax of £184,372 (2015: profit £5,379) which translates to pre-tax loss per share of 1.34p, compared to pre-tax earnings per share of 0.04p in 2015.

The reduction in EBITDA came about partly due to timing differences between the gaining of new client contracts and the expiry of others. In addition, there were one-off costs and short term working capital requirements relating to the acquisition and support of our new trading division, AVC Immedia.

Cash balances at the year end were lower than the prior year as a consequence of the acquisition of AVC for which we paid in cash. However, the Company continues to be cash generative and we remain debt free, save for a very small amount of lease liabilities.

Current trading and future prospects

The new year has started well for the Group as we get to grips with the new clients and work on an integrated basis with AVC. Whilst we continue to attract new clients, contracts with some clients expire in the normal course of events and this has been the case in 2017 with BT Openreach. However, we expect revenue to grow in 2017 as we will have a full year of contribution from both AVC and the three significant new contract wins from 2016.

We are therefore looking forward to 2017 with growing confidence and I would like to thank all the team for their continued efforts as we drive the business forward.

Board changes

In July, Charles Barker-Benfield informed us that he was going to retire from Immedia after many years. I would like to thank Charles for his excellent contribution to the business over the years and we all wish him the very best for the future.

We have also taken the opportunity to look at the composition of the Board and look to strengthen it. We are delighted to say that we have appointed a new independent director to join us and we have announced his appointment today. We continue to review our options and will consider further appointments if we believe it will strengthen the Board and help the business.

Geoff Howard-Spink
Chairman

Chief Executive's Review

Results

The Group produced a loss before tax of £184,372 on revenues of £2,610,121. The Group made a total comprehensive loss of £279,065, after making the fair value adjustment to our strategic investment in the AIM-quoted spoken-word audio platform for hosting distributing and monetising content company, Audioboom Group plc (AIM: BOOM). This reduced the carrying value of our investment in Audioboom by £90,000, which was recognised in other comprehensive income.

The loss before tax is predominantly attributable to timing delays between the natural termination of service contracts and the introduction of new business to Immedia. In addition there have been one-off costs relating to the acquisition and integration of AVC Media Enterprises Ltd ("AVC"). The outlook for 2017 is very different with a full year of contributions to be received from SUBWAY®, JD Sports Fashion plc and a major UK high street financial services institution - all significant new client wins in 2016.

The Group made good progress in its new business development to offset the expired contracts with Spar (UK) Ltd, Arcadia Group Ltd and the expiry in 2017 of the contract with BT Openreach. Whilst frustrating, the expiry of contracts can be an inevitable part of the business cycle but the Group's continued focus on client account management helps maintain our upward momentum.

The acquisition of AVC was entirely self-financed with no ongoing debt to service. Management of cash has always been a priority and we have successfully incorporated AVC into the Group and supported a much larger number of employees, albeit with a reduction in the end of year cash balances. We expect this reduction to be turned around in 2017 as new revenues come through and the integration of AVC beds down.

The business

Our core strengths are using audio production and technology to deliver content to hard to reach audiences. Our innovative apps enable customers to take brands out of the store or retail environment and to engage with their customers in new ways.

We have greatly expanded our ability to innovate through the acquisition of AVC and its renowned creative team. The enhanced skillset of the Group includes 3D/ 4D Video production, Virtual Reality modelling (often for highly technical energy sector applications), app development and web design, as well as AV equipment hire, sale and installation.

AVC has already been able to assist in the delivery of solutions to existing Immedia clients.

The acquisition of AVC was a value accretive strategic decision to enhance Immedia's position in light of 'media convergence'. This is the interconnection of information and communications technologies, networks and the digitisation of media content. Media convergence is eroding long-established media and content silos. I believe the acquisition of AVC was perfectly timed in order to strengthen our branded content channels to all digital delivery platforms and to all pillars of our strategy.

We believe, more than ever, that the Group is a content delivery powerhouse with no competitor in our sector that can readily compete across all areas of our expertise.

We continue to expand our channel development to audiences beyond retail and remain committed to our strategic pillars of growth, creating channels for retail, workforce, fans, and education. We are also working on new opportunities in the sports and energy sectors.

Current trading and future prospects

Over the last year, we have had a busy time on all fronts. With the acquisition and integration of AVC and a healthy landscape for new opportunities for the Group, we have been considerably engaged with new business negotiations both here in the UK and in other new territories. Those negotiations continue whilst ongoing trials for live radio stations and the preparation of other services with new clients have been and are being launched. We expect to be able to bring you news of these developments during this financial period.

At AVC, the first quarter of 2017 has seen the business secure long term project work across a number of their service lines and in a range of sectors including Energy, Sport, Education and Tourism with global blue chip companies including Total, Subsea 7, FIFA, Weir Group, Opito, Robert Gordon University, Aberdeen University and D.C Thomson & Co Newspaper Group. The services provided range from video, animation, augmented reality, virtual reality, digital design and Audio Visual solutions. This is a truly blue chip list of clients and one upon which we intend to build.

As part of this growth we are strengthening our Group finance team in order to maximise profitability across the business from our many new opportunities and enhance our management reporting post the acquisition of AVC. In addition, we are also looking to strengthen the Board.

I remain confident and look forward to updating you with more news in the not too distant future.

Bruno Brookes
Chief Executive

Financial review

Group trading results

2016 was a transformational year during which the directors completed the acquisition of the business of AVC whose services complement those offered by Immedia and whose customer base further diversifies the economic sectors in which Immedia operates. These changes reduce the risk associated with Immedia's historic dependency on a small number of key customers in consumer-oriented economic sectors, provide opportunities for growth and synergies and expand the base from which the expanded group's future activity derives.

Additionally, underlying revenues (excluding AVC) improved during the second half of 2016 when compared to the second half of 2015, confirming the progress made in replacing business from Lloyds Banking Group plc, a significant customer whose contract expired in 2015.

Continued competition on pricing has contributed to reduced gross profit percentages in 2016, but growth in our new and proprietary services, including the services offered by AVC, is expected to help counter the effects of margin erosion.

Consolidated balance sheet and cash flows

Cash collections from customers improved in 2016 and we continue to improve cash and working capital management. In 2016 we utilised cash resources totalling £281,522 in the acquisition of AVC, invested £44,363 in tangible fixed assets and repaid leases totalling £9,485. The net cash outflow from these activities, after using internally generated funds of £107,821, was £227,549 and we ended the year with cash balances of £125,886.

Ross Penney
Business Affairs Director

Consolidated statement of profit or loss

for the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue		**2,610,121**	2,366,293
Cost of sales		**(1,285,369)**	(1,119,619)
Gross profit		**1,324,752**	1,246,674
Administrative expenses		**(1,525,719)**	(1,240,400)
Other exceptional income	6	**17,125**	-
(Loss)/profit from operations		**(183,842)**	6,274
Finance income		**2,540**	11,481
Finance cost		**(3,070)**	(12,376)
(Loss)/profit before tax		**(184,372)**	5,379
Tax expense		**(4,693)**	(100,060)
Loss for the year		**(189,065)**	(94,681)
Loss per share			
Basic (pence)	4	**(1.38)**	(0.69)
Diluted (pence)	4	**(1.38)**	(0.69)

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Note	**2016**	2015
		£	£
Loss for the year		**(189,065)**	(94,681)
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available for sale assets during the year	3	**(90,000)**	(352,200)
Total comprehensive loss for the year		**(279,065)**	(446,881)

Consolidated balance sheet

At 31 December 2016

	Note	**2016** **£**	2015 £
Assets			
Non-current assets			
Property, plant and equipment		**303,929**	211,481
Intangible assets		**425,044**	201,694
Deferred tax assets		**13,150**	60,700
Available for sale assets		**165,000**	255,000
Total non-current assets		**907,123**	728,875
Current assets			
Inventories		**98,353**	89,621
Trade and other receivables		**807,506**	859,610
Prepayments		**87,014**	85,360
Cash and cash equivalents		**125,886**	353,435
Total current assets		**1,118,759**	1,388,026
Total assets		**2,025,882**	2,116,901
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		**75,000**	165,000
Retained losses		**(6,527,926)**	(6,335,948)
Total equity		**839,210**	1,121,188
Liabilities			
Non-current liabilities			
Finance leases		**5,796**	-
Trade and other payables		**-**	103,347
Provisions		**42,500**	14,063
Total non-current liabilities		**48,296**	117,410
Current Liabilities			
Finance leases		**4,987**	8,771
Trade and other payables		**944,841**	732,891
Deferred income		**188,548**	136,641
Total current liabilities		**1,138,376**	878,303
Total liabilities		**1,186,672**	995,713
Total equity and liabilities		**2,025,882**	2,116,901

Consolidated statement of changes in equity

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 £
						Attributable to equity shareholders of the Company	
Balance at 1 January 2016	1,455,684	3,586,541	2,245,333	4,578	165,000	(6,335,948)	1,121,188
Sale of EBT shares on exercise of share options	-	-	-	-	-	2,597	2,597
Purchase of own shares by EBT	-	-	-	-	-	(5,510)	(5,510)
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**

Total equity as at 31 December 2015	Share capital	Share premium account	Merger reserve	Share based payment reserve	Investment valuation reserve	Retained losses	Total equity
	£	£	£	£	£	£	£
Balance at 1 January 2015	1,455,684	3,586,541	2,245,333	4,578	517,200	(6,241,267)	1,568,069
Loss for the year	-	-	-	-	-	(94,681)	(94,681)
Other comprehensive income for the year:							
Net fair value loss on available for sale financial assets	-	-	-	-	(352,200)	-	(352,200)
Total comprehensive loss for the year	-	-	-	-	(352,200)	(94,681)	(446,881)
Balance at 31 December 2015	**1,455,684**	**3,586,541**	**2,245,333**	**4,578**	**165,000**	**(6,335,948)**	**1,121,188**

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
(Loss)/profit for the year before income tax		**(184,372)**	5,379
Adjustments for:			
Depreciation, amortisation and impairment charges		**117,942**	48,493
Exceptional gain from negative goodwill	5	**(98,647)**	-
Finance income		**(2,540)**	(11,481)
Finance expense		**3,070**	12,376
Decrease/(increase) in trade and other receivables and prepayments		**50,450**	68,919
Decrease/(increase) in inventories		**3,792**	(13,098)
Increase in trade and other payables and deferred income		**154,110**	138,669
(Decrease)/increase in provisions		**(14,063)**	14,063
Net cash from operating activities		**29,742**	263,320
Taxation			
Taxation		**-**	-
Cash flows from investing activities			
Interest received		**2,540**	11,481
Acquisition of property, plant and equipment		**(44,363)**	(121,499)
Acquisition of intangible assets		**-**	(250)
Payment to acquire trade of AVC	5	**(200,000)**	-
Net cash from investing activities		**(241,823)**	(110,268)
Cash flows from financing activities			
Repayment of bank loan		**-**	(18,750)
Repayment of finance leases		**(9,485)**	(35,084)
Interest paid		**(3,070)**	(12,376)
Amounts repaid under invoice financing facility		**-**	(57,752)
Sale of EBT shares on exercise of share options		**2,597**	-
Purchase of own shares for EBT		**(5,510)**	-
Net cash from financing activities		**(15,468)**	(123,962)
Net (decrease)/increase in cash and cash equivalents		**(227,549)**	29,090
Cash and cash equivalents at 1 January		**353,435**	324,345
Cash and cash equivalents at 31 December		**125,886**	353,435

Notes

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 2015 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 2016 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them.

The 2016 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 2017 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 10 April 2017.

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 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 2016 comprise 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 consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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. On the basis of current financial projections prepared to 30 June 2018, 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 statements have 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 2016 the investment remains designated as available for sale with fair value changes recognised in other comprehensive income. At 31 December 2016 the fair value of the investment was £165,000 *(31 December 2015: £255,000)* with a net fair value loss in 2016 of £(90,000) recognised in other comprehensive income *(2015: loss £352,200)*.

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 £142,800.

4 Loss per share

	2016 Number	2015 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	**(1.38)p**	(0.69)p

	2016 Number	2015 Number
Diluted		
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	**(1.38)p**	(0.69)p

The **basic** and **diluted** loss per share are calculated using the after-tax loss attributable to equity shareholders for the financial period of £189,065 *(2015: loss £94,681).*

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 2016 and 2015.

Pre-tax (loss)/earnings per share	**2016**	2015
Basic pre-tax (loss)/earnings per share	**(1.34)p**	0.04p
Diluted pre-tax (loss)/earnings per share	**(1.34)p**	0.04p

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 £(184,372) *(2015: earnings £5,379).*

5 Acquisition

On 7 September 2016 the Group acquired the business and certain assets comprising AVC Media based in Aberdeen, from the Administrators of AVC Media Enterprises Limited and AVCME Holdings Limited, for a cash consideration of £200,000 which was paid in full on completion. The acquired business has been renamed AVC Immedia and operates as a division of Immedia Broadcast Limited.

AVC Immedia encompasses a range of services, which complement the Group's existing activities and include audio visual solutions, video conferencing, event production and management, video and 3D animation, web and graphic design and App development. AVC Immedia works across many sectors and is particularly well known in oil & gas, football and tourism. Its past and current clients include leading brands and global businesses, such as the Football Association, FIFA, Shell, BP, Aker, SKY and BT Sport.

Recognised assets and liabilities of AVC Media at 7 September 2016	**Fair value**
	£
Tangible fixed assets: plant and equipment	**49,927**
Tangible fixed assets: fixtures and fittings	**38,681**
IFRS3 Intangible assets: AVC brand	**51,546**
IFRS3 Intangible assets: Software	**37,589**
IFRS3 Intangible assets: Customer contracts	**162,967**
Inventories	**12,524**
Lease liabilities	**(5,130)**
Contingent liabilities	**(6,600)**
Deferred taxation	**(42,857)**
Total	**298,647**
Fair value of consideration, satisfied in cash	**200,000**
Bargain purchase credit	**98,647**

The Group has recognised a bargain purchase credit within other exceptional income on the acquisition of AVC Media as the fair value of the net assets recognised exceeded the consideration paid. The Group considers that the bargain purchase credit arose due to the distressed sale of AVC Media by its Administrators.

For the period from the date of acquisition on 7 September to 31 December 2016, the AVC Immedia division contributed £461,986 to the Group's revenue and a loss of £77,542 to the Group's loss before tax.

In addition, transaction costs of £81,522 relating to the acquisition have been recognised as an expense and have been deducted in calculating other exceptional income (note 6) in the statement of profit or loss.

The purchase of the AVC Media business from its Administrators has limited the information available and as a result it has not been practicable to estimate the effects of the acquisition on the Group's results for the full year to 31 December 2016.

6 Other exceptional income

	2016
	£
Other exceptional income	
Bargain purchase credit - AVC Media business acquisition (note 5)	**98,647**
Other exceptional costs	
Costs on acquisition of AVC Media business	**(81,522)**
Other exceptional income in profit or loss	**17,125**

There were no exceptional items in the year to 31 December 2015.

Further details of the bargain purchase credit on acquisition of the AVC Media business are shown in note 5.

END