

INDEPENDENT MEDIA DISTRIBUTION PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005

Company No: 2127174

INDEPENDENT MEDIA DISTRIBUTION PLC

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INDEPENDENT MEDIA DISTRIBUTION PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

2005 was an important year in the Company's development and, although the loss for the year might appear disappointing, it was attributable to two factors: increased costs relating to our major capital commitment to TV advertisement distribution, allied with the cyclical downturn in radio advertising that is currently affecting that medium.

RESULTS

	31 December 2005	31 December 2004
Turnover	£3.73m	£3.75m
(Loss)/profit before Tax	£(0.28m)	£0.96m*
(Loss)/profit after Tax	£(0.23m)	£0.69m*
(Loss)/earnings per Share (basic)	(0.70p)	2.05p*
(Loss)/earnings per Share (diluted)	(0.70p)	2.00p*
Dividend per Share	1.30p	1.30p

(* = restated under IFRS policies)

This is the first year of IFRS accounting for the Company; it has required two major changes from the previous GAAP procedures which have impacted on the results. The first is the requirement to account for the "cost" of share options as an expense. The second is to capitalise and amortise development expenditure which had previously been charged directly against profits. The Company has decided to amortise development expenditure over 24 months on a straight-line basis.

Cash resources declined from £2m to £0.8m during the year, with capital expenditure including development costs increasing marginally to £1.6m. In 2006 capital expenditure is expected to continue at a high level, though lower than in 2005, whilst depreciation provision and development amortisation are expected to remain at similar levels.

The Company continued its policy of financing all capital expenditure by outright purchase of equipment. It has no borrowings and no leasing commitments other than its premises.

LOSS PER SHARE & DIVIDENDS

The loss per share for the year was 0.70 pence compared with earnings of 2.05 pence for the previous year.

The Directors are conscious that the Company made a loss in 2005. However, the level of current prospects and cash resources are such that they believe the payment of a final dividend is reasonable.

A final dividend of 0.65 pence per share is accordingly proposed and, if approved, will be paid on 1 June 2006 to shareholders on the register at 19 May 2006. This gives a total for the year of 1.30 pence per share compared with 1.30 pence per share in 2004.

TRADING REVIEW

Television

Major advances to the television distribution service were completed during the period.

Trials for the comprehensive service to ITV commenced in early March 2006 and, with minor exceptions, the full network for digital distribution of advertising to the TV industry is now complete. Following completion of the ITV installation, IMD is now in a position to offer a complete service to agencies and post production houses covering the UK and Ireland.

The ITV system is an advance on the system adopted by most broadcasters. It allows the seamless digital distribution of advertisements from the post production centre to the ultimate broadcast point in the ITV network without at any stage converting to tape. Other broadcasters are now engaging this concept, which brings a number of advantages to the TV industry in the rapidly changing advertising environment. Initial response to completion of the ITV service has been positive, with a number of important new customers having commenced to use the system.

TV revenues in 2005 increased by 75% as the number of advertising agencies and post production houses using the service increased. At the year end, over half of the top 40 agencies or their post production houses had become clients.

As previously advised, revenue did not rise as fast as the number of clients using the service. This was because, whilst awaiting completion of the IMD network, many clients only used the service on a limited basis and retained some of their existing distribution arrangements. Since the ITV service has been completed, we have seen these clients increasingly using IMD for their full distribution requirements. This trend is important as IMD charges its clients according to the size of their order.

During the introductory phase, which applied throughout 2005, IMD maintained a relatively low pricing structure to encourage agencies to try the system during the period when the service was not complete. A new pricing structure was introduced in early 2006 to tie in with the launch of the ITV service and this provides a higher overall rate of return. Initial responses to this new structure have been positive.

INDEPENDENT MEDIA DISTRIBUTION PLC

CHAIRMAN'S STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2005

The capital expenditure required for TV is much higher than that for radio. The cost of developing ITV, both directly and for upgrades at the head office, was over £700,000, with the total investment in TV distribution now well over £3,000,000. Under IMD's policy of depreciating hardware costs over three years and software and development costs over two years, this creates a high standing charge. The same applies to the level of operating staff; while there is a substantial degree of cross-over, the extra complexity of video over audio involves higher overheads. These overheads are relatively stable irrespective of the volume of commercials handled and profits are therefore highly geared to smaller percentage changes in turnover.

With the TV network now complete, IMD will seek to substantially increase revenues from its TV service this year by implementing its improved pricing structure on the enlarged client base, who are already increasing the size of the orders they place. The major investment in TV and the high fixed costs of the service makes achievement of these revenues essential if the company is to obtain satisfactory returns.

There is evidence of major changes about to take place in TV advertising, partly to offset competitive factors elsewhere, but more importantly to take advantage of the technological advances in production, distribution and broadcast. These changes will allow shorter production timetables, more varied copy and more complex scheduling. This should prove of considerable appeal to retailers, media groups and other advertisers and benefit IMD, as the company's system is an integral requirement in these advances. Any trend towards more advertising copy changes will increase the volume of commercials carried on our system.

Radio

As has been widely reported, the environment for the radio industry was extremely challenging during 2005. The effect of this on IMD's radio business has been a fall of 22% in radio related revenues for the year, as advertisers have reduced spending by either using existing commercials or limiting airtime and station penetration. The first half of the year saw a fall of 26%, with the second half reducing by a slightly better 16%. Despite this downturn, IMD has managed to maintain its market share during the year.

It is too early to assess the outlook for Radio in 2006. The first two months were below last year's comparatives, but this was expected since the decline in 2005 commenced abruptly in March. Budgets for the current year have been set on the assumption that there will be no recovery. IMD has always had nil forward visibility on its revenue stream, as orders are placed daily for immediate delivery.

Music

IMD's music distribution service, Fastrax, has continued its growth with a 12% increase in sales for the year. Whilst music is a relatively small component of IMD's turnover mix, it is growing steadily, particularly on the video side. This reflects the increased emphasis placed on TV by record labels as a launch platform for new music. Fastrax provides a complete service to record labels when promoting new releases by distributing songs to radio stations, promotional videos to programmers and producers and finally the broadcast quality video to TV broadcasters. Nearly all record labels are now using the service for the major part of their output.

OUTLOOK

2005 was an important year in the Company's development and has involved a heavy commitment by all the executive and operational team. I would like to thank them for their hard work and enthusiasm.

At present radio is going through a number of changes and at this stage we can give no guidance on the outlook. Music, however, although the smallest of IMD's three revenue streams, continues to develop and promises to continue growing at a consistent rate.

Over the next year, we consider TV to be the key driver for IMD. It is potentially a considerably larger market than radio and music combined and the rate of penetration of this market will be the ultimate driver of profitability both this year and next. The take-up of TV services by new customers during March 2006 has proved most encouraging and, when combined with the acceptance of our new pricing structure, gives us confidence that our investment in TV distribution will be more than justified. We will continue to keep shareholders informed throughout the year

David Haynes
Chairman
21 April 2006

INDEPENDENT MEDIA DISTRIBUTION PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their annual report together with the audited accounts for the year ended 31 December 2005.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Group is principally engaged in the electronic distribution of advertising, programming and music. A review of the business and further details of the different income streams are discussed in the Chairman's Statement on pages 1 and 2.

RESULTS AND DIVIDENDS

The results of the group for the year ended 31 December 2005 and the financial position at the year end are set out in the income statement and balance sheet on pages 13 and 14 respectively. An interim dividend of £219,000 (0.65p per share) was paid in the year. A final dividend of £219,000 (0.65p per share) is proposed.

DIRECTORS

The directors who held office during the year were as follows:

D S Haynes
D L McMurtrie (resigned 16 May 2005)
I D Stevenson
R B Pomphrett
D B McArthur
C W Dunstone
M King (appointed 24 February 2005)
A Poulter (appointed 16 May 2005, resigned 30 September 2005)

DIRECTORS' INTERESTS

The directors in office at 31 December 2005 had the following interests in the share capital of the Company:

	Ordinary Shares of 10p each	
	31 December 2005	31 December 2004
D S Haynes	1,501,225	1,501,225
I D Stevenson	100,000	100,000
R B Pomphrett	40,909	40,909
D B McArthur	73,968	73,968
C W Dunstone	4,004,961	4,004,961
M King	-	-

At 31 December 2004 and 31 December 2005, Hudson Management Limited, a company in which D S Haynes has an interest, beneficially owned 7,937,938 ordinary shares of the company.

There have been no changes in Directors' interests between 31 December 2005 and one month prior to the date of notice of the annual general meeting at which the accounts are laid.

INDEPENDENT MEDIA DISTRIBUTION PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS' BIOGRAPHIES

David Haynes - *Executive Chairman (aged 67)*

David Haynes was born and educated in New Zealand. From 1962 he spent the next 22 years in financial services in Australia, employed first in stockbroking as an analyst, then later heading the corporate underwriting and merger activities of Tricontinental Corporation Limited. In 1983 he became chairman of the Aspermont Group of companies, engaged in a broad range of industries including television and radio broadcasting, life insurance and finance. He became chief executive of Crown Communications Group PLC, an affiliate company of Aspermont in 1990 and has lived in the UK since 1991. In 1996 he researched and organised the formation of IMD. He has been working full-time as the executive chairman of IMD since its formation and has no other significant commitments.

Ian Stevenson - *Finance Director (aged 64)*

Ian Stevenson qualified as a Scottish Chartered Accountant in 1964 following which he worked for some years as a manager for Price Waterhouse in Australia. He was then an executive partner of Scott Oswald (now Tenon PLC) for 21 years and was finance director of Crown Communications Group PLC from 1989 to 1992. For the last 13 years he has run his own chartered accountancy practice and works with IMD on a part-time basis. Since the reverse acquisition of Chemex International plc he has substantially increased his time commitment to the company.

Reginald Pomphrett – *Senior Independent Non-Executive Director (aged 62)*

Formerly chairman of Chemex International PLC, Reg Pomphrett has been involved in corporate finance for over 30 years. He was a partner with W Greenwell & Co (a leading stockbroker) and a director of Greenwell Montague until 1987. He has since been a director of both public and private companies and is a non-executive director and company secretary of Mears Group PLC and Wyatt Group PLC, both AIM listed companies, and a number of private companies. He is a chartered secretary and a member of the Securities Institute.

Douglas McArthur – *Independent Non-Executive Director (aged 55)*

Douglas McArthur started his career with Procter & Gamble PLC before taking senior marketing posts in Scottish and Newcastle Breweries PLC and Campbell's UK Limited. He then established two successful small businesses, an advertising agency and a timber manufacturing company, the latter winning the award as the Best Business Idea in Scotland in 1979. In 1992 he set up the Radio Advertising Bureau, commercial radio's central marketing initiative. He has been awarded fellowships of the Radio Academy and the Cam Foundation. In 1996 he was the runner up in the Marketing Society's Marketer of the Year. In the New Years Honours 2002 he was awarded the OBE for "Services to the Radio Advertising Bureau".

Charles Dunstone - *Non-Executive Director (aged 41)*

Charles Dunstone founded The Carphone Warehouse PLC in 1989 and is now its chief executive. Prior to 1989, Charles Dunstone worked for NEC for four years as a sales manager before leaving to set up The Carphone Warehouse PLC. He is a non-executive director of HBOS PLC and Daily Mail and General Trust PLC. In addition he is a non-executive chairman of The Princes Trust Trading Board and a member of its council. His responsibility within IMD is to liaise with David Haynes on corporate matters and the radio industry.

Martina King - *Independent Non-Executive Director (aged 45)*

Martina became the first Managing Director of Yahoo! UK & Ireland in October 1999, leading and expanding the London based team. Following three years in this role, she was promoted to run Yahoo's operations across Europe. Previously, she held a broad range of positions in both broadcast and print media including being Managing Director of TSMS Group Limited. Prior to that, she spent six years at Capital Radio as Managing Director responsible for all aspects of the company's London Stations. Martina's career began with sales roles in the newspaper business at The Observer and The Guardian. Martina now has a portfolio career and acts as a non-executive director for Capita Group plc, Johnston Press plc and The Prince's Trust Trading Board. She is a Council Member of The Marketing Group of Great Britain and sits on the President's Committee of London First

INDEPENDENT MEDIA DISTRIBUTION PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

SUBSTANTIAL SHAREHOLDINGS

At 29 March 2006, the company had received notification of the following shareholdings of over 3% of the company's share capital.

	Number of ordinary shares	Percentage holding %
Hudson Management Limited	7,937,938	23.58%
C W Dunstone	4,004,961	11.90%
Britel Fund Nominees Limited	2,829,289	8.40%
Draysey & Wright Nominees Limited	2,049,799	6.09%
Pershing Keen Nominees Limited	1,949,765	5.79%
Possfund Nominees Limited	1,923,074	5.71%
D S Haynes	1,501,225	4.46%

PAYMENT POLICY

The group's policy is to abide by the payment terms agreed with the suppliers. On average, creditors are settled 30 days following receipt of invoice.

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 of the profit or loss of the company for that year. 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 company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring the annual report includes information required by the Listing Rules of the Financial Services Authority.

AUDITORS

A resolution to re-appoint haysmacintyre as auditors will be presented to the members at the Annual General Meeting in accordance with Section 385(2) of the Companies Act 1985.

BY ORDER OF THE BOARD ON 21 APRIL 2006

JRG TITMAS
Secretary

INDEPENDENT MEDIA DISTRIBUTION PLC

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

INFORMATION NOT SUBJECT TO AUDIT

Remuneration committee

The remuneration committee members during the year were:

- R B Pomphrett (Chairman)
- D B McArthur
- C W Dunstone (resigned 24 February 2005)
- M King (appointed 24 February 2005)

The Committee makes recommendations to the Board on the Group's framework of executive remuneration and its cost. The Committee determines the specific remuneration packages for Executive Directors.

Statement of company's policy on directors' remuneration

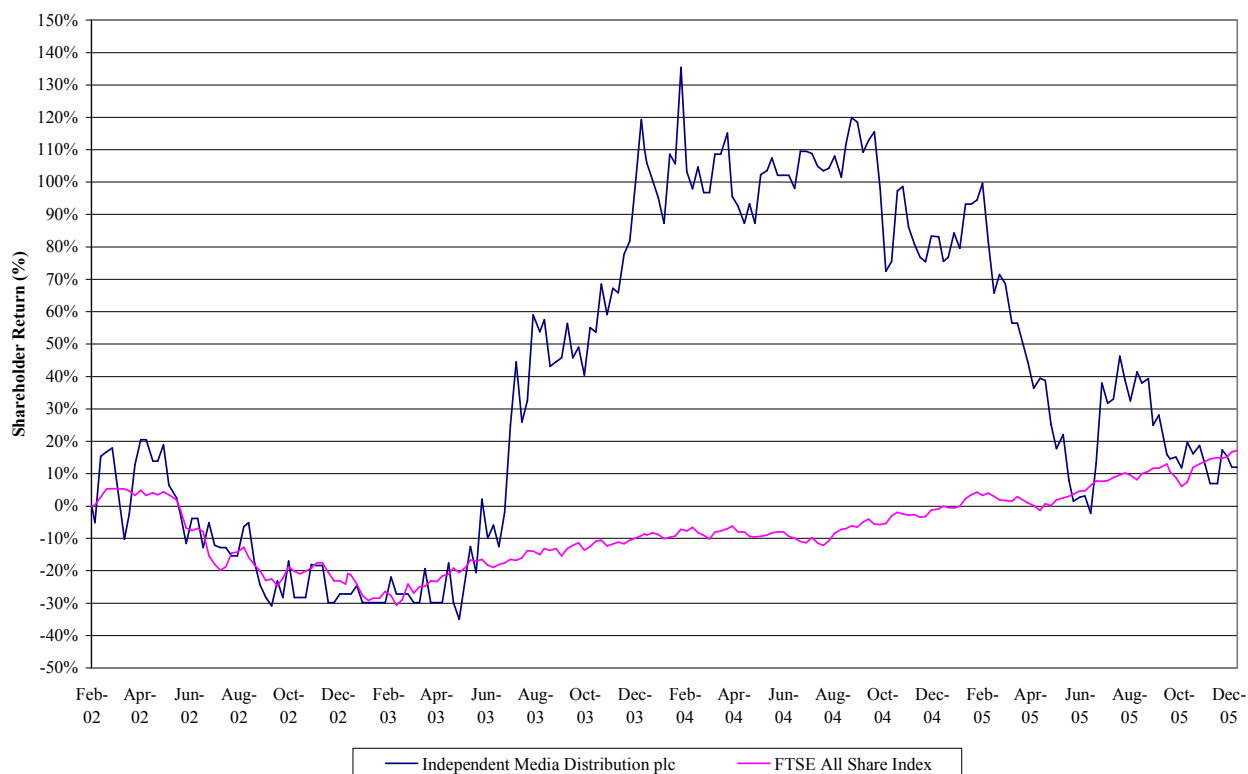
The Group's policy on executive directors' remuneration for the future is designed to:

- be competitive and to attract, retain and motivate the highest calibre people who will enhance the performance of the Group and increase shareholder value;
- provide for an element of performance-related pay; and
- ensure directors identify with the interests of shareholders.

The basic salaries of the directors are positioned at market levels. In addition to their basic salaries, Executive Directors receive a bonus related to the profit before tax of the company.

All directors have ongoing contracts with the company and the notice periods are disclosed below. No additional payments will be due to the directors on termination of these contracts.

Performance Graph



The Company considers that the FTSE All Share Index is the most appropriate index against which to measure company performance. The directors have prepared the graph for the period since the reverse acquisition to 31 December 2005 as it is deemed that to include the shareholder return for a five year period would not provide meaningful information for the current shareholders.

INDEPENDENT MEDIA DISTRIBUTION PLC
DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

Service contracts

Director	Date of contract	Notice period
D S Haynes	28 Feb 2002	12 months
I D Stevenson	28 Feb 2002	12 months
R B Pomphrett	21 Feb 2002	-
D B McArthur	21 Feb 2002	-
C W Dunstone	21 Feb 2002	-
M King	24 Feb 2005	-

No compensation or other provision is payable upon early termination of the above contracts.

INDEPENDENT MEDIA DISTRIBUTION PLC
DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

INFORMATION SUBJECT TO AUDIT

Directors' emoluments for the year ended 31 December 2005

Director	Salaries and fees £	Bonuses £	Total £	Year ended 31 December 2004
				Total £
D S Haynes	75,000	-	75,000	98,670
D L McMurtrie	43,750	-	43,750	125,162
I D Stevenson	37,519	-	37,519	36,835
R B Pomphrett	17,500	-	17,500	17,500
D B McArthur	20,000	-	20,000	20,000
C W Dunstone	20,000	-	20,000	20,000
M King	14,718	-	14,718	-
A Poulter	64,546	18,750	83,296	-

All of the above remuneration was received in cash.

Share options

Director	At 31 December 2004	Number of share options		At 31 December 2005	Exercise price (pence)	Exercise date
		Granted	Cancelled			
D S Haynes	-	-	-	-	-	-
D L McMurtrie	400,000 125,000	-	-	400,000* 125,000*	29.5p 60.0p	30/6/05 - 30/6/12 30/6/06 - 30/6/13
I D Stevenson	25,000	-	-	25,000	60.0p	31/12/03 - 30/6/13
R B Pomphrett	-	-	-	-	-	-
D B McArthur	-	-	-	-	-	-
C W Dunstone	-	-	-	-	-	-
M King	-	-	-	-	-	-
A Poulter	-	1,000,000	(1,000,000)	- *	-	-

* At date of resignation as a director

The market price of the Company's shares at 31 December 2005 was 40p and the range for the year was 34p to 73p.

BY ORDER OF THE BOARD

JRG TITMAS
Secretary

21 April 2006

INDEPENDENT MEDIA DISTRIBUTION PLC

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

CORPORATE GOVERNANCE

In accordance with the requirements of the Listing Rules of the Financial Services Authority, set out below are details of the Company's corporate governance arrangements, including a statement as to how the company applies the principles of Section 1 of the Revised Code, together with a statement regarding its compliance with specific provisions. Whilst welcoming the principles contained within the Code, the Board considers that it should be recognised that what may be appropriate for a large company may not necessarily be so appropriate for a smaller company. In common with other organisations of a similar size, the Executive Directors are heavily involved in the day to day running of the business and meet regularly on an informal basis as well as at Board Meetings. The Board of Directors meets regularly and is responsible for formulating strategy, monitoring financial performance and approving major items of capital expenditure. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

The Board comprises two Executive Directors and four Non-Executive Directors and the roles of Chairman and Chief Executive Officer are split. The Company is actively pursuing a new Chief Executive Officer. In view of the size and management structure of IMD, the Company has not complied with certain minor aspects of the Combined Code as discussed below:

Board of Directors

The Board includes four Non-Executive Directors, three of whom are considered by the Board to be independent.

The Board has six scheduled meetings each year and others as required. The Board of Directors meets regularly and retains full responsibility for the direction and control of the Group. No strategic powers have been delegated and for these reasons the Board did not have, during the year, a formal schedule of matters specifically reserved to it (Paragraph A1 of the Code). During the year R Pomphrett attended four Board meetings and all other serving Directors attended all six Board meetings that were held.

There is currently no formal agreed procedure for Directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense (paragraph A5 of the Code).

Non-Executive Directors

The appointment of Non-Executive Directors is a matter for the Board as a whole. Although recommended by the Code, there is currently no formal selection process. The Non-Executive Directors have contracts for services for an unspecified period. (Paragraph A7 of the Code). The Non-Executive directors are subject to re-election every three years.

Terms and conditions of appointment of the Non-Executive Directors are available for inspection.

Executive Directors

The Executive Directors have service contracts which are for unspecified periods and which are determinable by the Company or the Director on giving notice of between six months and one year. Directors are appointed by the Board of Directors but stand for election by the shareholders at the Annual General Meeting. The Executive directors are subject to re-election every three years.

Board Committees

A Remuneration Committee is in place comprising three Non-Executive Directors as disclosed on page 6. During the year one of the serving members C W Dunstone, was not considered to be independent (Paragraph B2 of the Code) and was replaced by Mrs M King as a member of the Committee. The Company's policy towards Directors' remuneration is set out above. The Remuneration Committee has two scheduled meetings each year. All of the serving members attended the two meetings held in the year except for the February meeting which was not attended by R Pomphrett and the July meeting which was not attended by Mrs M King.

An Audit Committee is in place comprising three Non-Executive Directors. During the year one of the serving members, C W Dunstone, was not considered to be independent (Paragraph B2 of the Code) and was replaced by Mrs M King as a member of the Committee. The Company's approach to internal control is described below. The Audit Committee has two scheduled meetings each year. All of the serving members attended the two meetings held in the year except for the February meeting which was not attended by R Pomphrett and the July meeting which was not attended by Mrs M King.

There is no Nomination Committee. Given the size of the Group, the Board do not consider a Nomination Committee appropriate (paragraph A4 of the Code).

Complete copies of the terms of reference of the Audit and Remuneration Committee are available on request.

INDEPENDENT MEDIA DISTRIBUTION PLC

CORPORATE GOVERNANCE STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

Performance evaluation

There is currently no formal performance evaluation of the board, its committees and its individual directors. In the future this is intended to be formalised and the non-executive directors will be responsible for performance evaluation of the chairman.

Communication with Shareholders

The Chairman is available to shareholders at any time to discuss strategy and governance matters.

The Board has appointed one Non-Executive director to be the Senior Independent Director who is also available to shareholders if they have concerns.

In addition, all company announcements are published on the Company's website, together with financial results.

All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all Directors are available to take questions.

With the exception of the matters referred to above the Company has complied throughout the financial year with provisions of Section 1 of Revised Combined Code, issued in July 2004.

AUDIT AND INTERNAL CONTROL

The primary role of the Audit Committee is to keep under review the Group's financial systems and controls and its financial reporting procedures. In fulfilling this role, the Committee receives and reviews work carried out by the external auditors and their findings.

The Board has overall responsibility for operating and monitoring the system of internal control within the Group and for monitoring its effectiveness. The system includes an ongoing process for identifying, evaluating and managing significant business risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that any material problems are identified on a timely basis and dealt with appropriately.

Guidance on the Turnbull Report was issued in September 1999 and gave guidance to Directors on the requirements of the Combined Code for reviewing the effectiveness of the Group's system of internal control, encompassing operational, compliance and risk management matters in addition to the traditional financial issues. The Audit Committee reviews the effectiveness of the internal controls on an annual basis on behalf of the Board and considers that, given the small size of the Company and the close involvement of the Executive Directors in the day to day operations, it has complied with the requirements in the Combined Code and the Turnbull Report in the year under review and up to the date of approval of the Annual Report and Accounts.

The key elements of the system, which has been designed to meet the specific needs and business risks of the Group, include:

- clearly defined organisation structures with segregation of duties wherever practicable
- agreement of Group short term financial objectives and business plans
- monthly review by the Board of Group Financial Statements and monitoring of results against budgets
- Board control over treasury, taxation, legal, insurance and personnel issues
- Board control over appraisal, review and authorisation of capital expenditure

In common with organisations of similar size the Executive Directors are heavily involved in the day to day running of the business. The Directors believe that although the Company's controls may be slightly less formal than those of larger companies, the close involvement of the Executive Directors more than compensates for this.

The Board believes that it is not currently appropriate for the Company to maintain an internal audit function because of the close involvement of the Executive Directors in the running of the business.

The Audit Committee consider the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 4 to the financial statements. The non-audit fees are considered by the Committee not to affect the independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the year, ensuring that the value of non-audit services does not increase to a level where it could affect the auditors' objectivity and independence. The Audit Committee also received an annual confirmation of independence from the auditors.

INDEPENDENT MEDIA DISTRIBUTION PLC

CORPORATE GOVERNANCE STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

TREASURY

The Group is fundamentally cash-generative and manages its liquid resources so as to obtain the best available rates of return on cash investments, whilst retaining access to those resources. Cash which is not needed for short term requirements is deposited for periods of one month (or more) based on the Directors' assessment of prevailing interest rate trends, the interest rates available and the liquid resource requirements of the Group. In addition, cash is placed on instant access deposit with the Group's bankers, which is available for shorter term requirements. An analysis of the Group's cash and short-term deposits is given on page 26 in the Financial Statements. The Group's cash flow enables it to purchase the majority of fixed assets for cash thereby obtaining substantial discounts.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

INDEPENDENT MEDIA DISTRIBUTION PLC

We have audited the group and parent company financial statements of Independent Media Distribution plc for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors Remuneration Report, the Chairman's statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. 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 and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited 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 and are part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 December 2005 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2005; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

haysmacintyre
Registered Auditors
21 April 2006

Fairfax House
15 Fulwood Place
London
WC1V 6AY

INDEPENDENT MEDIA DISTRIBUTION PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £'000	Restated 2004 £'000
TURNOVER	3	3,729	3,754
Cost of sales and overheads		(4,079)	(2,899)
OPERATING (LOSS)/PROFIT		(350)	855
Finance Income	6	68	110
(LOSS)/PROFIT BEFORE TAX	4	(282)	965
Tax credit/(charge)	7	47	(278)
(LOSS)/PROFIT FOR THE YEAR		(235)	687
(LOSS)/EARNINGS PER SHARE			
BASIC	9	(0.70p)	2.05p
DILUTED	9	(0.70p)	2.00p

All recognised gains and losses are included in the consolidated income statement.

All turnover and (loss)/profit is derived from continuing operations.

The notes on pages 19-28 are an integral part of these consolidated financial statements

INDEPENDENT MEDIA DISTRIBUTION PLC

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2005

	Note	2005 £'000	Restated 2004 £'000
ASSETS			
Non-current assets			
Intangible assets	11	604	396
Property, plant and equipment	12	1,357	1,320
		<u>1,961</u>	<u>1,716</u>
Current assets			
Trade and other receivables	14	1,179	1,295
Current tax assets		25	-
Cash and cash equivalents	15	813	2,147
		<u>2,017</u>	<u>3,442</u>
		<u>3,978</u>	<u>5,158</u>
EQUITY			
Capital and reserves attributable to the Company's Equity shareholders			
Called up share capital	16	3,367	3,367
Share premium account		6	6
Other reserve		(1,642)	(1,695)
Retained earnings		1,412	2,085
Total equity		<u>3,143</u>	<u>3,763</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	252	265
Current liabilities			
Bank overdraft		-	105
Trade and other payables	18	583	779
Current tax liabilities		-	246
		<u>583</u>	<u>1,130</u>
Total liabilities		<u>835</u>	<u>1,395</u>
Total equity and liabilities		<u>3,978</u>	<u>5,158</u>

The financial statements were approved by the Board of Directors and signed on its behalf by:

D S HAYNES - DIRECTOR

I D STEVENSON - DIRECTOR

21 APRIL 2006

The notes on pages 19-28 are an integral part of these consolidated financial statements

INDEPENDENT MEDIA DISTRIBUTION PLC

PARENT COMPANY BALANCE SHEET

AT 31 DECEMBER 2005

	Note	At 31 December 2005 £'000	At 31 December 2004 £'000
ASSETS			
Non-current assets			
Investments	13	3,069	3,016
Current assets			
Trade and other receivables	14	809	809
		<u>3,878</u>	<u>3,825</u>
EQUITY			
Capital and reserves attributable to the Company's Equity shareholders			
Called up share capital	16	3,367	3,367
Share premium account		6	6
Other reserve		(326)	(379)
Retained earnings		831	831
		<u>3,878</u>	<u>3,825</u>
Total equity and liabilities		<u>3,878</u>	<u>3,825</u>

The financial statements were approved by the Board of Directors and signed on its behalf by:

D S HAYNES - DIRECTOR

I D STEVENSON - DIRECTOR

21 APRIL 2006

The notes on pages 19-28 are an integral part of these consolidated financial statements

INDEPENDENT MEDIA DISTRIBUTION PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Share Capital £'000	Share Premium £'000	Other reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2004 (restated)	3,362	4	(1,759)	1,819	3,426
Profit for the period (restated)	-	-	-	687	687
Employee share option charge	-	-	64	-	64
Dividend	-	-	-	(421)	(421)
Share issue	5	2	-	-	7
Balance at 31 December 2004 (restated)	3,367	6	(1,695)	2,085	3,763
Loss for the period	-	-	-	(235)	(235)
Employee share option charge	-	-	53	-	53
Dividend	-	-	-	(438)	(438)
Balance at 31 December 2005	3,367	6	(1,642)	1,412	3,143

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £'000	Share Premium £'000	Other reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2004	3,362	4	(443)	831	3,754
Profit for the period	-	-	-	421	421
Employee share option charge	-	-	64	-	64
Dividend	-	-	-	(421)	(421)
Share issue	5	2	-	-	7
Balance at 31 December 2004	3,367	6	(379)	831	3,825
Profit for the period	-	-	-	438	438
Employee share option charge	-	-	53	-	53
Dividend	-	-	-	(438)	(438)
Balance at 31 December 2005	3,367	6	(326)	831	3,878

The notes on pages 19-28 are an integral part of these consolidated financial statements

INDEPENDENT MEDIA DISTRIBUTION PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year to 31 December 2005 £'000	Restated Year to 31 December 2004 £'000
Cash flows from operating activities			
(Loss)/profit for the period		(235)	687
<i>Adjustments for:</i>			
Tax (credit)/charge		(47)	278
Finance income		(68)	(110)
Depreciation and amortisation		1,361	926
Loss on disposal of fixed assets		11	-
Share option charge		53	64
Increase/(decrease) in trade and other receivables		116	(513)
(Decrease)/increase in trade and other payables		(196)	234
Cash generated from operations		995	1,566
Tax paid		(237)	(250)
Net cash generated from operating activities		758	1,316
Cash flows from investing activities			
Purchases of property, plant and equipment		(953)	(1,147)
Sale of property, plant and equipment		3	-
Purchases of intangible assets		(666)	(465)
Interest received		72	110
Interest paid		(4)	-
Net cash used in investing activities		(1,548)	(1,502)
Cash flows from financing activities			
Issue of shares		-	7
Dividends paid to Company's shareholders		(438)	(421)
Net cash used in financing activities		(438)	(414)
Net decrease in cash and bank overdrafts		(1,228)	(600)
Cash and bank overdrafts at beginning of year		2,041	2,641
Cash and bank overdrafts at end of year	15	813	2,041

The notes on pages 19-28 are an integral part of these consolidated financial statements

INDEPENDENT MEDIA DISTRIBUTION PLC
PARENT COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Year to 31 December 2005 £'000	Year to 31 December 2004 £'000
Cash flows from operating activities		
Profit for the period	-	-
<i>Adjustments for:</i>		
Increase in trade and other receivables	-	(7)
	<u>-</u>	<u>(7)</u>
Net cash generated from operating activities	<u>-</u>	<u>(7)</u>
Cash flows from investing activities		
Dividends received	438	421
	<u>438</u>	<u>421</u>
Net cash generated in investing activities	<u>438</u>	<u>421</u>
Cash flows from financing activities		
Issue of shares	-	7
Dividends paid to Company's shareholders	(438)	(421)
	<u>(438)</u>	<u>(414)</u>
Net cash used in financing activities	<u>(438)</u>	<u>(414)</u>
Net increase in cash and bank overdrafts	-	-
Cash and bank overdrafts at beginning of period	<u>-</u>	<u>-</u>
Cash and bank overdrafts at end of period	<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 19-28 are an integral part of these consolidated financial statements

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with IFRS 1, First-time Adoption of IFRS. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2006). The policies set out below have been consistently applied to all the years presented.

Independent Media Distribution plc's consolidated financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) until 31 December 2004. UK GAAP differs in some areas from IFRS. In preparing the consolidated financial statements, the directors have amended certain accounting methods applied in the UK GAAP financial statements to comply with IFRS. Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income and cash flows were provided in the interim report for the period ended 30 June 2005. Subsequently the directors have identified that two further adjustments are required to comply with IFRS. The comparative figures in respect of 2004 have been restated to reflect these further adjustments. Reconciliations and explanations of these adjustments are included in note 2.

The Group's transition date is 1 January 2004 and it prepared its opening IFRS balance sheet at that date. The Group's IFRS adoption date is 1 January 2005.

These consolidated financial statements have been prepared under the historical cost convention.

No separate profit and loss account is presented for the parent company as provided by Section 230, Companies Act 1985.

(b) Basis of consolidation

On 21 February 2002 the Company, then named Chemex International plc, became the legal parent company of Independent Media Distribution plc in a share-for-share transaction. Due to the relative values of the companies, reverse acquisition accounting was adopted as the basis of consolidation.

The joint venture is accounted for using the proportional consolidation method.

At 31 December 2005, IMD Media Limited owned 50% of the issued share capital of IMD Adsat Limited, a company incorporated in Ireland. IMD Adsat Limited has an accounting period ending 31 December. Its main business activity is the electronic distribution of television advertisements on behalf of advertisers in the Republic of Ireland to broadcasters in the United Kingdom.

(c) Segment reporting

The Group has one business segment, which is the electronic distribution of advertising, programming and music, and one geographical segment, which is the United Kingdom and the Republic of Ireland. The business segment reporting format reflects the Group's management and internal reporting structure.

(d) Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is calculated to write down the cost of all tangible fixed assets by equal monthly instalments over their expected useful lives on the following bases:

Hardware	36 months
Furniture and fittings	36 months
Software	24 months

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight line basis over a period of 24 months.

(g) Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rates ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

(j) Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(k) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

(l) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(m) Current tax

Current tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual tax rate expected for the full financial year.

(n) Employee share options

The Company awards employees bonuses in the form of share options, from time to time, on a discretionary basis. The options are subject to vesting conditions, and their fair value is recognised as an employee benefits expense with a corresponding increase in other reserve equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

2. IFRS ADJUSTMENTS

As stated in note 1, the directors have identified two further adjustments to the financial statements that are required to comply with IFRS

Adjustments to the income statements	Year to 31 December 2004 £'000	Six months to 30 June 2005 £'000
Profit/(loss) for the period as stated in the interim report	657	(219)
Intangible asset	68	57
Deferred tax	(38)	(36)
Restated profit/(loss) for the year	<u>687</u>	<u>(198)</u>

Adjustments to Retained Earnings

	At 1 January 2004 £'000	At 31 December 2004 £'000	At 30 June 2005 £'000
As stated in the interim report	1,843	2,079	1,641
Intangible asset	57	125	181
Deferred tax	(81)	(119)	(155)
Restated Retained Earnings	<u>1,819</u>	<u>2,085</u>	<u>1,667</u>

Intangible asset

The directors have reassessed which expenditure meets the criteria to be capitalised in accordance with IAS 38, Intangible Assets. The directors have also refined the amortisation technique. Both changes have been made retrospectively.

Deferred tax

Deferred tax is now recognised on the timing difference in relation to the capitalisation of the development expenditure.

3. TURNOVER

Turnover comprises the sale of electronic distribution services in the UK and the Republic of Ireland to external customers. Due to the related nature of the Group's products, the common distribution channels and the manner in which the Group's activities are organised, the Directors do not believe that the Group's different product categories represent different classes of business as defined by IAS 14 'Segmental reporting'. Accordingly the additional disclosure set out in IAS 14 are not considered to the required.

4. EXPENSES BY NATURE

	2005 £'000	2004 £'000
Employee benefit expense (note 5)	1,444	1,339
Depreciation and amortisation	1,361	926
Loss on disposal of fixed assets	11	-
Operating lease rentals	189	94
Auditors' remuneration		
- statutory audit services	23	18
- other services	16	11
Auditors' remuneration		
Audit services:		
- statutory audit	23	18
- audit-related regulatory reporting	7	4
Tax services		
- compliance services	9	2
- advisory services	-	5
	<u>39</u>	<u>29</u>

The audit-related regulatory reporting services relate to reviews of the interim reports.

The Audit Committee review and monitor the auditors' independence and objectivity and the effectiveness of the audit process.

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

5. EMPLOYEE BENEFIT EXPENSE (including directors)	2005 £'000	2004 £'000
Wages, salaries, fees and profit share	1,249	1,173
Social security costs	142	102
Share options granted	53	64
	<u>1,444</u>	<u>1,339</u>
The average number of persons (including directors) employed by the group during the year was as follows:	Nos.	Nos.
Office and administration	<u>36</u>	<u>23</u>
Key management compensation	£'000	£'000
Salaries and short-term employee benefits	312	318
Share options granted	47	64
	<u>359</u>	<u>382</u>
The key management figures above only include the directors.		
6. FINANCE INCOME	£'000	£'000
Interest receivable on short term deposit account	72	110
Interest payable on overdrafts	(4)	-
	<u>68</u>	<u>110</u>
7. TAXATION	£'000	£'000
(a) The taxation (credit)/charge comprises:		
Corporation tax	(6)	225
Adjustment to prior period corporation tax	(28)	(1)
	<u>(34)</u>	<u>224</u>
Current tax	(34)	224
Deferred tax	(13)	54
	<u>(47)</u>	<u>278</u>

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

7. TAXATION (CONTINUED)

- (b) The tax assessed in the year is different from the standard rate of corporation tax in the UK of 30%. The differences are explained below: -

	2005 £'000	Restated 2004 £'000
(Loss)/profit on ordinary activities before tax	(282)	965
(Loss)/profit on ordinary activities before tax multiplied by the standard companies' rate of tax in the UK of 30 %	(85)	290
Effects of:		
Depreciation more/(less) than capital allowances	97	(35)
Expenditure not deductible for tax purposes	18	8
Marginal rate relief	-	(19)
Development expenditure	(62)	(38)
Enhanced R&D relief	-	(19)
Share option charge	16	19
Joint venture losses not relieved	10	15
Other timing differences	-	4
Adjustments to prior periods	(28)	(1)
Current tax	(34)	224

- (c) Factors which may affect future tax charges

During the course of the year, the group incurred capital expenditure on tangible assets amounting to £952,000 (2004: £1,147,000). Given existing plans, the group would expect capital expenditure to be lower in the foreseeable future and that capital allowance claims will be lower than depreciation.

8. DIVIDENDS TO EQUITY SHAREHOLDERS

	31 December 2005 £'000	31 December 2004 £'000
Final dividend paid	219	202
Interim dividend paid	219	219
	<u>438</u>	<u>421</u>

In addition the directors have proposed a final dividend in respect of the financial year ending 31 December 2005 of 0.65p per share which will absorb an estimated £219,000 of shareholders' funds. It will be paid on 1 June 2006 to shareholders on the register at 19 May 2006.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by reference to the loss on ordinary activities after taxation of £235,000 (2004: profit £687,000) and on the weighted average of 33,668,425 (2004: 33,666,247) shares in issue.

The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation and the diluted weighted average of 34,007,160 (2004: 34,200,774) shares calculated as follows:

	Number of shares	
	31 December 2005	31 December 2004
Basic weighted average number of shares	33,668,425	33,666,247
Dilutive potential ordinary shares:		
Share options	338,735	534,527
Diluted weighted average number of shares	<u>34,007,160</u>	<u>34,200,774</u>

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

10. PROFIT ATTRIBUTABLE TO INDEPENDENT MEDIA DISTRIBUTION PLC

The profit for the financial year dealt with in the financial statements of the parent company, Independent Media Distribution PLC, was £438,000 (2004: £438,000). As permitted by section 230 Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

11. INTANGIBLE ASSETS GROUP

	Patents £'000	Development expenditure £'000	Total £'000
At 1 January 2004 (restated)			
Cost	12	707	719
Accumulated amortisation	(12)	(435)	(447)
Net book value	<u>-</u>	<u>272</u>	<u>272</u>
Year ended 31 December 2004 (restated)			
Opening net book value	-	272	272
Additions	-	464	464
Amortisation charge	-	(340)	(340)
Closing net book value	<u>-</u>	<u>396</u>	<u>396</u>
At 31 December 2004 (restated)			
Cost	12	1,171	1,183
Accumulated amortisation	(12)	(775)	(787)
Net book value	<u>-</u>	<u>396</u>	<u>396</u>
Year ended 31 December 2005			
Opening net book value	-	396	396
Additions	-	667	667
Amortisation charge	-	(459)	(459)
Closing net book value	<u>-</u>	<u>604</u>	<u>604</u>
At 31 December 2005			
Cost	12	1,838	1,850
Accumulated amortisation	(12)	(1,234)	(1,246)
Net book value	<u>-</u>	<u>604</u>	<u>604</u>

All amortisation changes in the year have been charged through cost of sales and overheads.

The development expenditure capitalised principally relates to the recently designed television system.

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

12. PROPERTY, PLANT AND EQUIPMENT GROUP	Hardware £'000	Software £'000	Furniture & fittings £'000	Total £'000
Cost				
At 1 January 2005	2,083	1,517	277	3,877
Additions	644	223	85	952
Disposals	(340)	(295)	(22)	(657)
At 31 December 2005	<u>2,387</u>	<u>1,445</u>	<u>340</u>	<u>4,172</u>
Depreciation				
At 1 January 2005	1,158	1,187	212	2,557
Charge for the year	543	315	44	902
Disposals	(335)	(295)	(14)	(644)
At 31 December 2005	<u>1,366</u>	<u>1,207</u>	<u>242</u>	<u>2,815</u>
Net Book Value				
At 31 December 2005	<u>1,021</u>	<u>238</u>	<u>98</u>	<u>1,357</u>
At 31 December 2004	<u>925</u>	<u>330</u>	<u>65</u>	<u>1,320</u>

13. INVESTMENTS	COMPANY	
	2005 £'000	2004 £'000
At 1 January 2005	3,016	2,952
Additions	53	64
At 31 December 2005	<u>3,069</u>	<u>3,016</u>

At 31 December 2005, the company had one fully owned subsidiary, IMD Media Limited. The subsidiary is principally engaged in the electronic distribution of advertising, programming and music.

The group has a 50% interest in IMD Adsat Limited, a company incorporated in Ireland.

In relation to the group's interests in the above joint venture, the assets, liabilities, income and expenses are shown below:

	2005 £'000	2004 £'000
Current assets	59	46
Current liabilities	(141)	(95)
	<u>(82)</u>	<u>(49)</u>
Income	104	22
Expenses	(137)	(71)
Share of post tax loss from joint venture	<u>(33)</u>	<u>(49)</u>

The joint venture has no significant contingent liabilities to which the group is exposed and nor has the group any significant contingent liabilities in relation to its interest in the joint ventures. The joint venture has no capital commitments.

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

14. TRADE AND OTHER RECEIVABLES	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade receivables	874	1,111	-	-
Other receivables	-	11	-	-
Amounts due from subsidiary	-	-	809	809
Amounts due from joint venture	119	51	-	-
Prepayments and accrued income	186	122	-	-
	<u>1,179</u>	<u>1,295</u>	<u>809</u>	<u>809</u>

Concentrations of credit risk with respect to trade receivables are limited because the group's customer base is large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

15. CASH AND CASH EQUIVALENTS	At 31 December	At 31 December
	2005 £'000	2004 £'000
Cash at bank	163	46
Short-term bank deposits	650	2,100
	<u>813</u>	<u>2,146</u>
Bank overdraft	-	(105)
	<u>813</u>	<u>2,041</u>

The effective interest rate on short-term bank deposits was 4.4% (2004: 4.6%); these deposits have an average maturity of 30 days.

The bank overdraft is secured by a fixed charge over all freehold & leasehold property, a first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future and a first floating charge over all assets and undertaking, both present and future.

16. CALLED UP SHARE CAPITAL	2005 £'000	2004 £'000
	Authorised: 55,000,000 ordinary shares of 10p each	<u>5,500</u>
	Nos. of Shares	Allotted, called up and fully paid £'000
This comprises ordinary shares as follows:		
At 1 January 2005 and at 31 December 2005	33,668,425	3,367
Shares issued during the year	-	-
At 31 December 2005	<u>33,668,425</u>	<u>3,367</u>

Share options

Share options are granted to directors and employees. Options are generally conditional on the employee completing a specific length of service (the vesting period). The options are exercisable from the end of the vesting period and lapse after ten years after the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Options are valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The risk free rate was 5%. The expected volatility is based on historical volatility over the last 3 years.

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

16. CALLED UP SHARE CAPITAL (CONTINUED)

During the year the company had the following share options in issue:

At 1 January 2005	Number of share options		At 31 December 2005	Exercise price (pence)	Exercise date
	Granted	Cancelled			
295,177	-	-	295,177	13.5p	20/02/02 – 21/03/11
400,000	-	-	400,000	29.5p	30/06/05 – 30/06/12
125,000	-	-	125,000	60.0p	30/06/06 – 30/06/13
129,000	-	-	129,000	60.0p	31/12/03 – 30/06/13
-	190,476	(190,476)	-	52.5p	16/05/05 – 16/05/15
-	809,524	(809,524)	-	52.5p	16/05/08 – 16/05/15
-	180,000	-	180,000	40.0p	30/09/08 – 30/09/15
-	20,000	-	20,000	40.0p	30/03/07 – 30/09/15
<u>949,177</u>	<u>1,200,000</u>	<u>(1,000,000)</u>	<u>1,149,177</u>		

17. DEFERRED TAX LIABILITIES
GROUP

	Accelerated capital allowances £'000	Share Options £'000	Development Expenditure £'000	Total £'000
At 1 January 2005	187	(41)	119	265
Profit and loss (credit)/charge	(103)	28	62	(13)
At 31 December 2005	<u>84</u>	<u>(13)</u>	<u>181</u>	<u>252</u>

18. TRADE AND OTHER PAYABLES:
Amounts falling due within one year

	GROUP	
	2005 £'000	2004 £'000
Trade payables	481	589
Social security and other taxes	49	51
Other payables	18	34
Accruals	35	105
	<u>583</u>	<u>779</u>

INDEPENDENT MEDIA DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

19. OPERATING LEASE COMMITMENTS

The Group leases three offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The lease expenditure charged to the income statement during the year is disclosed in Note 4.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2005	2004
	£'000	£'000
No later than 1 year	181	94
Later than 1 year and no later than 5 years	295	315
	<u> </u>	<u> </u>

Total future sublease payments receivable relating to the above operating leases amounted to £79,000.

20. FINANCIAL INSTRUMENTS

An analysis of cash and cash equivalents is given on page 26.

The Group finances itself through retained earnings. The Group is fundamentally cash-generative and manages its liquid resources so as to obtain the best available rates of return on cash investments, whilst retaining access to those resources. Cash that is not needed for short term requirements is deposited for periods of one month (or more), based on the Directors' assessment of prevailing interest rate trends, the interest rates available and the liquid resource requirements of the Group. In addition, cash is placed on instant access deposit with the Group's bankers, which is available for shorter-term requirements.

As at 31 December 2005 all amounts were held in Sterling except for two bank accounts totalling €224,970 (2004: €81,067). There is no difference between the book values and fair values of financial assets and liabilities.

21. CONTINGENT LIABILITIES AND OTHER LIABILITIES

The Group has no contingent or other liabilities, other than those already disclosed in the financial statements at the year end.

22. POST BALANCE SHEET EVENTS

The directors have proposed a final dividend in respect of the financial year ending 31 December 2005 of 0.65p per share which will absorb an estimated £219,000 of shareholders' funds. It will be paid on 1 June 2006 to shareholders on the register at 19 May 2006.

INDEPENDENT MEDIA DISTRIBUTION PLC

COMPANY INFORMATION

DIRECTORS

David S Haynes	(Chairman)
Ian D Stevenson	(Finance Director)
Reginald B Pomphrett	(Senior Independent Non-Executive)
Douglas B McArthur	(Independent Non-Executive)
Charles W Dunstone	(Non-Executive)
Martina King	(Independent Non-Executive)

SECRETARY AND EXECUTIVE OFFICE

Graeme Titmas
Allan House
10 John Princes Street
London
W1G OJW

REGISTERED OFFICE AND COMPANY REGISTRATION NUMBER

Allan House
10 John Princes Street
London
W1G OJW

Company Number: 02127174

AUDITORS

haysmacintyre
Chartered Accountants
Fairfax House
15 Fulwood Place
London
WC1V 6AY

PRINCIPAL BANKERS

HSBC Bank PLC
69 Pall Mall
London
SW1Y 5EY

REGISTRARS

Neville Registrars Limited
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B63 3BR