

Company Registration No. 03836605 (England and Wales)

**TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

**Jeffreys Henry LLP**

**Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE**

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## COMPANY INFORMATION

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<b>Directors</b>	S.V. Oakes	(Appointed 3 November 2004)	Director
	P.J. Freedman	(Appointed 25 February 2005)	Director
	R. Isbitsky	(Appointed 25 February 2005)	Director
	S.A. Leslie	(Appointed 25 February 2005)	Non-Executive Director

**Secretary** International Registrars Ltd

**Company number** 03836605

**Registered office** 5-7 Cranwood Street  
London EC1V 9EE

**Auditors** Jeffreys Henry LLP  
Finsgate, 5-7 Cranwood Street  
London  
EC1V 9EE

**Nominated Advisor** Beaumont Cornish Limited  
Georgian House  
63 Coleman Street  
London  
EC2R 5BB

**Broker** Falcon Securities (UK) Limited  
154 Bishopsgate  
London EC2M 4LN

**Bankers** Allied Irish Bank  
10 Old Jewry  
London  
EC2R 8DN

**Solicitors** Kemp Little LLP  
Cheapside House  
138 Cheapside  
London  
EC2V 6BJ

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# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

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# **TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

## **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004**

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The accounts for the year ended 31st December 2004 reflect the company's position post the Creditors Voluntary Arrangement and prior to the acquisition of Timestrip Limited which was approved by shareholders in February 2005. Therefore these figures are of historic interest and reflect the position of the then Internet Music and Media Plc in its 'shell' form.

Timestrip Plc in its new form will publish interim accounts to 30 June within the next 3 months and shareholders will be updated on current trading at that time.

S.V.Oakes  
**Chairman**

29 June 2005

# **TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

## **CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2004**

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The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

### **The Board of Directors**

Following approval of the Company Voluntary Arrangement and the EGM held on 3 November 2004, Mr Cordell resigned from the Board, and Mr Knifton, Mr Oakes and Mr Weller were appointed directors of the Company. Mr Cowan resigned from the Board on 12 January 2005. The Board meets regularly and is responsible for strategy and performance. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. A nominations committee is not considered appropriate because of the small size of the Board and the Company; but all appointments are fully discussed by all Board members.

### **Audit Committee**

Once registered, the Audit Committee will consist of Spencer Leslie and Stephen Oakes and meetings will also be attended by other executive directors of the Company on invitation. The Audit Committee will be responsible for monitoring compliance with accounting and legal requirements, and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

### **Remuneration Committee**

The Remuneration Committee will comprise of Spencer Leslie and Stephen Oakes. The Remuneration Committee's role is to consider and approve the remuneration and benefits of the executive directors of the Company. In framing the Company's remuneration policy, the Remuneration Committee will give consideration to Section B of the Combined Code.

### **Internal Financial Control**

The Board is responsible for establishing and maintaining the Group's system of internal financial control and places importance on maintaining a strong control environment. In this regard, a firm of Chartered Accountants are to provide an interim finance function, and Spencer Leslie, a Chartered Accountant, is to be responsible for overseeing this finance function on the Board.

### **Statement by Directors on Compliance with the Provisions of the Combined Code**

The Board consider that they have complied with the provisions of The Combined Code, as far as practicable and appropriate for a public company of this size.

### **Directors Remuneration**

The Remuneration Committee will review the performance of executive Directors and recommend the scale and structure of their remuneration and review the basis of their service agreements with due regard to their interests of Shareholders. No member of the Board will participate in decisions concerning their own remuneration.

### **Model Code**

The Company has adopted and will operate a share dealing code for directors and senior executives on the same terms as the London Stock Exchange Model Code for companies whose shares have been admitted to AIM.

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

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The directors present their report and financial statements for the year ended 31 December 2004.

### Principal activities and review of the business

The principal activity continued to be that of a holding company. Subsequent to the year end, the company acquired Timestrip Limited, a company whose principal activity is the development and marketing of time sensitive material for use in the food packaging industry.

A review of the group's business and future developments is included in the Chairman's Statement.

### Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 1 January 2004:

N.J. Cowan	(Resigned 12 January 2005)
R.B. Cordell	(Resigned 3 November 2004)
L.E.V Knifton	(Appointed 3 November 2004 and resigned 25 February 2005)
S.V. Oakes	(Appointed 3 November 2004)
W.N.V. Weller	(Appointed 3 November 2004 and resigned 25 February 2005)
P.J. Freedman	(Appointed 25 February 2005)
R. Isbitsky	(Appointed 25 February 2005)
S. A. Leslie	(Appointed 25 February 2005)

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 1p each	
	31 December 2004	1 January 2004
N.J. Cowan	-	12,952,702
L.E.V Knifton	-	-
S.V. Oakes	-	-
W.N.V. Weller	-	-

  

	Ordinary shares of 0.2p each	
	31 December 2004	1 January 2004
N.J. Cowan	579,662	-
L.E.V Knifton	-	-
S.V. Oakes	-	-
W.N.V. Weller	-	-

At the year end Lloyd Traders Inc, which is owned beneficially by Messrs Knifton, Oakes and Weller in equal proportion, had an interest in 1,040,874 Ordinary shares of 0.02p each.

# **TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004**

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### **Substantial interest in shares**

As at the date of this report, the Company has been notified of the following interests in the issued share capital of the Company in accordance with section 198 of the Companies Act 1985 (as amended).

	<b>Holding</b>
P.J. Freedman	15.8%
R. Isbitsky	15.8%
D. Lerer	8.1%
Pershing Keen Nominees Limited	5.2%
Brewin Nominees Limited	5.1%
Lloyd Traders Inc*	4.2%
S.A. Leslie	3.2%

\*Lloyd Traders Inc is owned beneficially by Messrs Knifton, Oakes and Weller in equal proportion.

### **Employee involvement**

The company is committed to the involvement of employees in the business.

Staff are kept informed of the performance and objectives of the company through publications of results and staff meetings.

### **Disabled persons**

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### **Creditor payment policy**

The company's current policy on the payment of creditors is to:

Settle the terms of payment with suppliers when agreeing the terms of each transaction. Ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and pay in accordance with the company's contractual and other legal obligations. On average trade creditors at the year end represented Nil (2003 : 386) days' administrative expenses.

### **Auditors**

Jeffreys Henry LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

# **TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004**

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### **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 period. In preparing those financial statements, the directors are required to:

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

On behalf of the board

S.V. Oakes

**Director**

29 June 2005

# **TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

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We have audited the financial statements of Timestrip Plc (formerly Internet Music and Media Plc) on pages 7 to 17 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

### **Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 5 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Jeffreys Henry LLP**

29 June 2005

Chartered Accountants  
**Registered Auditor**

Finsgate, 5-7 Cranwood Street  
London  
EC1V 9EE

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

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	Notes	2004 £	2003 £
Administrative expenses		(33,784) ÄÄÄÄÄÄÄ	(135,887) ÄÄÄÄÄÄÄ
<b>Operating loss</b>		<b>(33,784)</b>	<b>(135,887)</b>
Amounts written off investments	2	-	(3,054,538)
Interest payable and similar charges	3	(158) ÄÄÄÄÄÄÄ	(31,066) ÄÄÄÄÄÄÄ
<b>Loss on ordinary activities before taxation</b>		<b>(33,942)</b>	<b>(3,221,491)</b>
Tax on loss on ordinary activities	4	- ÄÄÄÄÄÄÄ	- ÄÄÄÄÄÄÄ
<b>Loss on ordinary activities after taxation</b>	9	<b>(33,942)</b> ÍÍÍÍÍÍÍ	<b>(3,221,491)</b> ÍÍÍÍÍÍÍ

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

	2004 £	2003 £
<b>Earnings per share</b>		
Before and after exceptional items		
Basic and diluted	(0.12)p	(9.08)p

The loss per share for the year ended 31 December 2004 has been calculated based on the weighted average number of shares in issue in the period of 28,484,103 (2003 - 33,908,535).

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004		2003	
		£	£	£	£
<b>Current assets</b>					
Debtors	6	2,618		9,917	
Cash at bank and in hand		-		212	
		AAAAAAAA		AAAAAAAA	
		2,618		10,129	
<b>Creditors: amounts falling due within one year</b>					
	7	(14,173)		(2,209,083)	
		AAAAAAAA		AAAAAAAA	
<b>Total assets less current liabilities</b>			(11,555)		(2,198,954)
			TTTTTTTT		TTTTTTTT
<b>Capital and reserves</b>					
Called up share capital	8		3,550,807		3,560,767
Share premium account	9		15,869,426		13,638,124
Profit and loss account	9		(19,431,788)		(19,397,845)
			AAAAAAAA		AAAAAAAA
<b>Shareholders' funds</b>	10		(11,555)		(2,198,954)
			TTTTTTTT		TTTTTTTT
Equity interests			(3,555,402)		(5,405,073)
Non-equity interests			3,543,847		3,206,119
			AAAAAAAA		AAAAAAAA
			(11,555)		(2,198,954)
			TTTTTTTT		TTTTTTTT

The financial statements were approved by the Board on 29 June 2005

S.V. Oakes  
Director

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	£	2004 £	£	2003 £
<b>Net cash (outflow)/inflow from operating activities and exceptional items</b>		(2,221,515)		1,226,569
<b>Returns on investments and servicing of finance</b>				
Interest paid	(158)		(31,066)	
	ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(158)		(31,066)
<b>Financial investment</b>				
Payments to acquire investments	-		(484,815)	
	ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ	
<b>Net cash outflow for capital expenditure</b>		-		(484,815)
		ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		(2,221,673)		710,688
<b>Financing</b>				
Issue of ordinary share capital	2,231,302		-	
Cancellation of issued share capital	(15,562)		-	
Shares issued in the period	5,601			
	ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ	
Issue and purchase of shares	2,221,341		-	
	ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ	
Repayment of long term bank loan	-		(700,000)	
	ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ	
<b>Net cash inflow/(outflow) from financing</b>		2,221,341		(700,000)
		ÄÄÄÄÄÄÄ		ÄÄÄÄÄÄÄ
<b>(Decrease)/increase in cash in the year</b>		(332)		10,688
		TTTTTTTT		TTTTTTTT

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

<b>1</b>	<b>Reconciliation of operating loss to net cash (outflow)/inflow from operating activities</b>		<b>2004</b>	<b>2003</b>	
			£	£	
	Operating loss		(33,784)	(135,887)	
	Decrease/(increase) in debtors		7,299	-	
	(Decrease)/Increase in creditors within one year		(2,195,030)	1,362,456	
			AAAAAAAA	AAAAAAAA	
	<b>Net cash (outflow)/inflow from operating activities</b>		<b>(2,221,515)</b>	<b>1,226,569</b>	
			TTTTTTTT	TTTTTTTT	
<b>2</b>	<b>Analysis of net (debt)/funds</b>	<b>1 January 2004</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 December 2004</b>
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	212	(332)	-	(120)
		AAAAAAAA	AAAAAAAA	AAAAAAAA	AAAAAAAA
		212	(332)	-	(120)
		AAAAAAAA	AAAAAAAA	AAAAAAAA	AAAAAAAA
		AAAAAAAA	AAAAAAAA	AAAAAAAA	AAAAAAAA
	Net funds/(debt)	212	(332)	-	(120)
		TTTTTTTT	TTTTTTTT	TTTTTTTT	TTTTTTTT
<b>3</b>	<b>Reconciliation of net cash flow to movement in net (debt)/funds</b>		<b>2004</b>	<b>2003</b>	
			£	£	
	(Decrease)/increase in cash in the year		(332)	10,688	
	Cash outflow from increase in liquid resources		-	700,000	
			AAAAAAAA	AAAAAAAA	
	<b>Movement in net (debt)/funds in the year</b>		<b>(332)</b>	<b>710,688</b>	
	Opening net funds		212	(710,476)	
			AAAAAAAA	AAAAAAAA	
	<b>Closing net (debt)/funds</b>		<b>(120)</b>	<b>212</b>	
			TTTTTTTT	TTTTTTTT	

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis, as subsequent to the year end, the company acquired Timestrip Limited and raised sufficient funds by way of a placing to allow the Group to continue to operate for the foreseeable future.

#### 1.2 Investments

Fixed asset investments are stated at cost less provision for diminution in value. Funding supplied by the parent company to its subsidiaries was capitalised as a part of the parent company's investment as a capital contribution and reviewed annually for impairment. The fixed asset investments have been written off during the year.

#### 1.3 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

#### 1.4 Consolidation

The accounts do not consolidate the financial statements of its subsidiary undertakings as their accounting records were transferred to and are held by the Administrative Receivers. Subsequent to the year end the subsidiary undertakings were sold to a third party. For these reasons the directors have not consolidated the subsidiary undertakings as they believe severe long-term restrictions substantially hinder the exercise of rights of the company over the assets and management of those undertakings.

2	Amounts written off investments	2004 £	2003 £
	Amounts written off fixed asset investments:		
	- permanent diminution in value	-	3,054,538
		↑↑↑↑↑↑↑↑	↑↑↑↑↑↑↑↑

Included within the amount above is £Nil (2003 : £110,000), which relates to the reassigning of intellectual property rights and trade marks of Groovetech LLC.

3	Interest payable	2004 £	2003 £
	On bank loans and overdrafts	158	418
	Other interest	-	30,648
		AAAAAAAA	AAAAAAAA
		158	31,066
		↑↑↑↑↑↑↑↑	↑↑↑↑↑↑↑↑

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# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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<b>4 Taxation</b>		
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
<b>Current tax charge</b>	-	-
	ÍÍÍÍÍÍÍ	ÍÍÍÍÍÍÍ
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	(33,942)	(3,221,491)
	ÍÍÍÍÍÍÍ	ÍÍÍÍÍÍÍ
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	(6,449)	(612,083)
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
Effects of:		
Other tax adjustments	6,449	612,083
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
	6,449	612,083
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
<b>Current tax charge</b>	-	-
	ÍÍÍÍÍÍÍ	ÍÍÍÍÍÍÍ

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 5 Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 January 2004 & at 31 December 2004	19,012,340 AAAAAAAA
<b>Provisions for diminution in value</b>	
At 1 January 2004 & at 31 December 2004	19,012,340 AAAAAAAA
<b>Net book value</b>	
At 31 December 2004	-
	TTTTTTTT
At 31 December 2003	-
	TTTTTTTT

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
Lupine Ventures Limited	England	Ordinary	100
Groovetech LLC	USA	Membership units	100
Groovetech Limited	England	Ordinary	100

As set out in note 1.4, the subsidiary undertakings at the year end were in Administrative Receivership and no relevant information is available pertaining to the capital and reserves and the results of these undertakings.

6 Debtors	2004	2003
	£	£
Called up share capital not paid	2,082	9,917
Prepayments and accrued income	536	-
	AAAAAAAA	AAAAAAAA
	2,618	9,917
	TTTTTTTT	TTTTTTTT

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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7 Creditors: amounts falling due within one year	2004	2003
	£	£
Bank loans and overdrafts	120	-
Trade creditors	6,259	149,166
Amounts owed to participating interests	-	46,295
Taxes and social security costs	-	1,796
Directors' current accounts	-	1,311,526
Other creditors	-	670,642
Accruals and deferred income	7,794	29,658
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
	14,173	2,209,083

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Share capital	2004	2003
	£	£
<b>Authorised</b>		
279,388,100 Ordinary shares of 1p each	-	2,793,881
1,228,076,170 Ordinary shares of 0.2p each	279,388	-
678,170 Deferred shares of 49.8p each	337,728	-
13,358,829 Deferred shares of 24p each	3,206,119	3,206,119
	ÄÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄÄ
	3,823,235	6,000,000
	↑↑↑↑↑↑↑↑	↑↑↑↑↑↑↑↑
 <b>Allotted, called up and fully paid</b>		
35,464,800 Ordinary shares of 1p each	-	354,648
3,479,769 Ordinary shares of 0.2p each	6,960	-
678,170 Deferred shares of 49.8p each	337,728	-
13,358,829 Deferred shares of 24p each	3,206,119	3,206,119
	ÄÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄÄ
	3,550,807	3,560,767
	↑↑↑↑↑↑↑↑	↑↑↑↑↑↑↑↑

The view has been taken during the year that since Groovetech LLC has ceased trading, the directors are of the opinion that the additional 1,556,190 Ordinary shares which has been deemed to be issued in respect of 28% of the Groovetech LLC investment not owned but subject to an unconditional put and call option will not be issued. The share capital in respect of these shares has therefore been written off to the profit and loss account.

On 3 November 2004 the company entered into a Creditors Voluntary Arrangement under which the existing 33,908,535 Ordinary shares of 1p each were consolidated into 678,170 Ordinary shares of 50p and those shares were divided into 678,170 ordinary shares of 0.2p each and 678,170 new deferred shares of 49.8p each. Subsequently 1,586,666 ordinary shares of 0.2p each were issued to the creditors under the supervision of the CVA supervisor, together with 1,040,874 new ordinary shares of 0.2p each to Lloyds Traders Inc at par and 174,059 new ordinary shares of 0.2p each at par to the CVA Supervisor in respect of their services.

On 3 November 2004, following the Extraordinary General Meeting the company created 'A' Warrants in respect of 500,000 Ordinary shares for subscription at an issue price of 0.2p per share at any time before 30 November 2006, and all of the said warrants were issued to Lloyd Traders Inc, a company in which three of the directors (namely Mr Oakes, Mr Knifton and Mr Weller) are interested.

# TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 9 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2004	13,638,124	(19,397,846)
Retained loss for the year	-	(33,942)
Premium on shares issued during the year	2,231,302	-
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
Balance at 31 December 2004	15,869,426	(19,431,788)
	ÍÍÍÍÍÍÍ	ÍÍÍÍÍÍÍ

### 10 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(33,942)	(3,221,491)
Proceeds from issue of shares	2,231,302	-
Cancellation of issued share capital (see note 9)	(15,562)	
Shares issued in the period	5,602	
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
Net addition to/(depletion in) shareholders' funds	2,187,400	(3,221,491)
Opening shareholders' funds	(2,198,954)	1,022,537
	ÄÄÄÄÄÄÄ	ÄÄÄÄÄÄÄ
Closing shareholders' funds	(11,555)	(2,198,954)
	ÍÍÍÍÍÍÍ	ÍÍÍÍÍÍÍ

### 11 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Administrative	-	2
	ÍÍÍÍÍÍÍ	ÍÍÍÍÍÍÍ

### 12 Related party transactions

At 31 December 2004 the company had an interest free loan from N.J.Cowan of £Nil (2003 : £1,236,526).

At 31 December 2004 the company had an interest free loan from R.B.Cordell of £Nil (2003 : £75,000).

# **TIMESTRIP PLC (FORMERLY INTERNET MUSIC AND MEDIA PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** ***FOR THE YEAR ENDED 31 DECEMBER 2004***

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### **13 Post balance sheet events**

Subsequent to the year end, the company acquired the entire issued share capital of Timestrip Limited for £6.4 million. The purchase price was satisfied by the issue of 160,000,000 new Ordinary Shares of 0.02p each at 4p per share to the Vendors on the sale of their Timestrip Limited shares.

Furthermore, subsequent to the year end a total of 50,581,250 new Ordinary Shares of 0.02p were issued pursuant to a Placing to raise a total of £2,023,250 before expenses.