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NEXT GENERATION MEDIA CORP
Form 10KSB/A
June 07, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM
_____ TO _____

COMMISSION FILE NUMBER: 000-28083

NEXT GENERATION MEDIA CORP.
(Exact name of Company as specified in its charter)

Nevada 88-0169543
(State or jurisdiction of incorporation (I.R.S. Employer or
organization) Identification No.)

7644 Dynatech Court, Springfield, Virginia 22153
(Address of principal executive offices) (Zip Code)

Company's telephone number: (703) 644-0200

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Company (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months (or for such
shorter period that the Company was required to file such reports),
and (2) been subject to such filing requirements for the past 90
days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K is not contained herein, and will not be
contained, to the best of Company's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this
Form 10-KSB or any amendment to this Form 10-KSB .

The Company had \$7,821,606 in revenue for the fiscal year ended on
December 31, 2004. The aggregate market value of the voting stock
held by non-affiliates of the Company as of March 31, 2005: Common
Stock, par value \$0.001 per share -- \$1,473,276. As of December 31,
2004, the Company had 10,523,397 shares of common stock issued and
outstanding, of which 4,661,672 were held by non-affiliates.

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PART I.

RISK FACTORS AND CAUTIONARY STATEMENTS

Forward-looking statements in this report are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company wishes to advise readers that actual results may differ substantially from such forward-looking statements. Forward-looking statements include statements concerning underlying assumptions and other statements that are other than statements of historical facts. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the statements, including, but not limited to, the following: the ability of the Company to provide for its obligations, to provide working capital needs from operating revenues, to obtain additional financing needed for any future acquisitions, to meet competitive challenges and technological changes, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission.

ITEM 1. BUSINESS.

Introduction

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Next Generation Media Corporation (the "Company") was incorporated on November 21, 1980, under the laws of the State of Nevada under the name Micro Tech Industries, Inc. On February 6, 1997, an unrelated third party purchased 85.72% of the outstanding stock of Micro Tech Industries, Inc. from its majority shareholder for \$50,000 in cash. Effective March 31, 1997, Micro Tech Industries, Inc. changed its name to Next Generation Media Corporation. Management believes that prior to February 6, 1997, the Company was a "shell" company for at least five years without assets and liabilities. Management is unaware of any operating history prior to February 6, 1997.

Reporting Period Principle Services

During the reporting period, the Company operated as a holding company with one wholly-owned operating subsidiary, United Marketing Solutions, Inc. ("United").

The Company acquired United on April 1, 1999. Originally founded in 1981 as United Coupon Corporation, United has operated within the cooperative direct mail industry for twenty years. United has diversified and expanded its product lines and markets to evolve from a coupon company to a full-service marketing provider specializing in two communication mediums: direct mail and direct marketing. United offers advertising and marketing products and services through a network of franchisees in more than twenty states, with the largest concentration being in the northeast United States. United provides full-service design, layout, printing, packaging and distribution of marketing products and promotional coupons sold by the franchise network to local market businesses, services providers and professionals as resources to help them generate "trial and repeat" customers. United's core product, the cooperative coupon envelope, reaches in excess of eighteen million mailboxes per year with an estimated four hundred million coupons.

Competition

The Company's current and future lines of business are highly competitive. Firstly, the advertising business is highly competitive with many firms competing in various forms of media and possessing substantial resources. The direct mail industry is highly fragmented and includes a large number of small and independent cooperative direct mailers in addition to competition from companies for whom coupon advertising is not their primary line of business. In addition, several large firms, notably Val-Pak Direct Marketing Systems, Inc., Money Mailer and Advo, Inc., are direct competitors of United in its direct mail marketing business.

Government Regulation

United is subject to state regulation as a franchiser, requiring United to file periodic state registration documents pertaining to the offering of area and regional franchise licenses. Management believes that United is in substantial compliance with the applicable state franchise laws.

Employees

As of December 31, 2004, the Company, through United, had approximately 68 employees. The Company does not have any collective bargaining agreements covering any of its employees, has not experienced any material labor disruption and is unaware of any

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efforts or plans to organize its employees. The Company considers relations with its employees to be good.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company's principal executive and administrative offices are located at 7644 Dynatech Court, Springfield, Virginia 22153. The current yearly rent for this new facility is expected to be approximately \$267,892 per year for a term scheduled to expire in 2006. The Company considers these offices to be adequate and suitable for its current needs.

ITEM 3. LEGAL PROCEEDINGS

Other than as set forth below, the Company is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Company has been threatened. The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the last quarter of fiscal year-ended December 2004, the Company did not submit any matters to a vote of security holders.

PART II.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

The Company's Common Stock has been and is currently traded on the over-the-counter market and quotations are published on the OTC Bulletin Board under the symbol "NGMC" and began trading on June 11, 2001.

The following table sets forth the range of high and low bid prices of the Common Stock for each fiscal quarterly period. Prices reported represent prices between dealers, do not include retail markups, markdowns or commissions and do not represent actual transactions. Per Share Common Stock Bid Prices by Quarter

For the Fiscal Year Ended on December 31, 2004

	High	Low
Quarter Ended December 31, 2004	0.17	0.10
Quarter Ended September 30, 2004	0.22	0.13
Quarter Ended June 30, 2004	0.30	0.11
Quarter Ended March 31, 2004	0.40	0.22

Per Share Common Stock Bid Prices by Quarter

For the Fiscal Year Ended on December 31, 2003

	High	Low
Quarter Ended December 31, 2003	0.28	0.075
Quarter Ended September 30, 2003	0.17	0.013
Quarter Ended June 30, 2003	0.06	0.025
Quarter Ended March 31, 2003	0.10	0.012

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The ability of individual stockholders to trade their shares in a particular state may be subject to various rules and regulations of that state. A number of states require that an issuer's securities be registered in their state or appropriately exempted from registration before the securities are permitted to trade in that state.

Presently, the Company has no plans to register its securities in any particular state. Further, most likely the Company's shares will be subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock" rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15g-9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act.

The Commission generally defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be a penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the Commission; authorized for quotation on The NASDAQ Stock Market; issued by a registered investment company; excluded from the definition on the basis of price (at least \$5.00 per share) or the issuer's net tangible assets (at least \$2 million); or exempted from the definition by the Commission. If the Company's shares are deemed to be a penny stock, trading in the shares will be subject to additional sales practice requirements of broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally persons with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse.

For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in the account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealers to trade and/or maintain a market in the Company's Common Stock and may affect the ability of stockholders to sell their shares.

Holders of Common Equity

As of March 30, 2005, there were approximately 600 shareholders of record of the Company's common stock.

Dividend Information

The Company has not declared or paid cash dividends on its Common Stock or made distributions in the past, and the Company does not anticipate that it will pay cash dividends or make cash distributions in the foreseeable future, other than non cash dividends described below. The Company currently intends to retain and invest future earnings, if any, to finance its operations.

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Transfer Agent

The transfer agent and registrar for our common stock is OTR Transfer Agency.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

When used in this Form 10-KSB and in our future filings with the Securities and Exchange Commission, the words or phrases will likely result, management expects, or we expect, will continue, is anticipated, estimated or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. These statements are subject to risks and uncertainties, some of which are described below. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

General Overview

The Company acquired United on April 1, 1999. Originally founded in 1981 as United Coupon Corporation, United has operated within the cooperative direct mail industry for twenty years. United has diversified and expanded its product lines and markets to evolve from a coupon company to a full-service marketing provider specializing in two communication mediums: direct mail and direct marketing. United offers advertising and marketing products and services through a network of franchisees in more than twenty states, with the largest concentration being in the northeast United States. United provides full-service design, layout, printing, packaging and distribution of marketing products and promotional coupons sold by the franchise network to local market businesses, services providers and professionals as resources to help them generate "trial and repeat" customers. United's core product, the cooperative coupon envelope, reaches in excess of eighteen million mailboxes per year with an estimated four hundred million coupons.

Results of Operations

The Company's revenues are difficult to forecast and may vary significantly from quarter to quarter and year to year. In addition, the Company's expense levels for each quarter are, to a significant extent, fixed in advance based upon the Company's expectation as to the net revenues to be generated during that quarter. The Company therefore is generally unable to adjust spending in a timely manner to compensate for any unexpected shortfall in net revenues. Further as a result of these factors any delay in product introductions, whether due to internal delays or delays caused by third party difficulties, or any significant shortfall in demand in relation to the Company's expectations, would have an almost immediate adverse impact on the Company's operating results and on its ability to maintain profitability in a quarter.

Comparison of the Year Ended December 31, 2004 with the Year Ended December 31, 2003

During the year ending December 31, 2004 the Company experienced

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significant growth in revenues with sales of \$7,821,606 compared to \$7,046,252 in the year ending December 31, 2003.

Cost of revenues consists of materials, labor costs and applied overhead expenses. Cost of revenues as a percentage of net revenues were 67% in the year ended December 31, 2004, down from 69% for the year ended December 31, 2003. The cost of goods sold percentage will fluctuate from quarter to quarter because absorbed overhead increases when volume is decreasing and because labor ratios are less than optimized in manufacturing processes when revenues are lower. As revenues increase, cost of goods sold as a percentage of revenue should become more and more favorable for the company. The overall increase in the cost of goods sold during 2004 is directly attributable to the increase in net revenues.

General and administrative (operating) expenses increased during 2004 from \$1,919,378 in 2003 to \$2,615,103 in 2004. Franchise development and training expenses increased from \$121,196 in 2003 to \$281,364 in 2004. The addition of key management personnel increased administrative payroll from \$680,396 in 2003 to \$850,744 in 2004. Recognition of the anticipated performance of the INI Promissory Note and the write-down of the Tool Kit receivable resulted in an increase in bad debt expense from \$30,000 in 2003 to \$240,000 in 2004.

Net Income (Loss)

The Company realized net income of \$183,460 for the year ended December 31, 2004 as compared to net income of \$294,791 for the year ended December 31, 2003.

Liquidity and Capital Resources

The Company has relied primarily on funds generated from revenues, the issuance of common stock and use of its line of credit to finance its operations and expansion. Cash and cash equivalents at December 31, 2004 was \$395,575 and \$123,013 at December 31, 2003. For the year ended December 31, 2004, we generated a cash flow surplus of \$430,791 from operating activities. The net cash provided by financing activities was \$76,974 while making repayment on notes payable. The Company has used its working capital to finance ongoing operations and the marketing of its products.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the

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Company's financial position or results of operations.

In April 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 149, AMENDMENT OF STATEMENT 133 ON DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires that contracts with similar characteristics be accounted for on a comparable basis. The provisions of SFAS 149 are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 will not have a material impact on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY. SFAS 150 establishes standards on the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS 150 will not have a material impact on the Company's results of operations or financial position.

Forward Looking Statements.

The foregoing Managements Discussion and Analysis of Financial Condition and Results of Operations "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Company's business strategies, continued growth in the Company's markets, projections, and anticipated trends in the Company's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to, those risks associated with economic conditions generally and the economy in those areas where the Company has or expects to have assets and operations; competitive and other factors affecting the Company's operations, markets, products and services; those risks associated with the Company's ability to successfully negotiate with certain customers, risks relating to estimated contract costs, estimated losses on uncompleted contracts and estimates regarding the percentage of completion of contracts, associated costs arising out of the Company's activities and the matters discussed in this report; risks relating to changes in interest rates and in the availability, cost and terms of financing; risks related to the performance of financial markets; risks related to changes in domestic laws, regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in this report and in documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Form 10-KSB will, in fact, occur. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances and

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other factors discussed elsewhere in this report and the documents filed or to be filed by the Company with the Securities and Exchange Commission.

Inflation

In the opinion of management, inflation has not had a material effect on the operations of the Company.

Trends, Risks and Uncertainties

The Company has sought to identify what it believes to be the most significant risks to its business as discussed in "Risk Factors" above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to the Company's stock.

Limited operating history; anticipated losses; uncertainty of future results

The Company has a moderately limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be evaluated with a view to the risks encountered by a company in varying stages of development, particularly in light of the uncertainties relating to the business model that the Company intends to market and the potential acceptance of the Company's business model. The Company will be incurring costs to develop, introduce and enhance its products, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization. To the extent that such expenses are not subsequently followed by commensurate revenues, the Company's business, results of operations and financial condition will be materially adversely affected. There can be no assurance that the Company will be able to generate sufficient revenues from the sale of its products and services. If cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to the Company's shareholders.

Potential fluctuations in quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside the Company's control including: the demand for the Company's products and services; seasonal trends in demand and pricing of products and services; the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations; the introduction of new services and products by the Company or its competitors; price competition or pricing changes in the industry; political risks and uncertainties involving the world's markets; technical difficulties and general economic conditions. The Company's quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it may be that the Company's operating results will fall below the expectations of the Company or investors in some future quarter.

Management of Growth

The Company may experience growth in the number of employees relative to its current levels of employment and the scope of its operations. In particular, the Company may need to hire sales, marketing and administrative personnel. Additionally, acquisitions could result in an increase in employee headcount and business activity. Such activities could result in increased responsibilities for management. The Company believes that its ability to increase its customer support capability and to attract, train, and retain qualified technical, sales, marketing, and management personnel, will be a critical factor to its future success. In particular, the availability of qualified sales and management personnel is quite limited, and competition among companies to attract and retain such personnel is intense. During strong business cycles, the Company may experience difficulty in filling its needs for qualified sales, and other personnel.

The Company's future success will be highly dependent upon its ability to successfully manage the expansion of its operations. The Company's ability to manage and support its growth effectively will be substantially dependent on its ability to implement adequate financial and management controls, reporting systems, and other procedures and hire sufficient numbers of financial, accounting, administrative, and management personnel. The Company is in the process of establishing and upgrading its financial accounting and procedures. There can be no assurance that the Company will be able to identify, attract, and retain experienced accounting and financial personnel. The Company's future operating results will depend on the ability of its management and other key employees to implement and improve its systems for operations, financial control, and information management, and to recruit, train, and manage its employee base. There can be no assurance that the Company will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures, and any inability to do so would have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company's future success depends upon its ability to address potential market opportunities while managing its expenses to match its ability to finance its operations. This need to manage its expenses will place a significant strain on the Company's management and operational resources. If the Company is unable to manage its expenses effectively, the Company's business, results of operations, and financial condition will be materially adversely affected.

Risks associated with acquisitions

Although the Company does not presently intend to do so, as part of its business strategy in the future, the Company could acquire assets and businesses relating to or complementary to its operations. Any acquisitions by the Company would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: the Company could be exposed to unknown liabilities of the acquired companies; the Company could incur acquisition costs and expenses higher than it anticipated; fluctuations in the Company's quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; the Company could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; the Company's ongoing business could be disrupted and its management's time and attention

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diverted; the Company could be unable to integrate successfully.

ITEM 7. FINANCIAL STATEMENTS.

Comparative Audited Financial Statements as of and for the year ended December 31, 2004, and for the year ended December 31, 2003 are presented in a separate section of this report following Part IV.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Other than as presented below, there were no changes in or disagreements with Accountants on Accounting and Financial Disclosure.

ITEM 8A. CONTROLS AND PROCEDURES.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of disclosure and controls and procedures. As of the end of the period covered by this Annual Report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in internal controls over financial reporting. There was no change in our internal controls, which are included within disclosure controls and procedures, during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls.

PART III.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

Officers and Directors.

The names and respective positions of the directors, executive officers, and key employees of the Company are set forth below; there are no other promoters or control persons of the Company. The directors named below will serve until the next annual meeting of the Company's stockholders or until their successors are duly elected and have qualified. Directors are are elected or re-elected at stockholders' meeting. Officers will hold their positions at the will of the board of directors, absent any employment agreement. There are no arrangements, agreements or understandings between non-management shareholders and management under which non-management shareholders

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may directly or indirectly participate in or influence the management of the Company's affairs. The directors and executive officers of the Company are not a party to any material pending legal proceedings.
Darryl Reed, President/CEO/Director

Mr. Darryl Reed is the current President of the Company. His background includes seven years in the financial services industry. Mr. Reed formerly was with New York Life Insurance Company, a major insurance company, and certain of its subsidiaries since October 1995. Such subsidiaries included #1A Eagle Strategies Corp., a registered investment adviser, where Mr. Reed worked from April 1997 until May 2000. Mr. Reed held several licenses in the financial services industry, including Series 7, 63 and 65. He has a BS in Finance from the University of Florida and an MS from the American College, Philadelphia, PA.

Leon Zajdel, Director, Chairman of the Board

Leon Zajdel has been a director of the Company since April 1999. Mr. Zajdel was founder and has served as President of Energy Guard Corp., a manufacturer and retailer of replacement windows, located in Beltsville, MD, since 1972.

Phillip Trigg, Treasurer, Secretary and Director

Phillip Trigg has been secretary and treasurer since November 2000. Mr. Trigg has served with United Marketing Solutions since August 1995 in a variety of positions including Senior Vice President of Franchise Sales and Business Development and COO.

Melissa Held, Director

Ms. Held was appointed to the Board of Directors in November 2002. She possesses an extensive background in financial management and real estate. Ms. Held was with Merrill Lynch in a variety of positions over the past eight years, as a Sales Associate from 1994 to 1998, as a Senior Specialist, Interactive Technology from 1998 to 2000 and as Asst. Vice President, Consultative Training Services from 2000 to present. Ms. Held has a BA in Communications from Hollins College (1993).

Fernando Mathov, Director

Mr. Mathov was appointed to the Board of Directors in February 2003. He possesses an extensive background as a project manager, systems engineer and consultant in the telecommunications industry with various companies. Currently Mr. Mathov holds two positions, as a Technical Solutions Manager from 1997 to the present at Media and Entertainment Vertical EMC Corporation, and as a Project Manager at Informix Software from 1994 to the present. Mr. Mathov has a BS in Computer Science (1989) and an MBA in Management Science (1991), both from Virginia Polytechnic Institute and State University.

(b) Compliance with Section 16(a) of the Exchange Act.
Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, certain officers and persons holding 10% or more of the Company's common stock to file reports regarding their ownership and regarding their acquisitions and dispositions of the Company's common stock with the Securities and Exchange Commission. Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.
Based solely on a review of the fiscal year ended December 31, 2004

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and subsequently, the Company is unaware that any required reports were not timely filed.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth certain information relating to the compensation paid by the Company during the last three fiscal years to the Company's President. No other executive officer of the Company received total salary and bonus in excess of \$100,000 during the fiscal year ended December 31, 2004 and prior.

Summary Compensation Table

Name and principal position	Year	Annual compensation			Long-term Compensation			Other annual compensation (\$)	Restricted stock award(s) (\$)	Securities underlying options/SARs(1) (#)	LTIP payouts (\$)	All other compensation (\$)
		Salary (\$)	Bonus (\$)		Awards	Payoffs						
Darryl Reed, President	2004	180,000	0	0	0	0	0	0	0	0		
	2003	165,000	0	0	0	0	0	0	0	0		
	2002(2)	150,000	0	0	0	0	0	0	0	0		

(1) As of October 1, 2001, the Company agreed to begin compensating Mr. Reed at a yearly rate of \$150,000, but only paid Mr. Reed approximately \$5,000 through the end of the year, leaving a balance due of approximately \$30,000.

(2) Subsequent to the fiscal year end, the Company entered into a formal three-year employment agreement with Mr. Reed. Terms include an initial year at \$150,000, with an increase of ten percent per year, along with 300,000 stock options at a strike price of \$0.02, along with annual cash and stock bonuses based upon performance, a car allowance and life and medical insurance.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth information regarding the beneficial ownership of shares of the Company's common stock as of December 31, 2004 (issued and outstanding) by (i) all stockholders known to the Company to be beneficial owners of more than ten percent of the outstanding common stock; and (ii) all directors and executive officers of the Company as a group:

Title of Class	Name and Address of Beneficial Owner (1)	Amount of Beneficial Ownership (2)	Percent of Class
Common Stock	Darryl Reed	3,001,546	29%
Common Stock	Leon Zajdel	478,747	4.6%
Common Stock	Melissa Held	100,000	1.0%
Common Stock	Phillip Trigg	200,000	2.0%
Common Stock	Fernando Mathov	100,000	1.0%

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All five persons listed above, together 3,880,292 37.6%

(1) The address for all persons listed is 7644 Dynatech Court, Springfield, VA, 22153. Each person has sole voting power and sole right to dispose as to all of the shares shown as beneficially owned by them except as footnoted.

Insurance Plans

The Company makes available to all full-time employees medical and dental plan benefits. Employees are eligible to participate in company insurance plans when they complete 90 days of service with the Company.

Other Benefit Plans

401(k) Plan. The Company makes available a 401(k) Savings Plan (the "401(k) Plan"), a federally-qualified, tax-deferred plan administered by a third party. The 401(k) Plan provides participants with savings or retirement benefits based on employee deferrals of compensation, as well as any matching and other discretionary contributions made by the Company. Employees are eligible to participate in the 401(k) Plan when they complete one month of service with the Company and have attained the age of 18. The employee can defer up to 15% of the compensation amount earned within a calendar year, not to exceed the ceiling set forth annually by the Internal Revenue Service. The Company matches the employee's contribution to the 401(k) Plan dollar-for-dollar up to 3% of the employee's annual salary. Participants become vested in any employer contributions to the 401(k) Plan after two years of service at a rate of 20% for each completed year of service. A participant is always 100% vested in his or her salary reduction contributions to the 401(k) Plan.

Stock Option Plan.

The Company has also filed a Stock Option Plan for Employees on Form S-8 in December 2001. The Company had not issued any Stock Options pursuant to the Plan included therein to any employees as of December 31, 2004.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

During the past two years, and as not otherwise disclosed of in any other filing, there have not been any transactions that have occurred between the Company and its officers, directors, and five percent or greater shareholders, unless listed below.

Certain of the officers and directors of the Company are engaged in other businesses, either individually or through partnerships and corporations in which they have an interest, hold an office, or serve on a board of directors. As a result, certain conflicts of interest may arise between the Company and its officers and directors. The Company will attempt to resolve such conflicts of interest in favor of the Company. The officers and directors of the Company are accountable to it and its shareholders as fiduciaries, which requires that such officers and directors exercise good faith and integrity in handling the Company's affairs. A shareholder may be able to institute legal action on behalf of the Company or on behalf of itself and other similarly situated shareholders to recover damages or for other relief in cases of the resolution of conflicts in any manner prejudicial to the Company.

PART IV

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ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

Exhibits.

Exhibits included or incorporated by reference in this document are set forth in the Exhibit Index.

Index to Financial Statements and Schedules. Page

Report of Independent Registered Public Accounting Firm

Financial Statements

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth fees billed to us by our auditors during the years ended December 31, 2004 and 2003 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services by our auditor that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees, (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other fees for services rendered.

	December 31, 2004	December 31, 2003
(i) Audit Fees	\$40,000	\$40,000
(ii) Audit Related Fees	\$0	\$0
(iii) Tax Fees	\$0	\$0
(iv) All Other Fees	\$0	\$0
Total fees	\$40,000	\$40,000

AUDIT FEES. Consists of fees billed for professional services rendered for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our auditors in connection with statutory and regulatory filings or engagements.

AUDIT-RELATED FEES. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." There were no Audit-Related services provided in fiscal 2004 or 2003.

TAX FEES. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. There were no tax services provided in fiscal 2004 or 2003.

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ALL OTHER FEES. Consists of fees for products and services other than the services reported above. There were no management consulting services provided in fiscal 2004 or 2003.

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS

The Company currently does not have a designated Audit Committee, and accordingly, the Company's Board of Directors' policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Board of Directors may also pre-approve particular services on a case-by-case basis.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated:

Signature	Title	Date
/s/Darryl Reed Darryl Reed	President/Director	June 5, 2005
/s/Phillip Trigg Phillip Trigg	Treasurer, Secretary/Director	June 5, 2005
/s/Mellisa Held Melissa Held	Director	June 5, 2005
/s/ Fernando Mathov Fernando Mathov	Director	June 5, 2005
/s/ Leon Zajdel Leon Zajdel	Chairman of the Board	June 5, 2005

Exhibit	Description
3.1	Articles of Incorporation, under the name Micro Tech Industries, Inc. (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on April 15, 1998).
3.2	Amendment to the Articles of Incorporation (incorporated by reference in the Company's quarterly report filed on Form 10 Q filed on May 15, 1997).
3.3	Amended and Restated Bylaws (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on November 12, 1999).
16.1	Letter on change in certifying accountant (incorporated by reference in the filing of the Company's current report on Form 8-K filed on January 5, 2001).
31.1	Certification of Principal Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as

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adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as
adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2004 AND 2003

FORMING A PART OF ANNUAL REPORT
PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934
NEXT GENERATION MEDIA CORP.

NEXT GENERATION MEDIA CORP.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Next Generation Media Corporation
7644 Dynatech Court
Springfield, VA 22153

We have audited the accompanying consolidated balance sheet of Next Generation Media Corporation (a Nevada Incorporation) as of December 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement

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presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Next Generation Media Corporation as of December 31, 2004, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, in 2004 the Company changed from an unacceptable method of accounting for goodwill to an acceptable method. The change in accounting principles has been accounted for as a correction of an error and prior financial statements presented have been restated.

Turner, Jones & Associates
Vienna, Virginia
March 23, 2005

Next Generation Media Corporation

Financial Statements

For The Years Ended December 31, 2004 and 2003

With Audit Report of Independent

Registered Public Accounting Firm

TURNER, JONES AND ASSOCIATES, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Next Generation Media Corporation
Consolidated Balance Sheet
As of December 31, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 395,575
Accounts receivable, net of uncollectible accounts	325,698
Notes receivable, net	85,833
Trade notes receivable	46,587
Inventories	103,380
Employee loans and advances	2,074
Deposits	41,200
Prepaid expenses and other current assets	24,437
Total current assets	1,024,784

PROPERTY, PLANT AND EQUIPMENT:

Equipment	1,443,587
Furniture and fixtures	65,093
Leasehold improvements	76,363
Computer Equipment/Software	53,887
Vehicles	9,200

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Total property, plant and equipment	1,648,130
Less: accumulated depreciation	(1,320,701)
Net property, plant and equipment	327,429
OTHER ASSETS:	
Intangibles, net of accumulated amortization	951,133
Trade notes receivable	21,630
Total other assets	972,763
TOTAL ASSETS	2,324,976

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Obligation under capital leases, current portion	18,595
Notes payable	13,998
Accounts payable	169,105
Accrued expenses	206,006
Deferred revenue	29,000
Pension payable	6,558
Sales tax payable	4,299
Total current liabilities	447,561
LONG TERM LIABILITIES:	
Obligation under capital leases	61,851
Total long term liabilities	61,851
Total liabilities	509,412
STOCKHOLDERS' EQUITY:	
Common stock, \$.01 par value, 50,000,000 shares authorized, 10,523,397 issued and outstanding	105,234
Additional paid in capital	7,379,744
Accumulated deficit	(5,669,414)
Total stockholders' equity	1,815,564
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,324,976

See accompanying notes and accountant's audit report

Next Generation Media Corporation
Consolidated Statements of Income
For The Years Ended December 31, 2004 and 2003

	2004	2003
REVENUES:		
Coupon and postage sales, net of discounts	\$ 7,369,106	\$6,841,202
Franchise fees	452,500	205,050
Total revenues	7,821,606	7,046,252

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COST OF GOODS SOLD:		
Materials	1,005,385	984,996
Direct labor	1,651,461	1,482,768
Equipment repairs	31,001	18,435
Postage and delivery	2,263,296	2,132,143
Payroll taxes	126,273	113,527
Group Insurance	117,855	129,010
Other costs	10,973	15,890
Total cost of goods sold	5,206,244	4,876,769
Gross margin	2,615,362	2,169,483
GENERAL AND ADMINISTRATIVE EXPENSES:		
401(k) administration fees	7,121	5,942
401(k) matching	40,000	42,000
Advertising	46,170	39,593
Amortization	750	3,000
Bad debt expense	240,000	30,000
Bank charges	31,148	21,311
Commissions and fees	8,194	9,759
Depreciation	129,329	121,995
Franchise development	281,364	121,196
Insurance	52,288	50,123
Meals and entertainment	4,671	9,326
Office expense	92,777	70,683
Other expenses	5,096	1,505
Administrative payroll	850,744	680,396
Administrative payroll taxes	74,900	57,368
Professional fees	127,105	140,525
Franchise training and support	129,598	56,616
Employee training and relocation	35,742	15,879
Computer maintenance and support	43,859	13,614
Rent and pass thru expenses	282,640	273,453
Repairs and maintenance	5,859	14,258
Taxes & licenses	17,340	12,347
Temporary help	5,024	26,584
Utilities	83,692	86,173
Vehicle expenses	19,692	15,732
Total general and administrative	2,615,103	1,919,378
Income (Loss) from operations	259	250,105
OTHER INCOME AND EXPENSES:		
Gain on settlement of debt	188,673	-
Other income (expense)	717	22,927
Interest expense	(6,189)	(5,448)
Lawsuit settlement	-	27,207
Total other income (expense)	183,201	44,686
Income (Loss) before provision for income tax	183,460	294,791
Provision for income tax:	-	-
Net income	183,460	294,791
Income (loss) applicable to common shareholders	183,460	294,791
Basic income/(loss) per common share	0.017	0.029

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Weighted average common shares outstanding	10,523,397	10,222,985
Diluted income/(loss) per common share	0.013	0.021
Fully diluted common shares outstanding	14,213,397	13,739,149

See accompanying notes and accountant's audit report

Next Generation Media Corporation
Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	
December 31, 2002	9,523,397	95,234	\$7,343,744	(\$6,147,665)	\$
Common stock issued in exchange for services	1,000,000	10,000	36,000	-	
Net Income	-	-	-	294,791	
December 31, 2003	10,523,397	105,234	7,379,744	(5,852,874)	
Net Income (Loss)	-	-	-	183,460	
December 31, 2004	10,523,397	105,234	7,379,744	(5,669,414)	

Next Generation Media Corporation
Statements of Cash Flows
For The Years Ended December 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 183,460	\$ 94,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	-	46,000
Depreciation and amortization	130,079	124,995
(Increase)/decrease in assets		
Receivables	252,786	(77,398)
Inventories	(36,970)	(10,502)
Deferred compensation	-	-
Prepays and other current assets	(21,278)	64,256
Increase/(decrease) in liabilities		
Accounts payable	45,497	(227,646)
Accrued expenses	50,003	(41,424)
Deferred revenue	29,000	(4,688)
Pension payable	1,599	(21,075)
Sales tax payable	(203,385)	
Net cash flows provided/(used) by operating activities	430,791	147,309

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CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(81,255)	(96,705)
Net cash used by investing activities	(81,255)	(96,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under capital lease	42,047	60,063
Repayment of notes payable and capital lease	(119,021)	(113,010)
Net cash provided by financing activities	(76,974)	(52,947)
NET INCREASE (DECREASE) IN CASH	272,562	(2,343)
CASH, BEGINNING OF PERIOD	123,013	125,356
CASH, END OF PERIOD	395,575	123,013
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Income taxes	-	-
Interest	6,189	6,196
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Common stock issued for services	-	46,000

See accompanying notes and accountant's audit report

Next Generation Media Corporation
Notes to Financial Statements
December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries, with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At December 31, 2004, the Company had approximately 53 active area franchise license agreements located throughout the United States.

Property and Equipment:

Property and equipment are stated at cost. The company uses the straight-line method in computing depreciation for financial statement purposes.

Expenditures for repairs and maintenance are charged to income, and renewals and replacements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts.

Estimated useful lives are as follows:

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Furniture, fixtures and equipment	7-10 years
Leasehold Improvements	10 years
Vehicles	5 years
Computer & Software	5 years

Depreciation expense for the years ended December 31, 2004 and 2003 amounted to \$129,329 and \$121,995 respectively.

Intangibles:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets. The Company annually evaluates the goodwill for possible impairment. The Company performed an assessment of the fair value of its sole reporting segment as defined by SFAS No. 142 and compared it to the carrying value of its reporting segment. Upon restatement of the error described in Note 15 the Company's market capitalization was less than the Company's book value indicating possible impairment under the Intangibles:

test established by SFAS No. 142. The Company determined the fair value of its assets on a class-by-class basis. The fair values of the Company's assets were based upon the expected cash flow from the Company's business, assuming a discount rate that reflects the degree of risk involved with this type of business. The fair value of goodwill was in excess of its carrying value, and therefore, no impairment was recorded.

In addition, the Company had a covenant not to compete, which was being amortized over five (5) years. The covenant not to compete was fully amortized during 2004.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the years ended December 31, 2004 and 2003 were \$46,170 and \$39,593 respectively.

Revenue Recognition:

The Company recognizes revenue from the design production and printing of coupons upon delivery. Revenues from initial franchise fee are recognized when substantially all services or conditions relating to the sale have been substantially performed. Substantially all services or conditions are performed prior to receipt of payment from the franchisee. Franchise support of \$150 per quarter and other charges are recognized when billed to the franchisee. Amounts billed or collected in advance of final delivery or shipments are reported as deferred revenue.

Impairment of Long-Lived Assets:

The Company reviews the carrying values of its long-lived assets for possible impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists for either of the two years ending December 31, 2004 and 2003.

Comprehensive Income:

The Company has adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." Comprehensive income as defined includes all changes to equity except that resulting from investments by owners and distribution to owners. The Company has no item of comprehensive income to report.

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New Accounting Pronouncements:

In November of 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is requested to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified issued or modified after December 31, 2002 and the disclosure provisions were effective for the year ended December 31, 2002. The adoption of this interpretation did not have a material effect on the Company's consolidated results of operations, financial condition or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. With the exception of certain measurement criteria deferred indefinitely by the FASB, SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation of SFAS No. 150 did not have a material impact on the Company's consolidated results of operations, financial condition, or cash flows.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Corporation uses Statement of Financial Standards No. 109 Accounting for Income Taxes (SFAS No. 109) in reporting deferred income taxes. SFAS No. 109 requires a company to recognize deferred tax liabilities and assets for expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences in financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which temporary differences are expected to reverse.

Risks and Uncertainties:

The Company operates in an environment where intense competition exists from other companies. This competition, along with increases in the price of paper, can impact the pricing and profitability of the Company.

Accounts Receivable:

The Corporation grants credit to its customers, which includes the retail sector and their own franchisees. The Company establishes an

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allowance for doubtful accounts based upon on a percentage of accounts receivable plus those balances the Company believes will be uncollectible. Allowance for uncollectible accounts as of December 31, 2004 was \$173,427.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Earnings Per Common Share:

The Company calculates its earnings per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). Under SFAS No. 128, basic earnings per share are computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. Diluted earnings per share reflect the potential dilution assuming the issuance of common shares for all potential dilutive common shares outstanding during the period. The Company had 3,690,000 options issued and outstanding as of December 31, 2004 and 2003 to purchase stock.

Inventories:

Inventories consist primarily of paper, envelopes, and printing materials and are stated at the lower of cost or market, with cost determined on the first-in, first-out method.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the parent company, Next Generation Media Corporation and its subsidiary United Marketing Solutions, Inc. for the years ended December 31, 2004 and 2003. All inter-company balances and transactions have been eliminated in consolidation.

Gain on Settlement of debt:

During 2004, the Company settled a debt to the Commonwealth of Virginia for back sales tax and recognized a gain from settlement of debt of \$188,673.

NOTE 2 - RETIREMENT PLAN

The company maintains a 401(k) defined contribution plan covering substantially all employees. The Corporation may contribute up to 3% of each eligible employee's gross wages. Employees can elect up to 15% of their salary to be contributed before income taxes up to the annual limit set by the Internal Revenue Code. The Corporation contributed \$34,928 net of forfeitures for 2003. The Company estimates it will contribute \$40,000 for 2004.

NOTE 3 - NOTES PAYABLE

Notes payable at December 31, 2004 consists of:

Obligation to CIT Group, bearing interest at 10%, the loan is payable in fifty-six monthly installments of \$500, including interest, and is collateralized by the property and equipment of the Company. Balance outstanding at December 31, 2004 was \$6,498.

Unsecured note payable to Capital York calling for payments of \$1,000 per month inclusive of interest. Balance at December 31, 2004 was \$7,500.

The 5-year schedule of maturities is as follows:

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2005	13,998
2006	0
Thereafter	0
	13,998

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Future minimum annual lease payments for capital and operating leases as of December 31, 2004 are:

	Operating	Capital
2005	282,780	25,800
2006	280,006	25,800
2007	23,409	25,800
2008	0	17,988
Thereafter	0	0
Total	586,195	95,388

Rent expense for the years ended December 31, 2004 and 2003 was \$282,640 and \$273,453, respectively.

The Company has entered into various employment contracts. The contracts provided for the award of present and/or future shares of common stock and/or options to purchase common stock at fair market value of the underlying options at date of grant or vesting. The contracts can be terminated without cause upon written notice within thirty to ninety days.

The Company is party to various legal matters encountered in the normal course of business. In the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the Company's financial position or the future results of operations.

NOTE 5 - INCOME TAXES

Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

Management has provided a valuation allowance for the total net deferred tax assets as of December 31, 2004 and 2003, as they believe that it is more likely than not that the entire amount of deferred tax assets will not be realized.

The company filed a consolidated return, with a tax liability of \$0 for the year 2004. At December 31, 2004, the Company had net operating loss carry forwards for federal income tax purposes of approximately \$2,409,509 which are available to offset future taxable income, if any, on a scheduled basis through 2018.

NOTE 6 - OBLIGATION UNDER CAPITAL LEASE

The Company acquired machinery under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the machinery have been capitalized.

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The future minimum lease payments under capital leases and net present value of the future minimum lease payments as of December 31, 2004 are as follows:

Total minimum lease payments	\$95,388
Amount representing interest	14,942
Present value of net minimum lease payments	80,446
Current portion	18,595
Long-term capital lease obligation	61,851

NOTE 7 - COMMON STOCK

In 2003, the Company issued 2,350,000 options to purchase shares of common stock at \$0.01 per share to members of the Company's Board of Directors and the employees. The options were issued at the then fair market value of the underlying shares. In addition, the Company issued 1,000,000 shares of common stock valued at \$46,000 to various consultants and employees for services rendered.

NOTE 8 - NOTE AND TRADE RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO, Inc. for \$200,000 in conjunction with the sale of Independent News, Inc. The note is outstanding and currently in default; the Company's management considers a portion of the note collectible. Accordingly, an allowance for uncollectible accounts of \$160,000 has been established.

NOTE 9 - INTANGIBLE ASSETS

Intangible assets consist of the following items:

Goodwill	\$1,341,850
	1,341,850
Less accumulated amortization (Pre January 1, 2002)	(390,717)
Intangible assets, net	\$ 951,133

Amortization expense for the years ended December 31, 2004 and December 31, 2003 were \$750 and \$3,000, respectively.

NOTE 10 - DEFERRED REVENUE

During 2004, the Company received \$29,000 for services to be performed in 2005. When the services were performed, the amount was recognized as income in 2005.

NOTE 11 - PUBLIC STOCK LISTING

Next Generation Media Corporation common stock began trading on the OTC Bulletin Board on June 11, 2001, under the symbol NGMC.

NOTE 12 - SEGMENT INFORMATION

The Company has one reportable segment for the twelve-month periods ended December 31, 2004 and 2003: United Marketing Solutions. United was acquired on April 1, 1999. The entity is a wholly owned subsidiary. United operates a direct mail marketing business. The accounting policies of the reportable segments are the same as those set forth in the Summary of Accounting Policies. Summarized financial information concerning the Company's reporting segments for the periods ending December 31, 2004 and 2003 are presented below:

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NOTE 13 - SEGMENT INFORMATION

Year Ended				
December 31, 2003	Segment	Parent	Eliminations	Total
Revenue	7,046,252	310,000	310,000	7,046,252
Segment profit/(loss)	96,345	198,446	0	294,791
Total assets	2,017,090	1,622,582	(1,343,896)	2,295,776
Year Ended				
December 31, 2004	Segment	Parent	Eliminations	Total
Revenue	7,821,606	418,000	418,000	7,821,606
Segment profit/(loss)	83,324	100,136	0	183,460
Total assets	1,958,152	1,647,024	(1,280,200)	2,324,976

NOTE 14 - RECLASSIFICATIONS

Certain amounts on the 2003 financial statements have been reclassified to conform to the 2004 presentation.

NOTE 15 - CORRECTION OF AN ERROR

The interim financial statements have been corrected to remove amortization of goodwill pursuant to SFAS No. 142. The cumulative effect was a \$265,370 decrease in accumulated deficit and corresponding increase in intangibles through December 31, 2003. The correction resulted in an increase in net income and intangibles and a corresponding decrease in accumulated deficit of approximately \$134,935 and \$132,685 for the years ended December 31, 2004 and 2003. All prior periods presented have been restated to reflect the correction.