

MediaZest plc

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

(Company No. 05151799)

MediaZest plc

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MediaZest plc

DIRECTORS AND ADVISERS

DIRECTORS

Lance O'Neill (Non-Executive Chairman)
Geoffrey Robertson (Chief Executive Officer and Finance Director)
James Abdool – appointed 3rd August 2011

SECRETARY

Nigel Duxbury

REGISTERED OFFICE

3rd Floor
16 Dover Street
London W1S 4LR

NOMINATED ADVISERS

Northland Capital Partners Ltd
60 Gresham Street
London EC2A 7BB

BROKERS

Hybridan LLP
29 Throgmorton Street
London EC2N 2AT

AUDITORS

Nexia Smith & Williamson
Statutory Auditors
Chartered Accountants
No 1 Bishops Wharf
Walnut Tree Close
Guildford
Surrey GU1 4RA

SOLICITORS

Nabarro LLP
Lacon House
Theobald's Road
London WC1X 8RW

PRINCIPAL BANKERS

Lloyds TSB Bank plc
222 Strand
London WC2R 1BB

REGISTRARS

Share Registrars Ltd
Craven House
West Street
Farnham
Surrey GU9 7EN

MediaZest plc

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest plc (the "Group") for the year ended 31 March 2011 incorporate the results of its subsidiaries, all of which are wholly owned.

Results for the Year and Key Performance Indicators

Turnover for the year was £1,918,000 (2010: £2,572,000), cost of sales was £957,000 (2010: £1,451,000) and the Group made a loss for the year, after taxation, of £457,000 (2010: £747,000) after finance costs of £83,000 (2010: £32,000) and having paid administrative expenses of £1,335,000 (2010: £1,836,000).

The basic loss and diluted loss per share was 0 pence (2010: 1 pence). The Group had cash in hand of £365,000 (2010: £37,000) at the year end, and an invoice discounting facility over the debtors of Touch Vision of which £214,000 (2010: £60,000) was in use at 31 March 2011.

As at 31 March 2011 the Group also had loans from shareholders of £505,000 (2010: £290,000).

As at 31 March 2011, the Group has a current maximum limit of £350,000 under the existing invoice discounting facility. The overdraft facility was converted into a loan of £50,000 repayable over three years with the same bank on 27 August 2010.

Business overview

The Group operates, currently, two trading businesses, Touch Vision (TV) and MediaZest Ventures (MV). TV trades as an Audio Visual supply and installation company whilst MV operates as a 'digital out of home' creative agency.

The Group's previous accounting period was fifteen months in duration (15 months to 31 March 2010) and the Group finished the year, a 12 month accounting period ending 31 March 2011, with monthly average sales figures broadly consistent with the prior period. The Group's full year loss for the current year was £457,000 (2010 – loss of £747,000).

Group turnover was £1,918,000 (2010 – £2,572,000) with turnover in the latter half of the year being less than anticipated due, in part, to disappointing trading over the Christmas and Easter periods. However, there was an improvement in gross profit margins as a higher proportion of installation, maintenance and consulting services rather than equipment sales constituted the larger part of the year's turnover in comparison to the previous period.

In the current year, the Board is targeting a return to improved turnover levels whilst maintaining the lower cost base that has been achieved in the last twelve months. The Board's strategy is to attain this level of turnover by increasing the higher margin business achievable through MV whilst both maintaining and expanding revenue through the Education Framework agreements that TV became a participant to in November 2010.

This strategy is already showing evidence of success as turnover in Q1 for the period ending 31 March 2012 is anticipated to be in excess of £800,000 (a 63% increase on the comparative period), although it is evident that margins are under more pressure this year.

The Group raised £440,000 before expenses in March 2011 from both existing and new shareholders, the proceeds of which were to be applied towards strengthening the sales team and to improve the working capital resources available to the Group's operating subsidiaries.

MediaZest plc

CHAIRMAN'S STATEMENT

Business overview (Continued)

James Abdool joined the Group as a consultant in October 2010 and became Group Sales Director in August 2011. James is an experienced Sales Director with a strong history of achievement in both generating revenue and introducing new business lines. In addition, two further salesmen joined the Sales team during the year.

MediaZest Ventures Division

MediaZest Ventures continues to provide the Group with its largest and most attractive opportunities. However, operating in the retail sector, projects continue to be under budget pressure although there have been positive signs of growth with a number of large scale future projects being discussed with clients.

During the year, MediaZest Ventures added a number of high quality new clients, including Microsoft, British Gas, Killik and Co, and continued to work with long term clients such as Barclays Bank, JD Sports and Footlocker.

One of the most notable developments during the year was the launch of the MediaZest version of 3M's "virtual mannequin" concept which drew widespread acclaim. Since its launch at Luton Airport in February 2011 MV has provided units to various clients, including Birmingham Airport, with several other potential orders in the pipeline. In addition, the product has been very popular in our other markets including retail and education. Plans are in progress to launch an interactive version as well as a point-of-sale version.

The Company also continues to be well regarded in the market place for its digital poster projections which have been well received and as such this is a product that the Board believes will continue to bring ongoing revenues .

In order to improve operational efficiencies and reduce administrative costs, the MediaZest Ventures trading division has been transferred into the Touch Vision legal entity. The brand name will be continued, trading as a division of Touch Vision Ltd and the original limited company made dormant.

Touch Vision Ltd

The most significant business win during the year for Touch Vision was its success in tendering for a number of specific Lots under the Inter-Regional AV Equipment Framework Agreement ("Framework Agreement").

The Framework Agreement will run for a term of three years, 2 November 2010 to 1 November 2013, with provision for an extension of a further year. The Framework Agreement covers four purchasing consortia:

- * Higher Education Purchasing Consortium, Wales ("HEPCW") - comprising 12 members
- * Value Wales - comprises 122 member institutions and includes public sector bodies such as Companies House, the DVLA and the Food Standards Agency, as well as a number of Educational institutions
- * London Universities Purchasing Consortium ("LUPC") - comprising 68 full member institutions

MediaZest plc

CHAIRMAN'S STATEMENT

Business overview (Continued)

Touch Vision Ltd (continued)

* Southern Universities Purchasing Consortium ("SUPC") - comprising 112 member institutions

The Lots which Touch Vision has successfully tendered for are as follows:

AV equipment supply only - for HEPCW, Value Wales, LUPC, SUPC. This Lot has an estimated annual value of £2million and Touch Vision is one of five companies to have been successful in tendering for this Lot.

AV presentation systems, equipment and services (including design, supply and installation) - for HEPCW, Value Wales and LUPC. The HEPCW and Value Wales element has an estimated annual value of £1million and Touch Vision is one of eleven companies to have been successful in tendering for this Lot. The LUPC element of this Lot has an estimated annual value of an additional £2.5million and Touch Vision is one of nine companies to have been successful in tendering for this section of the Lot.

Supply of projector lamps - for all four purchasing consortia. This Lot has an estimated annual value of £2million. Touch Vision is one of four companies to have been successful in tendering for this Lot.

The expected total annual spend by the consortia in respect of the Lots to which Touch Vision has been appointed is £7.5million.

Although Touch Vision must win business under competitive terms of tender it does give the company access to a large number of new potential clients. Despite only being awarded the opportunity to participate the Framework Agreement in November 2010, the company has already won several significant pieces of business and developed new client relationships. In light of the ongoing changes in funding within the Education sector, it appears that spending for the 2011 calendar year will be subdued across these consortia but the Board believes there will be strong ongoing opportunities generated from this and subsequent framework agreements and that this will provide additional revenue opportunities in the coming years.

Outside of these agreements, the Education division continues to add clients including the Licensed Victuallers School in Ascot and Burton College in the Midlands, and performs ongoing work with long term clients such as London South Bank University.

Touch Vision's retail customers such as HMV and Kuoni continue to be a significant part of the business. These clients continue to provide excellent revenue for the company. The more traditional Corporate market is also providing opportunities again for the company as clients look for better value solutions and reliable systems providers. This has helped the company win a number of new clients including ETC Venues in the conference facilities market.

MediaZest plc

CHAIRMAN'S STATEMENT

Business overview (Continued)

Outlook

As noted above, the Company has increased its resource in its sales and marketing function and this investment is leading to new business opportunities.

Work in progress during the year to date includes several significant projects. Firstly, Touch Vision has completed an installation programme for a large UK University in excess of £300,000 which was outside of the Framework Agreement noted above. Second, the Framework Agreement has also provided some ongoing equipment only purchases which, despite being of a lower margin than our installation work, have enabled TV to buy more effectively and begin developing relationships with new clients.

In the corporate market, MV's hologram solutions have been used by blue chip companies including Astra Zeneca and British Telecom. We have also undertaken a branch refurbishment programme with the West Bromwich Building Society which is currently ongoing.

Looking forward, the Group's businesses operate in markets that are affected by both the level of retail customer demand and government/local authority expenditure. Whilst customer demand and interest is good, presently, the Board recognises that a re-emergence of an economic slowdown may have an effect on future trading performance.

However, the Board believes that the Group is now more versatile and nimble enough to deal with changes in the business environment on a more timely basis and as a consequence give itself a greater ability to cope with events beyond its control, than in previous years. Notwithstanding, the Board is committed to moving the Group forward to profitability and believes that the strategy that it has implemented is achievable.

Lance O'Neill
Chairman

5th September 2011

MediaZest plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements of MediaZest plc (the "Company", and collectively with the subsidiary companies, the "Group") for the year ended 31 March 2011 and the comparative 15 month period ended 31 March 2010. The consolidated financial results of the Group include the results of its subsidiary companies, all of which are wholly owned.

Directors during the year were:

Lance O'Neill

Geoffrey Robertson

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company operates principally as a holding and investment company and specifically provides support to the subsidiary company in pursuit of the Group's strategy to deliver a one-stop audio, visual, aromatic, satellite delivery, content management and consumer interaction platform to retailers and brand owners wishing to communicate dynamically with their customers to increase sales and brand awareness.

A review of business developments is given in the Chairman's Statement.

In order to streamline the trading companies within the MediaZest plc Group, Touch Vision Ltd has now absorbed the trading activities of MediaZest Ventures Limited. As a result there was a write off to the Touch Vision Ltd Statement of Comprehensive Income of £880,589, however this was more than offset by the write off of the loans provided by MediaZest plc to Touch Vision Ltd of £1,191,968 leading to a net one off profit of £311,379 which is shown as part of administration expenses in the Touch Vision Ltd accounts.

MediaZest Ventures Ltd bank accounts will be closed prior to the year ending 31 March 2012 and the legal entity 'MediaZest Ventures Ltd' will remain in existence as a dormant company.

Going forward, this will enable the Group to reduce administration costs and provide better profitability both within Touch Vision Ltd and for the wider Group.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £457,000 (2010: £747,000).

The directors do not recommend the payment of a dividend (2010: £nil).

FINANCIAL RISK MANAGEMENT

Details of the Group's financial instruments and its policies with regards to financial risk management are given in note 24 to the financial statements.

MediaZest plc

DIRECTORS' REPORT

SUPPLIER PAYMENT POLICY

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

Trade payable days for the Group have been calculated at 113 days, (2010: 107 days) and represent the ratio expressed in days between the amounts invoiced to the Group in the year by its suppliers and the amounts due, at the year end, to trade payables falling due for payment within one year.

POST STATEMENT OF FINANCIAL POSITION EVENTS

Note 27 details post balance sheet events.

NON FINANCIAL RISKS

Principal risks the Directors are monitoring include:

Global Economy – the Group continues to face a risk of reduced levels of business as a result of the current economic environment. Management constantly monitor sales levels, pipeline and margin profitability and continue work to make the administrative cost base more flexible in order to minimise risk as a result of the economic climate. However, whilst there continues to be high levels of uncertainty in both the private and public sectors in which the Group operates, this consequential risk will remain.

Technology obsolescence and supplier reliance – as a leading provider of audio-visual technology, the Group faces risks if it does not gain access to the latest commercial products in its field of operation. As such, a sufficient proportion of management time is dedicated to keeping abreast of latest developments and gaining access to new technology. The Group is a “best practice” supplier with direct relationships with all the major audio-visual manufacturers and hence the Directors do not consider there to be an undue risk associated with a lack of supply from any one particular manufacturer.

DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

MediaZest plc

DIRECTORS' REPORT

AUDITORS

Nexia Smith & Williamson have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the next Annual General Meeting.

**Approved by the Board of Directors
and signed on behalf of the Board**

**Lance O'Neill
Chairman**

5th September 2011

MediaZest plc

CORPORATE GOVERNANCE

The Company's ordinary shares are traded on AIM and the Group is therefore not formally required to comply with the provisions of the Combined Code. However, the Board is committed to high standards of corporate governance and sets out below details of how it has applied those provisions of the Code appropriate to the Group's circumstances.

BOARD STRUCTURE

At the end of the year the Board comprised one full time executive director and one non-executive director. Post year end the Board appointed Mr James Abdool as an executive director on 3rd August 2011. Mr Abdool joins the Board as Group Sales Director.

To enable the Board to function effectively, full and timely access is given to all information.

The Board is structured so that all directors have input to provide a balance to decision making.

The executive director is engaged under a service contract, and the non-executive director under a letter of appointment. In accordance with the Company's memorandum and articles of association each director shall retire from office at the third general meeting after that at which he was elected and may offer himself for reappointment.

The Board aims to meet once a month and has a schedule of matters reserved for it, including, but not limited to, operational and financial performance.

Any training that individual directors feel is necessary in fulfilling their duties is available and all directors have access to independent advice if necessary.

REMUNERATION COMMITTEE

Under the Chairmanship of Lance O'Neill, the Remuneration Committee determines the remuneration and contractual arrangements of individual executive and non-executive directors. The Board's report on directors' remuneration appears on page 12. The present members of the Committee are:

Lance O'Neill (Chairman)
Geoffrey Robertson

AUDIT COMMITTEE

Under the Chairmanship of Lance O'Neill, the duties of the Audit Committee currently cover a review of the Group's financial reporting. The Committee's role is to review, on behalf of the Board, the annual report and financial statements and the interim report. The Committee focuses on reviewing any changes in accounting policy, major areas of judgement and estimates and compliance with accounting principles and regulatory requirements. The present members of the Committee are:

Lance O'Neill (Chairman)
Geoffrey Robertson

MediaZest plc

CORPORATE GOVERNANCE - (Continued)

RELATIONS WITH SHAREHOLDERS

The Group places importance on communication with its shareholders. Additional copies of the annual report are available to all shareholders on request and to other parties who have an interest in the Group's performance. All shareholders have the opportunity to raise questions at the Company's Annual General Meeting.

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. The directors have established the following key procedures with a view to providing effective financial control:

- The Group's organisational structure has clear lines of responsibility.
- Monthly results are reviewed and the finance department and directors closely review significant items.
- The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks.
- The executive director is closely involved in the day-to-day supervision of the business.

The directors recognise, however, that any such system of internal financial control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

MediaZest plc

REPORT ON DIRECTORS' REMUNERATION

The Remuneration Committee fixes the remuneration of the executive and non-executive directors.

SERVICE CONTRACTS

At the year end the executive director was engaged under a service contract and the non-executive director under a letter of appointment both terminable by either party on six months notice.

SHARE OPTIONS

The Board adopted a share option scheme during the course of 2006, however there were no options granted during the year ended 31 March 2011.

DIRECTORS' REMUNERATION

The directors' remuneration information is set out in note 5 to the financial statements.

By order of the Board

Lance O'Neill
Chairman

5th September 2011

MediaZest plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.
- make judgments and accounting estimates that are reasonable and prudent.
- state that the financial statements comply with IFRSs as adopted by the European Union.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIAZEST PLC

We have audited the financial statements of MediaZest plc for the year ended 31 March 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIAZEST PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Edmonds
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

1 Bishops Wharf
Walnut Tree Close
Guildford
Surrey GU1 4RA

Date: 5th September 2011

The maintenance and integrity of the MediaZest plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MediaZest plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Year ended 31 March 2011 £'000	15 months ended 31 March 2010 £'000
Continuing operations			
Revenue	2	1,918	2,572
Cost of sales		<u>(957)</u>	<u>(1,451)</u>
Gross profit		961	1,121
Administrative expenses		<u>(1,335)</u>	<u>(1,836)</u>
Operating loss	3	(374)	(715)
Finance costs	6	<u>(83)</u>	<u>(32)</u>
Loss on ordinary activities before taxation		(457)	(747)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Loss and total comprehensive loss on ordinary activities after taxation		<u><u>(457)</u></u>	<u><u>(747)</u></u>
Loss per ordinary 0.1p share			
Basic	9	(0.002p)	(0.010p)
Diluted	9	(0.002p)	(0.010p)

MediaZest plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

(Company No. 05151799)

	Note	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Goodwill	10	2,772	2,772
Property, plant and equipment	11	32	48
Total non-current assets		<u>2,804</u>	<u>2,820</u>
Current assets			
Inventories	13	120	94
Trade and other receivables	14	523	255
Cash and cash equivalents		365	37
Total current assets		<u>1,008</u>	<u>386</u>
Current liabilities			
Trade and other payables	15	(1,008)	(629)
Financial liabilities	16	(521)	(290)
Total current liabilities		<u>(1,529)</u>	<u>(919)</u>
Net current liabilities		(521)	(533)
Non-current liabilities			
Financial liabilities	16	(25)	-
Total non-current liabilities		<u>(25)</u>	<u>-</u>
Net assets		<u>2,258</u>	<u>2,287</u>
Equity			
Share capital	17	2,507	2,428
Share premium account		3,929	3,580
Share options reserve		7	7
Retained earnings		(4,185)	(3,728)
Total equity		<u>2,258</u>	<u>2,287</u>

The financial statements were approved and authorised for issue by the Board of Directors on 5th September 2011 and were signed on its behalf by:

Lance O'Neill
Director

MediaZest plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2009	2,283	3,211	7	(2,981)	2,520
Loss for the period	-	-	-	(747)	(747)
Total comprehensive income for the year	-	-	-	(747)	(747)
Issue of share capital	145	379	-	-	524
Share issue costs	-	(10)	-	-	(10)
Balance at 31 March 2010	2,428	3,580	7	(3,728)	2,287
Loss for the year	-	-	-	(457)	(457)
Total comprehensive income for the year	-	-	-	(457)	(457)
Issue of share capital	79	361	-	-	440
Share issue costs	-	(12)	-	-	(12)
Balance at 31 March 2011	2,507	3,929	7	(4,185)	2,258

MediaZest plc

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £'000	2010 £'000
Net cash used in operating activities	19	(423)	(667)
Cash flows used in investing activities			
Purchase of property, plant and equipment		(4)	(10)
Net cash used in investing activities		(4)	(10)
Cash flow from financing activities			
Bank loan		50	-
Repayment of borrowings		(9)	-
Shareholder loans		325	290
Shareholder repayments		(110)	-
Interest paid		(83)	(32)
Cash proceeds from invoice discounter		-	90
Proceeds of share issue		440	434
Share issue costs		(12)	(10)
Net cash generated from financing activities		601	772
Net increase in cash and cash equivalents		174	95
Cash and cash equivalents at beginning of year		(23)	(118)
Cash and cash equivalents at end of the year	18	151	(23)

MediaZest plc

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

(Company No. 05151799)

	Note	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Investments	12	2,963	2,963
Current assets			
Trade and other receivables	14	35	831
Cash and cash equivalents		10	-
Total current assets		<u>45</u>	<u>831</u>
Current liabilities			
Trade and other payables	15	(141)	(110)
Financial liabilities	16	(480)	(200)
Total current liabilities		<u>(621)</u>	<u>(310)</u>
Net current (liabilities)/assets		(576)	521
Net assets		<u>2,387</u>	<u>3,484</u>
Equity			
Share capital	17	2,507	2,428
Share premium account		3,929	3,580
Share options reserve		7	7
Retained earnings		(4,056)	(2,531)
Total equity		<u>2,387</u>	<u>3,484</u>

The financial statements were approved and authorised for issue by the Board of Directors on 5th September 2011 and were signed on its behalf by:

Lance O'Neill
Director

MediaZest plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2009	2,283	3,211	7	(2,981)	2,520
Profit for the period	-	-	-	450	450
Total comprehensive income for the year	-	-	-	450	450
Issue of share capital	145	379	-	-	524
Share issue costs	-	(10)	-	-	(10)
Balance at 31 March 2010	2,428	3,580	7	(2,531)	3,484
Loss for the year	-	-	-	(1,525)	(1,525)
Total comprehensive loss for the year	-	-	-	(1,525)	(1,525)
Issue of share capital	79	361	-	-	440
Share issue costs	-	(12)	-	-	(12)
Balance at 31 March 2011	2,507	3,929	7	(4,056)	2,387

MediaZest plc

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £'000	2010 £'000
Net cash used in operating activities	19	(637)	(719)
Cash flows from financing activities			
Shareholder loans		280	200
Interest paid		(61)	
Cash proceeds from invoice discounter		-	90
Proceeds of share issue		440	434
Share issue costs		(12)	(10)
Net cash generated from financing activities		<u>647</u>	<u>714</u>
Net increase/(decrease) in cash and cash equivalents		<u>10</u>	<u>(5)</u>
Cash and cash equivalents at beginning of year		-	5
Cash and cash equivalents at end of year	18	<u><u>10</u></u>	<u><u>-</u></u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year covered by these financial statements.

MediaZest plc is a company domiciled and incorporated in the United Kingdom and principal place of business is 6 The Riverside, Farnham, Surrey GU9 7SS.

Change of accounting year end

Last year the Board of Directors took the decision to extend the year end accounting date to 31 March therefore amounts presented for the prior year are not entirely comparable.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historic cost convention unless otherwise stated.

Going concern

The Directors have carefully considered the going concern assumption on the basis of financial projections and the factors outlined below.

The Directors have considered financial projections based upon known future invoicing, existing contracts, pipeline of new business and the increasing number of opportunities it is currently working on, particularly in the retail sector. In addition, these forecasts have been considered in light of the ongoing economic difficulties in the UK and global economy, previous experience of the markets in which the company operates and the seasonal nature of those markets, as well as the likely impact of ongoing reductions to public sector spending. These forecasts indicate that the company will generate sufficient cash resources to meet its liabilities as they fall due over the 12 month period from the date of the approval of the accounts.

The Directors have obtained letters of support from shareholders who have provided loans to the Group totalling £480,000 at 31 March 2011, stating that they will not call for repayment of the loans within the next 12 months or, if earlier, until the Group has sufficient funds to do so.

As a result the directors consider that it is appropriate to draw up the accounts on a going concern basis. Accordingly, no adjustments have been made to reflect any write downs or provisions that would be necessary should the Group prove not to be a going concern, including further provisions for impairment to goodwill and investments in Group companies.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

New standards and interpretations

There were no new standards and interpretations affecting the 31 March 2011 financial statements.

Note 28 contains a list as at the date of authorisation of these financial statements of Standards and Interpretations which have not been applied in these financial statements and were in issue but not yet mandatorily effective.

The directors do not anticipate that the adoption of these statements and interpretations will have a material impact on the Group's financial statements in the year of initial application.

Critical accounting judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reported year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant judgements relate to the going concern assumption and to the non-recognition of deferred tax assets.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value and no provision for impairment was made in the year.

The carrying value of goodwill as at 31 March 2011 was £2,772,000 (2010: £2,772,000) – see Note 10.

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash generating units to which investments have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

Investments in subsidiaries held as fixed assets are stated at cost less provision for any impairment and have a carrying value as at 31 March 2011 of £2,963,000 (2010: £2,963,000) – see Note 12.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of product sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant & equipment

Property, plant & equipment are stated at cost less depreciation. Depreciation is provided to write off the cost less estimated residual value in equal annual instalments over the estimated useful economic lives of the assets. The estimated useful economic lives are as follows:

Leasehold land and buildings	-	original lease term
Plant, vehicles and equipment	-	one to seven years

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NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labour costs, and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price, less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Cash and cash equivalents include cash at bank and the invoice discounting facility.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate except for short term receivables, when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets other than those at fair value are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the original recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

The group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The group as lessor

The Group sublets two warehouse units and any rental income from these operating leases is recognised on a straight line basis over the term of the relevant lease.

Foreign currencies

All Group and Company transactions are in sterling.

Pension scheme

The Group makes payments to certain employees' Personal Pension schemes. Costs incurred during the year are charged to the statement of comprehensive income as they fall due.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE

Revenue for the year can be analysed by customer location as follows:

	12 months ended 31 March 2011 £'000	15 months ended 31 March 2010 £'000
UK and Channel Islands	1,893	2,484
Rest of Europe	21	61
North America	-	3
Rest of World	4	24
	<hr/> 1,918 <hr/>	<hr/> 2,572 <hr/>

Revenue for the year can be analysed between goods and services as follows:

	12 months ended 31 March 2011 £'000	15 months ended 31 March 2010 £'000
Goods	1,479	2,124
Services	439	448
	<hr/> 1,918 <hr/>	<hr/> 2,572 <hr/>

Segmental revenue and results

The Chief Operating Decision Maker ('CODM'), who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board. The Group's reportable segments and their activities are listed below:

The Project Division supplies goods and installs AV equipment to a variety of clients in both the public and private sectors. The Service/Maintenance Division provides services in the form of both proactive and reactive service visits, remote diagnostics, equipment repairs and content management to a variety of clients in both the public and private sectors. Following the transfer of the business of MediaZest Ventures Ltd into Touch Vision Ltd, MediaZest Ventures business is now shown as a separate reportable segment and covers the supply and installation of AV equipment to blue chip clients mainly within the retail sector.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE (Continued)

Segmental revenue and results (continued)

Year ended 31 March 2011

	Project Division	Service and Maintenance Division	MediaZest Ventures Division	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
Continuing operations					
Revenue	1,195	439	284	-	1,918
Cost of sales	(747)	(59)	(151)	-	(957)
Gross profit	448	380	133	-	961
Administrative expenses	(751)	(161)	(74)	(349)	(1,335)
Operating (loss)/profit	(303)	219	59	(349)	(374)
Finance costs	-	-	-	(83)	(83)
(Loss)/profit on ordinary activities before taxation	(303)	219	59	(432)	(457)
Tax on loss on ordinary activities	-	-	-	-	-
(Loss)/profit on ordinary activities after taxation	(303)	219	59	(432)	(457)

15 months ended 31 March 2010

	Project Division	Service and Maintenance Division	MediaZest Ventures Division	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
Continuing operations					
Revenue	1,793	448	331	-	2,572
Cost of sales	(1,208)	(18)	(225)	-	(1,451)
Gross profit	585	430	106	-	1,121
Administrative expenses	(851)	(116)	(278)	(591)	(1,836)
Operating (loss)/profit	(266)	314	(172)	(591)	(715)
Finance costs	-	-	(27)	(5)	(32)
(Loss)/profit on ordinary activities before taxation	(266)	314	(199)	(596)	(747)
Tax on loss on ordinary activities	-	-	-	-	-
(Loss)/profit on ordinary activities after taxation	(266)	314	(199)	(596)	(747)

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE (Continued)

Segmental revenue and results (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) of each segment without the allocation of corporate and head office costs and finance costs as reported to the Board.

Segment information in relation to assets and liabilities is not provided to the CODM.

The Group does not rely on any individual client – the following revenues arose from sales to the Group's largest client.

	2011	2010
	£'000	£'000
Projects	272	220
Service and Maintenance	253	332
	<u>525</u>	<u>552</u>

3. OPERATING LOSS

	2011	2010
	£'000	£'000
This is stated after charging/(crediting):		
Depreciation of owned assets	20	49
Operating lease rentals paid:		
- land and buildings	102	98
- other	19	49
Rentals receivable under operating leases	<u>(2)</u>	<u>(9)</u>

4. AUDITORS REMUNERATION

	2011	2010
	£'000	£'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts		
Audit services	10	9
Audit of Company's subsidiaries	12	11
Other services – taxation	<u>4</u>	<u>4</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS

	2011	2010
Staff costs during the year (excluding directors)	£'000	£'000
Wages and salaries	496	787
Social security costs	48	90
Pension costs	-	10
	<u>544</u>	<u>887</u>

	2011	2010
The average number of employees (excluding directors)	Number	Number
Management	2	3
Other	15	18
	<u>17</u>	<u>21</u>

	Year ended	15 months
Directors' short-term benefits	31 March 2011	ended
	£'000	31 March 2010
	Salaries	£'000
Executive Directors		Salaries
Geoffrey Robertson	87	106
Andrew Hawkins (resigned 1 September 2009)	-	62
Andrew Hawkins - severance pay	-	16
Non Executive Directors		
Lance O'Neill	29	31
Total	<u>116</u>	<u>215</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS (Continued)

The remuneration of the highest paid director during the year ended 31 March 2011 was £87,500 (15 months to 31 March 2010: £106,250 - £85,000 during 2009 and £21,250 for the first three months of 2010).

During 2009 Mr Robertson and Mr O'Neill took voluntary temporary pay cuts, along with a number of other staff, to assist the Company during the difficult period it faced as a result of the global recession, however full pay was reinstated in October 2010 for staff and February 2011 for directors.

Mr Robertson still has 133,333 un-exercised share options at 15p.

6. FINANCE COSTS

	2011	2010
	£'000	£'000
Loan interest, bank overdraft interest and charges	83	32

7. TAXATION

	2011	2010
	£'000	£'000
Current tax	-	-
Deferred tax	-	-
Total tax expense for the year	-	-

The difference between the total tax expense shown above and the amount calculated by applying that standard rate of UK corporation tax to the loss before tax is as follows:

	2011	2010
	£'000	£'000
Loss before taxation	(457)	(747)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2010: 28%)	(128)	(190)
Effects of:		
Expenses not allowable for taxation	1	3
Depreciation in excess of capital allowances	4	8
Losses carried forward	123	179
Total tax expense for the year	-	-

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION (Continued)

A potential deferred tax asset of £3,164,000 (2010: £3,266,000) in respect of the following have not been provided for on the basis that there is insufficient certainty over the date that they will be utilised.

	2011	2010
	£'000	£'000
Losses carried forward	11,752	11,129
Net fixed asset timing differences (ACA)	413	115
Short term timing differences	6	2
	<u>12,171</u>	<u>11,246</u>

8. RESULTS ATTRIBUTED TO MEDIAZEST PLC

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Company's loss for the year was £1,525,000 (2010: profit £450,000). This was after £1,246,968 write off of intercompany loans with MediaZest Ventures Ltd of £55,000 and Touch Vision Ltd of £1,191,968.

9. LOSS PER ORDINARY SHARE

	2011	2010
	£'000	£'000
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	457	747
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	181,068,853	69,917,362
Number of dilutive shares under option or warrant	-	-
Weighted average number of ordinary shares for the purposes of dilutive loss per share	181,068,853	69,917,362

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £457,000 (2010: £747,000) by the weighted average number of shares during the year of 181,068,853 (2010: 69,917,362). The diluted loss per share is identical to that used for basic loss per share as the exercise of warrants and options would have the effect of reducing the loss per share and therefore is not dilutive.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

10. GOODWILL

	2011	2010
	£'000	£'000

Net book value	<u>2,772</u>	<u>2,772</u>
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Goodwill acquired in a business combination is allocated at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows.

	2011	2010
	£'000	£'000

MediaZest Ventures Ltd	113	113
Touch Vision Ltd	<u>2,659</u>	<u>2,659</u>
	<u>2,772</u>	<u>2,772</u>

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct selling costs during the year.

Management has estimated a discount rate of 12.5% (2010: 12.5%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU's. The growth rates are based on recent historical data, future opportunities and orders placed. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for a total period of five years based on estimated growth rates that do not exceed the average long term growth rate for the relevant markets. For accounting purposes, management has estimated that long term growth rates are assumed to be 3% (2010 – 3%), although they believe the Group has the potential for much greater growth.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Leasehold land and buildings £'000	Plant, vehicles and equipment £'000	Total £'000
Cost			
At 1 April 2010	39	307	346
Additions	-	4	4
Disposals	-	(76)	(76)
At 31 March 2011	<u>39</u>	<u>235</u>	<u>274</u>
Depreciation			
At 1 April 2010	14	284	298
Provided during the year	4	16	20
Disposals	-	(76)	(76)
At 31 March 2011	<u>18</u>	<u>224</u>	<u>242</u>
Net Book Value			
At 31 March 2011	<u>21</u>	<u>11</u>	<u>32</u>
Group 2010	Leasehold land and buildings £'000	Plant, vehicles and equipment £'000	Total £'000
Cost			
At 1 January 2009	87	734	821
Additions	1	9	10
Disposals	(49)	(436)	(485)
At 31 March 2010	<u>39</u>	<u>307</u>	<u>346</u>
Depreciation			
At 1 January 2009	58	676	734
Provided during the period	5	44	49
Disposals	(49)	(436)	(485)
At 31 March 2010	<u>14</u>	<u>284</u>	<u>298</u>
Net Book Value			
At 31 March 2010	<u>25</u>	<u>23</u>	<u>48</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES

Investments	Shares in group undertakings £'000	Loans to group undertakings £000	Total £'000
Cost			
At 1 April 2010	2,963	969	3,932
Repayment of loans to group undertakings	-	-	-
At 31 March 2011	2,963	969	3,932
Provision for impairment			
At 1 April 2010	-	969	969
Release of provision	-	-	-
At 31 March 2011	-	969	969
Net Book Value			
At 31 March 2011	2,963	-	2,963

Investments	Shares in group undertakings £'000	Loans to group undertakings £000	Total £'000
Cost			
At 1 January 2009	2,963	969	3,932
Repayment of loans to group undertakings	-	-	-
At 31 March 2010	2,963	969	3,932
Provision for impairment			
At 1 January 2009	711	969	1,680
Release of provision	(711)	-	(711)
At 31 March 2010	-	969	969
Net Book Value			
At 31 March 2010	2,963	-	2,963

Provision for impairment of shares in group undertakings

The impairment provision was made in 2008 year end accounts following a detailed impairment review using discounted future cash flows which valued the shareholdings lower than their previous carrying value in the Company statement of financial position. As such, a provision was made against the carrying value to reduce it to £2,252,000.

At the 31 March 2010 period end, another detailed impairment review was carried out and due to the improved outlook at this time the recoverable amount of the shareholdings increased significantly. As this was in excess of the carrying value of the shareholding at 31 December 2008, when the provision was made, a reversal of the provision was deemed appropriate.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Provision for impairment of shares in group undertakings (continued)

The 31 March 2010 impairment calculations were made using the same discounted cash flow model as the 2008 review, but with improved forecast cash flows due to the use of revised estimates and assumptions. The reasons behind the changes in assumptions include a number of contract wins and the significantly reduced overhead base, in particular a reduction in salary costs following a redundancy programme in 2009 which reduced average employee numbers from 33 in 2008 to 25 in 2010. This included the redundancy of an executive Director who was paid £82,000 in the year ended 31 December 2008.

Touch Vision Ltd and MediaZest Ventures Ltd are included in the MediaZest PLC consolidated figures.

At 31 March 2011 the Company held the following interests in unlisted subsidiary undertakings.

Name of company	Country of incorporation	Proportion held	Business
Touch Vision Limited	UK	100%	Audio Visual Supply & Installation
MediaZest Ventures Limited	UK	100%	Dormant
Electronic Media Promotions Limited *	UK	100%	Dormant

* Dissolved post year end

13. INVENTORIES

	2011	2010
	£'000	£'000
Finished Goods	120	94

The cost of inventories recognised as an expense and included within cost of sales amounted to £901,000 (2010: £1,451,000).

During the year, the Group made a provision against stock of £13,244 (2010: £60,446).

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES

	The Group 2011 £'000	The Group 2010 £'000	The Company 2011 £'000	The Company 2010 £'000
Trade receivables	434	173	12	12
Amounts owed by group undertakings	-	-	-	806
Other taxes & social security payables	7	-	7	2
Other receivables	5	6	5	5
Prepayments and accrued income	77	76	11	6
	<u>523</u>	<u>255</u>	<u>35</u>	<u>831</u>

The Group and Company's credit risk is primarily attributable to its trade and other receivables. Based on prior experience and an assessment of the current economic environment, the Directors have considered any provision for irrecoverable amounts that was required and consider that the carrying amount of these assets approximates their fair value.

Provision for impairment of trade receivables - Group

	2011 £'000	2010 £'000
As at 1 April 2010	1	1
Charge for the period	-	-
Uncollected amounts written off, net of recoveries	-	-
As at 31 March 2011	<u>1</u>	<u>1</u>

The table below shows the ageing of trade receivables that are past due but not impaired

	2011 £'000	2010 £'000
31 – 60 days	80	60
61 – 90 days	46	6
91 + days	39	21
	<u>165</u>	<u>87</u>

The largest single trade debtor at 31 March 2011 was £53,185 - 12% (2010: £27,742 - 15%) of total trade debtors, £1,340 is still outstanding at the time these accounts were signed. Debtor impairment provisions of £1,000 (2010: £1,000) have been accounted for.

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NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	The Group 2011 £'000	The Group 2010 £'000	The Company 2011 £'000	The Company 2010 £'000
Trade payables	415	231	77	73
Invoice discounting facility	214	60	-	-
Other payables	23	77	-	4
Other taxes & social security payables	88	78	-	4
Accruals and deferred income	268	183	64	29
	<u>1,008</u>	<u>629</u>	<u>141</u>	<u>110</u>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value and the Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

At the year end the Group had an invoice discounting facility of up to £350,000 of which there were £213,747 (2010: £60,000) of funds in use.

These facilities were both through wholly owned subsidiary Touch Vision and secured under an existing all assets debenture.

16. FINANCIAL LIABILITIES

	The Group 2011 £'000	The Group 2010 £'000	The Company 2011 £'000	The Company 2010 £'000
Current				
Shareholder loans	505	290	480	200
Bank loan	16	-	-	-
	<u>521</u>	<u>290</u>	<u>480</u>	<u>200</u>
Non-current				
Bank loan	25	-	-	-
	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>

The £50,000 overdraft facility was converted to a loan with the same bank on 27 August 2010 repayable over 36 months at a fixed interest rate of 5.75% p.a. over base rate – (currently 0.5% p.a.) - balance at 31 March 2011 was £40,850.

Shareholder loan interest rates are fixed and range between 15% pa and 20% pa (2010: 15% - 20%). £480,000 of shareholder loans are secured against equity shares in the Company at 0.5 pence per share.

Letters covering the loans have been signed by the shareholders providing them, stating that they will not call for the repayment of the loans within the next 12 months or, if earlier, until the Company has sufficient funds to do so.

The outstanding shareholder loan of £25,000 from Lance O'Neill attracted a fixed interest rate of 10% and was repaid in July and August 2011.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

17. CALLED UP SHARE CAPITAL

	2011	2011	2010	2010
	Number	£'000	Number	£'000
	of shares		of shares	
Allotted, called up and fully paid				
Ordinary shares of 0.1 pence	247,625,377	248	144,800,000	169
Deferred shares of 9.9 pence	22,825,327	2,259	22,825,327	2,259
Total	247,625,327	2,507	167,625,327	2,428

Each ordinary share carries the right to one vote at company meetings, one equal right in any ordinary dividend declaration and one equal right in the distribution of any surplus, due to ordinary shareholders, upon a winding up.

The deferred shares do not carry voting or dividend rights and deferred shareholders are only entitled to payment on winding up after the ordinary shareholders have received a payment of £1,000,000 on each ordinary share in issue.

At 31 March 2011 the Company had in issue 1,500,000 warrants to subscribe for ordinary shares in the Company at 20 pence per share, such warrants to be exercisable at any time until 22 February 2015.

The Company had a further 1,394,000 warrants to subscribe for ordinary shares in the Company at 50 pence per share at 31 March 2011. The warrants are exercisable at any time until 22 February 2015, or on a takeover or winding up of the Company.

New share issues

On 15 February 2011 the company issued and allotted 80,000,000 new ordinary shares of 0.1p at a price of 0.55p raising £440,000.

Costs directly associated with the share issue amounted to £12,000.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

18. CASH AND CASH EQUIVALENTS

	The Group 2011 £'000	The Group 2010 £'000	The Company 2011 £'000	The Company 2010 £'000
Cash held at bank	365	37	10	-
Invoice discounting facility	(214)	(60)	-	-
	<u>151</u>	<u>(23)</u>	<u>10</u>	<u>-</u>

At the year end the Group had an invoice discounting facility of up to £350,000 of which there were £213,747 (2010: £60,000) of funds in use. The £50,000 overdraft facility was converted to a bank loan on 27 August 2010 repayable over 36 months at a fixed rate of 5.75% p.a. over the UK bank base rate (currently 0.5% p.a.). The outstanding balance at 31 March 2011 was £40,850.

These facilities were both through wholly owned subsidiary Touch Vision and secured under an existing all assets debenture.

19. CASH USED IN OPERATIONS

	The Group 2011 £'000	The Group 2010 £'000	The Company 2011 £'000	The Company 2010 £'000
Operating (loss)/profit	(374)	(715)	(1,464)	450
Depreciation charge	20	49	-	-
Impairment of investment	-	-	-	(711)
Decrease/(increase) in inventories	(26)	13	-	-
(Decrease)/increase in payables	225	(376)	31	2
Decrease/(increase) in receivables	(268)	362	796	(460)
Net cash outflow from operating activities	<u>(423)</u>	<u>(667)</u>	<u>(637)</u>	<u>(719)</u>

20. LEASING COMMITMENTS

The Group has commitments under non-cancellable operating leases for which payments extend over a number of years as follows:

	2011 Land and Buildings £'000	Other £'000	2010 Land and Buildings £'000	Other £'000
Due				
- within one year	94	13	102	6
- within two to five years	80	20	175	6
- after five years	-	-	-	1
	<u>174</u>	<u>33</u>	<u>277</u>	<u>13</u>

Total future minimum receipts expected to be received under non-cancellable sub-leases £2,356 (2010: £11,779).

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NOTES TO THE FINANCIAL STATEMENTS

21. LEASING RECEIPTS

The Group has income due under a non-cancellable land and buildings operating lease with receipts due within one year of £2,356 (2010: £nil). The Group has income due under a non-cancellable land and buildings operating lease with receipts due within two to five years of £nil (2010: £11,779).

22. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2011 (2010: £nil).

23. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 March 2011 (2010: £nil).

The Company has an unlimited corporate guarantee in favour of RBS Invoice Finance to discharge, on demand, the obligations of Touch Vision Ltd with interest from the date of demand.

24. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents, shareholder loans, invoice discounting facility, bank loan and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to facilitate the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Shareholder loans

Included within current liabilities are loans of £505,000 (2010: £290,000) owed to shareholders, interest rates are fixed and range between 15% pa and 20% pa (2010: 15% - 20%). £480,000 of the shareholder loans are secured against equity shares in the Company at 0.5 pence per share.

Letters regarding the loans have been signed by the shareholders providing them, stating that they will not call for the repayment of the loans within the next 12 months or, if earlier, until the Company has sufficient funds to do so.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board. The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure of the group to credit risk at the reporting date was:

	2011	2010
	£'000	£'000
Trade receivables	434	173
Cash and cash equivalents	365	37

These are the only amounts classified as loans and receivables under IAS 39.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group is exposed to interest rate risk as a result of positive cash balances, denominated in sterling, which earn interest at a variable rate. As the Group's cash balances have been placed for short term periods on the money markets and interest earned on current account balances is immaterial, meaningful sensitivity analysis is not possible on the Group's exposure to interest rate risk.

The Group is exposed to interest rate risk as a result of its invoice discounting facility, denominated in sterling, which accrues interest at a variable rate.

The Group has not entered into any derivative transactions during the year under review.

Liquidity risk

The Group maintains short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

	Trade payables £'000	Bank borrowing £'000	Shareholder loans £'000	Invoice discounting facility £'000	Total £'000
At 31 March 2011					
6 months or less	415	8	505	214	1,142
6 - 12 months	-	8	-	-	8
1 - 2 years	-	25	-	-	25
Total contractual cash flows	415	41	505	214	1,175
Carrying amount of financial liabilities measured at amortised cost	415	41	505	214	1,175

	Trade payables £'000	Bank borrowings £'000	Shareholder loans £'000	Invoice discounting facility £'000	Total £'000
At 31 March 2010					
6 months or less	231	-	290	60	581
Total contractual cash flows	231	-	290	60	581
Carrying amount of financial liabilities measured at amortised cost	231	-	290	60	581

At the year end the Group had an invoice discounting facility of up to £350,000 of which there were £213,747 (2010: £60,000) of funds in use.

These facilities were both through wholly owned subsidiary Touch Vision and secured under an existing all assets debenture.

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NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (Continued)

Market risk and sensitivity analysis

Foreign currency exchange rate risk

There were no Euro transactions during the year and no outstanding balances at 31 March 2011 (2010: £nil) therefore there is no affect on post tax profit or equity.

Capital risk management

The Group defines capital as being share capital plus reserves. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The Board of Directors monitors the level of capital as compared to long term debt commitments and adjusts the ratio of debt to capital as it is determined to be necessary.

25. RELATED PARTY TRANSACTIONS

There is no ultimate controlling party of MediaZest plc.

The Company has related party transactions with its 100% owned subsidiary companies and with other parties as follows:

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. Information regarding their compensation, including employer's national insurance contributions is given below in aggregate per IAS 24 Related Party Disclosures.

	2011	2010
	£'000	£'000
Short term benefits	240	335
Social security costs	27	40
Pension contribution	5	2
Severance payment	-	16
	<u>272</u>	<u>393</u>

Lance O'Neill is a director of EP&F Capital Advisory Ltd and EP&F Capital Plc. During the year, EP&F Capital Advisory Ltd provided company secretarial services amounting to £6,000 (2010: £6,000) and EP&F Capital Plc provided office space to the Group amounting to £22,489 (2010: £3,000). The Group owed £27,629 (2010: £nil) to EP&F Capital Plc and owed EP&F Capital Advisory Ltd £6,000 (2010: £9,106) at 31 March 2011.

The following related party short terms loans were made to the Group during the year ended 31 March 2011 at a fixed interest rate of 10%:

Lance O'Neill £105,000 – £80,000 repaid in the year and £25,000 repaid in July and August 2011

Nicholas Findjan £30,000 – fully repaid in the year

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

25. RELATED PARTY TRANSACTIONS (Continued)

The Group had total outstanding long term loans from shareholders of £125,000 (2010: £100,000) – the interest rates on these loans are fixed and range between 15% pa and 20% pa. (2010: 15% - 20%).

Interest paid to related parties in the year ended 31 March 2011 was £21,949 (2010: £6,329).

Letters covering the loans have been signed by the shareholders providing them, stating that they will not call for the repayment of the loans within the next 12 months or, if earlier, until the Company has sufficient funds to do so.

Group 12 months ended 31 March 2011	Subsidiaries	Shareholders	Total
	£'000	£'000	£'000
Sales	-	-	-
Purchases	-	28	28

Group 15 months ended 31 March 2010	Subsidiaries	Shareholders	Total
	£'000	£'000	£'000
Sales	186	-	186
Purchases	186	9	195

Balances with group companies are shown in note 14.

26. SHARE BASED PAYMENTS

During 2006, the company issued share options to employees. The options were granted at various dates between August and October. The options were granted on terms that they will vest on the third anniversary of the grant date, and will be settled by the issue of ordinary shares of 0.1 pence. The options may not be exercised later than the day before the tenth anniversary of the grant date. Option holders must remain employees in order to meet the vesting conditions.

Details of the share options outstanding during the year are as follows:

	2011	
	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	337,819	15p
Granted during the year	-	
Forfeited during the year	(24,206)	15p
Exercised during the year	-	
Expired during the year	-	
Outstanding at the end of the year	<u>313,613</u>	15p
Exercisable at the end of the year	<u>-</u>	15p

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NOTES TO THE FINANCIAL STATEMENTS

26. SHARE BASED PAYMENTS (Continued)

	2006
Share price at grant date	7.50p-11p
Exercise price	15p
Volatility	30%-45%
Expected life	5
Risk free rate	4.65%-4.91%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Group's share price over the year prior to the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The weighted average contractual life of options outstanding at 31 March 2011 was five years (2010: six years)

The Group recognised total expenses of £nil related to equity-settled share-based payment transactions in 2011 (2010: £nil).

27. POST STATEMENT OF FINANCIAL POSITION EVENTS

There are no post balance sheet events requiring disclosure in these financial statements.

28. LIST OF PUBLISHED IFRS AS ADOPTED BY THE EU THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

At the date of authorisation of these financial statements, the following standards and interpretations, which are issued but not yet effective, have not been applied:

- IFRS 9 Financial Instruments (not yet adopted by the EU)
- IFRS 10: Consolidated Financial Statements (not yet adopted by the EU)
- IFRS 11: Joint Arrangements (not yet adopted by the EU)
- IFRS 12: Disclosure of Interests in Other Entities (not yet adopted by the EU)
- IAS 27: Separate Financial Statements (not yet adopted by the EU)
- IFRS 13: Fair Value Measurement (not yet adopted by the EU)

Amendments to IFRSs arising from Annual Improvements Projects:

- IAS 12: Deferred tax: Recovery of Underlying Assets (not yet adopted by the EU)
- IAS 1: Presentation of Financial Statements – Presentation of items of Other Comprehensive Income (not yet adopted by the EU)

The directors anticipate that the adoption of these Standards and Interpretations as appropriate in future years will have no material impact on the financial statements of the Group when the relevant standards come into effect for years commencing after the statement of financial position date.