MediaZest Plc

Interim results for the six months ended 30 June 2006

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest Plc ("MediaZest", the "Company", and collectively with the Subsidiary Companies, the "Group") reflect the six-month period to 30 June 2006. They incorporate the results of its subsidiaries, all of which are wholly owned.

Results for the Period

Turnover for the period was £1,325,000 (2005 - £30,000) and the Group made a loss for the period, after taxation, of £520,000 (2005 - £305,000) after paying interest of £2,000 (2005 – net interest received £23,000) and having paid administrative expenses of £1,028,000 (2005 - £334,000). Administrative expenses included £56,000 exceptional restructuring costs. The basic and fully diluted loss per share was 2 pence (2005 – 3 pence). The Group had net cash balances of £800,000 (2005 - £1,105,000) at the period end.

Overview

The Group has made progress in both operational subsidiaries, MediaZest Ventures Limited ("MediaZest Ventures") and Touch Vision Limited ("Touch Vision"), although the first half of the year resulted in a loss. An element of this was expected due to traditional seasonality within the business, and in the case of MediaZest Ventures, difficult trading conditions in the retail sector. At the start of 2006, we implemented a programme of cost containment measures including a restructuring of the Board of Directors in order to give the business a more appropriate cost base going forward.

MediaZest Ventures

During the first half of 2006, MediaZest Ventures has continued to build on its relationships with both media agencies and brand owners. Our work with existing customers such as Motorola and Chivas continues and we have had success with new clients such as Candy & Candy, Boots, Nokia, Edeus, Luminar, Sony Ericsson, Proctor & Gamble, O2, Adidas, and Shell providing innovative displays for their stores and promotions.

We had an enthusiastic response to our stand at the In-Store Show in Earls Court during June 2006 displaying a substantial range of our innovative products to a wide variety of retailers, brand owners and agency creative personnel. As a result of this and increasing acceptance of creative digital media as part of the marketing mix, we are experiencing greater levels of business referrals from the media agencies. We believe this is indicative of a growth in this exciting new market, although the pace of that growth is slower than previously anticipated.

The company is in continuing discussions with several major UK retailers and brand owners regarding long term projects across their retail estates on the basis of the success of earlier work. We are working with several of our customers regarding the supply of our products for Christmas 2006 sales campaigns and beyond.

Touch Vision

Progress at Touch Vision has been better. Year on year profitability and turnover have both improved as we head into what will be the busiest period of the year. After a loss in 2005, we would anticipate that 2006 will show improvement, and an encouraging turnaround in performance in the first year of our ownership.

Having won the tender of a three-year framework agreement for the provision of sales, installation, and maintenance of audiovisual equipment to London South Bank University and London Metropolitan University in the second quarter of the year, the Education Division has shown noticeably stronger results in 2006. The July to September quarter is traditionally our busiest in this market, and 2006 has been no different.

As the Christmas period approaches, orders across our retail clients such as HMV and the Co-Operative Group have increased. In the Corporate sector, the Company has been awarded two significant orders commencing in the second half of the financial year to December 2006 – providing audiovisual solutions for the new UK headquarters of both Electronic Arts, a major international computer games manufacturer and Dunnhumby, a leading database manager and analytical services provider.

Licences and agreements

We continue to add new, exclusive agreements to our portfolio, providing us with a competitive advantage. Of particular note are Interactive Floor Media, Shelf-Edge TV, and EPOP Display Systems, which have generated interest amongst our customers since we introduced them into our offering at the In-Store Show in June.

Outlook

Although the results for this period have been disappointing, we believe the actions we have taken to position the business going forward in terms of cost base, and the pipeline of well developed opportunities that currently exist, leave the business with a more positive outlook for the remainder of 2006.

Sean Reel
Chairman
29th September 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited Half Year 30-Jun-06 £'000	Unaudited Half Year 30-Jun-05 £'000	Audited Year Ended 31-Dec-05 £'000
Turnover		1,325	30	877
Cost of sales		(815)	(24)	(486)
Gross profit		510	6	391
Administrative expenses (including exceptional item of £56,000 for half year ended 30 June 2006)		(1,028)	(334)	(1,234)
Operating Loss		(518)	(328)	(843)
Net interest (payable)/receivable		(2)	23	(4)
Loss on ordinary activities before taxation		(520)	(305)	(847)
Tax on loss on ordinary activities		-	-	-
Retained loss on ordinary activities after taxation		(520)	(305)	(847)
Loss per ordinary 10p share				
Basic	**3**	£0.02	£0.03	£0.06
Diluted	**3**	£0.02	£0.03	£0.06

There are no recognized gains or losses during the current and preceding periods other than the loss for the periods.

CONSOLIDATED BALANCE SHEET

	Unaudited Half Year 30-Jun-06 £'000	Unaudited Half Year 30-Jun-05 £'000	Audited Year Ended 31-Dec-05 £'000
Fixed Assets			
Intangible Fixed Assets	2,699	115	2,772
Tangible Assets	91	8	128
Current assets			
Stock	219	89	169
Debtors	999	137	745
Cash at bank (before overdrafts)	963	1,105	1,377
	2,181	1,332	2,291
Creditors: Amounts falling due within one year	(887)	(133)	(587)
Net current (liabilities)/assets	1,294	1,199	1,704
Total assets less current liabilities	4,084	1,321	4,604
Capital and reserves			
Called up share capital	2,283	1,371	2,283
Share premium account	3,211	299	3,211
Profit and loss account	(1,410)	(348)	(890)
Equity shareholders' funds	4,084	1,321	4,604

CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Half Year 30-Jun-06 £'000	Unaudited Half Year 30-Jun-05 £'000	Audited Year Ended 31-Dec-05 £'000
Net cash outflow from operating activities	**4**	(402)	(440)	(1,368)
Returns on investments and servicing of finance				
Interest paid or received		(2)	23	(4)
Net cash inflow/(outflow) from returns on investments investments and servicing of finance		(2)	23	(4)
Taxation				
Corporation tax paid		-	-	-
Capital expenditure and financial investments				
Purchase of tangible fixed assets		(10)	(9)	(35)
Net cash outflow from capital expenditure and financial investments		(10)	(9)	(35)
Acquisitions				
Net cash acquired with subsidiary undertaking		-	-	147
Acquisition of subsidiary undertaking		-	-	(970)
Net cash outflow for acquisition		-	-	(823)
Financing				
Issue of ordinary share capital net of costs		-	1,003	2,952
		-	1,003	2,952
Increase/(decrease) in cash in the period		(414)	577	722

NOTES

1. Basis of preparation

The interim report for the six month period to 30 June 2006 is unaudited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. It has been prepared under the historical cost convention and on a basis consistent with the accounting policies for the period ended 31 December 2005.

The financial information relating to the period ended 31 December 2005 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors report on those financial statements were unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

2. Taxation

No charge for corporation tax for the period has been made due to the expected tax losses available.

3. Loss per share

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £520,000 (2005 - £847,000) by the weighted average number of shares during the period of 22,825,327 (2005 – 14,721,499). The diluted loss per share is identical to that used for basic loss per share as the exercise of warrants would have the effect of reducing the loss per share and therefore is not dilutive under Financial Reporting Standard 22 “Earnings per Share”.

4. Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	Unaudited Half Year 30-Jun-06 £'000	Unaudited Half Year 30-Jun-05 £'000	Audited Year Ended 31-Dec-05 £'000
Operating loss	(518)	(328)	(843)
Depreciation of tangible assets	47	2	32
Amortisation of goodwill	73	-	42
Decrease/(increase) in stock	(50)	(89)	(63)
Increase/(decrease) in creditors	300	93	(311)
Decrease/(increase) in debtors	(254)	(118)	(225)
Net cash outflow from operating activities	(402)	(440)	(1,368)

Enquiries:

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