MediaZest plc

MediaZest Plc

("MediaZest", the "Company" or "Group"; AIM: MDZ)

Unaudited results for the six months ended 30 September 2016

CHAIRMAN'S STATEMENT

Introduction

The Board is pleased to report the unaudited results for the six months ended 30 September 2016 for MediaZest plc and its wholly owned subsidiary company MediaZest International Ltd ("the Group").

Financial Review

- Revenue for the period was £1,474,000 down 8% (2015: £1,605,000).
- Gross profit was £631,000 up 2% (2015: £619,000).
- Gross margins improved to 43% (2015: 39%).
- EBITDA was a profit of £4,000 (2015: profit of £8,000).
- The basic and fully diluted loss per share was 0.01 pence (2015: 0.01 pence).
- Cash in hand at period end £137,000 (2015: £36,000).

Operational Review

The six months to 30 September 2016 is consistent with the comparable period, and has again generated a positive EBITDA. Cash in hand improved to £137,000 at the period end (2015: £36,000), full details can be seen in the notes to these results.

Turnover has decreased by 8% against the comparable period in the prior year, however a significant improvement has been achieved in the gross profit margin which has increased from 39% in the prior period to 43%. In turn, this has led to increased gross profit to £631,000 (2015: £619,000). This increase in margin is as a result of the Board's ongoing strategy of focussing on providing a full service offering to our client base. As well as equipment sales and installation fees, new business efforts are currently targeted towards providing ongoing managed services that include maintenance, content management and data analytics. These services are performed using in house engineering resources, are highly skilled and generate better gross margins for the Company as well as allowing us to more accurately predict future revenues and plan growth accordingly.

This initiative is ongoing and continues to demonstrate success.

During the six month period to 30 September 2016, revenue has continued to be generated predominantly across the retail, corporate and education sectors. The Retail sector (including Automotive Retail) continues to be the area of best performance, and largest opportunity. The thought leadership and delivery innovation the Group has developed over recent years is standing it in good stead to pitch on increasing levels of new business opportunity.

In addition to UK based projects, the Group has delivered a number of overseas installations this year, and is currently pitching for opportunities across Europe and beyond. The Board believes these markets offer substantial growth areas for the Group and has invested considerable effort building support partnerships with local suppliers in key markets to facilitate such project delivery and ongoing maintenance of the resulting solutions. For our clients, using MediaZest's services across multiple markets allows them to deliver brand consistency and assure quality.

Highlights of the six month period included delivery of several new projects with existing clients such as Hyundai, HMV, Kuoni, Rockar, Diesel, Farrow & Ball and Ted Baker (combined revenue in the period £600,000), but also new business wins with Halfords, Virgin Media and LG (combined revenue in the period

£172,000). Further afield, in May 2016 the Company successfully installed a high resolution video wall for Ugg, part of the Deckers group, in their new flagship store in Florida.

During the period the Company completed the bulk of its work on the latest Rockar showroom, this store was the first Rockar have completed with Jaguar Land Rover. Work included a unique articulated video wall that is capable of rising over 3 metres into the air to activate the shop window and reveal the latest Jaguar Land Rover model. This is another first for the Company and we believe unique in the UK retail sector, demonstrating the value of the high quality engineering services that MediaZest delivers. This showroom has already been nominated for a major award.

Recent successful work with Rockar, Hyundai and Jaguar Land Rover, has led to several enquiries and potential opportunities in the automotive sector that the new business team are currently working on.

On 12 August 2016, the Board informed shareholders of two potential transformational projects the Company is working on. Both projects are inter-related and the Company expects to perform a pilot test on each in the first quarter of calendar year 2017. If the pilot tests are successful, the Board's expectation is that these projects would move forward and help generate material growth in revenues in the next financial year, 2017-18.

Overall strategy continues to be to focus the sales effort on a concentrated number of high profile clients, providing innovative audio visual solutions which have the potential to generate ongoing long term business opportunities, across multiple sites, and to pursue greater recurring revenues by providing a fully managed delivery and ongoing support service to those clients.

The strategic objective continues to be that of generating client loyalty through excellence of delivery, coupled with offering a diverse product range including the Group's own products. As noted above, recurring revenues are at the forefront of this strategy and are being increased by offering contracts for service and maintenance, content production and management, additional consultancy and data analysis work.

The Board continues to assess suitable candidates for the role of finance director and, pending an appointment, has re-configured existing resources to meet the Company's reporting and financial systems of control requirements.

Fundraising During the Period

During the period, the Board moved in advance of the EU referendum vote to add to working capital funds with a successful placing of 166,666,800 shares at 0.15p per share to raise £250,000 before expenses of £17,000 on 11 May 2016. The shares were admitted to trading on AIM in June 2016.

In addition, £50,000 of the outstanding interest due on shareholder loans was also converted to 33,333,333 shares at the same price.

Intellectual Property

The Group continues to develop its "MediaZest Retail Analytics" product and pitch it to interested retailers. Like much of the Company's product portfolio, it is a high quality solution, however the cost of this particular technology has proved prohibitive to some retailers. Nevertheless, it continues to be an attractive value add solution to the Group's client base and the Board has supplemented the Company's offering in this area by adding a lower cost 3rd party solution. This provides alternative audience measurement and data capture products which form a suite of options the client can implement. In this way, the Company is able to maximise value add for the client and revenues generated for shareholders.

As noted in the full year results, to help increase take up, the Company has moved to overcome the investment hurdle by offering this solution to clients in a Software as a Service ("SaaS") model.

Operating Costs

The Board continuously reviews costs whilst balancing investment in the sales process. In 2015, the Group reduced administrative expenses substantially and these costs savings have been maintained, ensuring overheads remained consistent to the prior period at £627,000 (2015: £611,000). It is the Board's intention to maintain this tight control over expenses.

Outlook

The Board is pleased with the progress made in the first half of the year, and believes this will continue during the remainder of the year.

Improvements in recurring revenue streams continue, and coupled with tight cost control and new business wins for the second half of the current financial year, the Board is looking to deliver improved results for the full year ended 31 March 2017. However, this is subject to the acquisition, timing and delivery of certain upcoming key projects.

Lance O'Neill

Chairman
13 December 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Unaudited Six months 30-Sep-16 £'000	Unaudited Six months 30-Sep-15 £'000	Audited 12 months 31-Mar-16 £'000
Continuing Operations				
Revenue		1,474	1,605	3,144
Cost of sales		(843)	(986)	(1,813)
Gross profit		631	619	1,331
Administrative expenses		(627)	(611)	(1,273)
Share based payment charge		-	-	(139)
EBITDA		4	8	(81)
Administrative expenses – depreciation & amortisation		(38)	(34)	(79)
Operating Loss		(34)	(26)	(160)
Interest		(37)	(49)	(87)
Loss before taxation		(71)	(75)	(247)
Taxation credit		4	15	(1)
Loss for the period and total comprehensive loss for the period attributable to the owner of the parent		(67)	(60)	(248)
Loss per ordinary 0.1p share				
Basic	**2**	(0.01p)	(0.01p)	(0.02p)
Diluted	**2**	(0.01p)	(0.01p)	(0.02p)

MediaZest plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Unaudited As at 30-Sep-16 £'000	Unaudited As at 30-Sep-15 £'000	Audited As at 31-Mar-16 £'000
Non-current assets			
Goodwill	2,772	2,772	2,772
Property, plant and equipment	63	79	78
Intellectual property	26	49	39
Total non-current assets	2,861	2,900	2,889
Current assets			
Inventories	99	85	68
Trade and other receivables	491	603	353
Cash and cash equivalents	137	36	9
Total current assets	727	724	430
Current liabilities			
Trade and other payables	(1,086)	(1,233)	(944)
Financial liabilities	(385)	(452)	(452)
Total current liabilities	(1,471)	(1,685)	(1,396)
Net current liabilities	(744)	(961)	(966)
Non-current liabilities			
Financial liabilities	(35)	(24)	(57)
Total non-current liabilities	(35)	(24)	(57)
Net assets	2,082	1,915	1,866
Equity			
Share Capital	3,499	3,299	3,299
Share premium account	5,221	5,138	5,138
Other reserves	146	7	146
Retained earnings	(6,784)	(6,529)	(6,717)
Total equity	2,082	1,915	1,866

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 31 March 2015	3,299	5,138	7	(6,469)	**1,975**
Loss for the period	-	-	-	(60)	**(60)**
Total comprehensive loss for the period	-	-	-	(60)	**(60)**
Balance at 30 September 2015	3,299	5,138	7	(6,529)	**1,915**
Loss for the period	-	-	-	(188)	**(188)**
Share based payment charge	-	-	139	-	**139**
Total comprehensive loss for the period	-	-	139	(188)	**(49)**
Balance at 31 March 2016	3,299	5,138	146	(6,717)	**1,866**
Loss for the period	-	-	-	(67)	**(67)**
Total comprehensive loss for the period	-	-	-	(67)	**(67)**
Issue of share capital	200	100	-	-	**300**
Share issue costs	-	(17)	-	-	**(17)**
Balance at 30 September 2016	3,499	5,221	146	(6,784)	**2,082**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Unaudited Six months 30-Sep-16 £'000	Unaudited Six months 30-Sep-15 £'000	Audited 12 months 31-Mar-16 £'000
Net cash used in operating activities	**3**	(95)	(171)	(103)
Taxation		-	70	111
Cash flows used in investing activities				
Purchase of plant and machinery		(12)	-	(26)
Disposal of plant and machinery		11	14	14
Purchase of intellectual property		-	(12)	(14)
Net cash (used in) / generated from investing activities		(1)	2	(26)
Cash flow from financing activities				
Other loan repayments		(10)	(8)	50
Shareholder loan receipts / (repayments)		28	18	(7)
Interest paid		(48)	(49)	(87)
Proceeds of share issue		250	-	-
Share issue costs		(17)	-	-
Net cash generated from financing activities / (used in)		203	(39)	(44)
Net decrease in cash and cash equivalents		107	(138)	(62)
Cash and cash equivalents at beginning of period / year		(223)	(161)	(161)
Cash and cash equivalents at end of period / year	**4**	(116)	(299)	(223)

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU applied in accordance with the provisions of the Companies Act 2006 applicable to companies preparing financial statements under IFRS.

Accordingly, the consolidated half-yearly financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 March 2016.

This interim report does not comply with IAS 34 "Interim Financial Reporting" (as adopted by the European Union), as permissible under the AIM Rules for Companies.

Going Concern

The Directors have considered financial projections based upon known future invoicing, existing contracts, pipeline of new business and the number of opportunities it is currently working on, particularly in the Retail sector. In addition, these forecasts have been considered in the light of the ongoing challenges in the global economy, previous experience of the markets in which the Group 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 Group will generate sufficient cash resources to meet its liabilities as they fall due over the next 12 month period from the date of this interim announcement.

As a result the Directors consider that it is appropriate to draw up the financial information 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.

Non-statutory accounts

The financial information contained in this document does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 ("the Act").

The statutory accounts for the year ended 31 March 2015 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Act. The financial information for the six months ended 30 September 2016 and 30 September 2015 is not audited.

2. Loss per share

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £67,000 (2015: £60,000) by the weighted average number of shares during the period of 1,195,801,597 (2015: 1,039,757,641). The diluted loss per share is identical to that used for basic loss per share as the exercise of warrants and share options would have the effect of reducing the loss per share and therefore is not dilutive under International Accounting Standard 33 "Earnings per Share".

NOTES TO THE FINANCIAL INFORMATION (Continued)

3. Cash used in operations

	Unaudited Six months 30-Sep-16 £'000	Unaudited Six months 30-Sep-15 £'000	Audited 12 months 31-Mar-16 £'000
Operating loss	(34)	(26)	(160)
Depreciation of tangible assets	25	22	55
(Profit) / Loss on sale of tangible assets	(9)	7	0
Amortisation of intangible assets	13	12	24
Decrease / (increase) in inventories	(31)	2	19
(Decrease) / increase in payables	75	(118)	(303)
(Increase) / decrease in receivables	(134)	(70)	123
Share based payment charge	-	-	139
Net cash outflow from operating activities	(95)	(171)	(103)

4. Cash and cash equivalents

	Unaudited Six months 30-Sep-16 £'000	Unaudited Six months 30-Sep-15 £'000	Audited 12 months 31-Mar-16 £'000
Cash held at bank	137	36	9
Invoice discounting facility	(253)	(335)	(232)
	(116)	(299)	(223)

5. Subsequent events

There were no subsequent events since 30 September 2016.

6. Distribution of the half-yearly report

Copies of the Half-yearly Report will be available to the public from the Company's website, www.mediazest.com, and from the Company Secretary at the Company's registered address at Unit 9, Woking Business Park, Albert Drive, Woking, Surrey, GU21 5JY.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

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