

MediaZest plc

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

(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 (Sales Director)

SECRETARY

Cargil Management Services Limited

REGISTERED OFFICE

27/28 Eastcastle Street

London W1W 8DH

NOMINATED ADVISERS

Northland Capital Partners Limited

60 Gresham Street

London EC2AV 7BB

BROKERS

Hybridan LLP

29 Throgmorton Street

London EC2N 2AT

AUDITOR

Nexia Smith & Williamson

Statutory Auditor

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

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London WC2R 1BB

REGISTRARS

Share Registrars Limited

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 2013 incorporate the results of its subsidiary, which is wholly owned.

Results for the Year and Key Performance Indicators

Turnover for the year was £1,850,000 (2012: £2,521,000), cost of sales was £941,000 (2012: £1,394,000) and the Group made a loss for the year, after taxation, of £551,000 (2012: £424,000) after finance costs of £138,000 (2012: £104,000) and having paid administrative expenses of £1,322,000 (2012: £1,447,000).

The basic loss and diluted loss per share was 0.15p (2012: 0.16p). The Group had cash in hand of £1,000 (2012: £88,000) and a bank overdraft of £92,000 (2012: £nil) at the year end and an invoice discounting facility over the debtors of Touch Vision of which £108,000 (2012: £84,000) was in use at 31 March 2013. As at 31 March 2013, the Group has a current maximum limit of £350,000 under the existing invoice discounting facility.

As at 31 March 2013 the Group also had loans from shareholders of £530,000 (2012: £530,000).

Business overview

The Group operates two trading divisions through its wholly owned subsidiary Touch Vision Ltd : 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 results for the year ended 31 March 2013 demonstrate that the Group endured a disappointing year with turnover falling short of the previous year's level and the loss for the year increasing accordingly. Much of this decrease in turnover was as a consequence of the rescheduling of a large project that was anticipated to generate revenues of in excess of £400,000 in the financial year ended 31 March 2013, to the subsequent financial year (ending 31 March 2014). In addition, HMV, a long standing and valued client of the Company for many years went into administration in January 2013. Both of these events have been announced previously and referred to in the Group's interim report released in December 2012 and a subsequent trading update in June 2013.

On a more positive note, the Company also announced in April 2013 that it had won a significant global contract that it expected to deliver revenues in excess of £1 million over the subsequent 18 months. The Board believes that this contract offers significant future business opportunities for the Company.

The Company raised £179,000 before expenses, during the year and £358,000 before expenses subsequent to the year end from both existing and new shareholders, the proceeds of which were applied towards both providing additional working capital and the financing to expand the sales team/marketing assets to take advantage of the opportunities before the Company.

The Board's strategy, consistent with previous announcements, has been one of increasing turnover by concentrating on and increasing the higher margin business achievable through MV whilst both maintaining and expanding revenue through the Education Framework agreements that TV became a participant of in November 2010.

MediaZest plc

CHAIRMAN'S STATEMENT

Business overview (Continued)

MediaZest Ventures Division

MediaZest Ventures (MV) continued to provide the Group with growth potential by providing the highest profile and most profitable opportunities. A considerable amount of effort was placed upon expanding the product and service base with an increasing emphasis on providing clients with content work to complement the division's offerings.

Touch Vision Division

The Touch Vision division continued to generate the bulk of its business from the educational market during the year. In addition, amongst its retail customers, several high street names continued to be valued clients. However, further emphasis was placed on opportunities in the Corporate market and this is a sector that will receive ongoing attention as the Board believes that clients continue to search for better value solutions and reliable systems providers.

Outlook

The Group has continued to add to its client base of blue chip retailers and brands and has an enviable record of client retention. In view of this and with the objective of expanding the Group's business further the Company has taken on new business premises in Woking, moving from its current location in Farnham. It has also set up a demonstration showroom in Shoreditch in close proximity to the City of London.

There has been a successful start to the financial year ending 31 March 2014. The Group won its single largest piece of business in April 2013 and this along with several other substantial contracts have given the Company a strong business base for this financial year. It has already booked revenue within the first five months of the current financial year significantly in excess of the corresponding period in the financial year ending 31 March 2013.

Lance O'Neill
Chairman

Date: 6 September 2013

MediaZest plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements of MediaZest plc (the “Company”, and collectively with the subsidiary company, the “Group”) for the year ended 31 March 2013 and the comparative year ended 31 March 2012. The consolidated financial results of the Group include the results of its subsidiary company, which is wholly owned.

Directors during the year were:

Lance O’Neill

Geoffrey Robertson

James Abdool

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.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £551,000 (2012: £424,000).

The directors do not recommend the payment of a dividend (2012: £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.

KEY PERFORMANCE INDICATORS

Details of the Group’s key performance indicators are given in the Chairman’s Statement on page 3.

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 141 days (2012: 94 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.

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

AUDITOR

Nexia Smith & Williamson have expressed their willingness to continue in office as auditor 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**

Date: 6 September 2013

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 UK Corporate Governance 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 of one full time executive director and one part time executive director and one non-executive 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 full time executive director is engaged under a service contract, the part time executive director is engaged under a consultancy agreement 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 10. 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 directors are 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 full time 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.

The part time executive director was engaged under a consultancy agreement terminable by either party on three 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 2013.

DIRECTORS' REMUNERATION

The directors' remuneration information is set out in note 6 to the financial statements.

By order of the Board

Lance O'Neill
Chairman

Date: 6 September 2013

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 statement 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 IFRS's 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 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and the related notes 1 to 28. 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 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 11, 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 FRC'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 company's affairs as at 31 March 2013 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 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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: 6 September 2013

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 2013

	Note	2013 £'000	2012 £'000
Continuing operations			
Revenue	3	1,850	2,521
Cost of sales		<u>(941)</u>	<u>(1,394)</u>
Gross profit		909	1,127
Administrative expenses		<u>(1,322)</u>	<u>(1,447)</u>
Operating loss	4	(413)	(320)
Finance costs	7	<u>(138)</u>	<u>(104)</u>
Loss on ordinary activities before taxation		(551)	(424)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the year and total comprehensive loss for the year attributable to the owners of the parent		<u><u>(551)</u></u>	<u><u>(424)</u></u>
Loss per ordinary 0.1p share			
Basic	10	(0.15p)	(0.16p)
Diluted	10	(0.15p)	(0.16p)

MediaZest plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

(Company No. 05151799)

	Note	2013 £'000	2012 £'000
Non-current assets			
Goodwill	11	2,772	2,772
Property, plant and machinery	12	63	97
Total non-current assets		<u>2,835</u>	<u>2,869</u>
Current assets			
Inventories	14	123	106
Trade and other receivables	15	515	270
Cash and cash equivalents		1	88
Total current assets		<u>639</u>	<u>464</u>
Current liabilities			
Trade and other payables	16	(1,155)	(789)
Financial liabilities	17	(707)	(547)
Total current liabilities		<u>(1,862)</u>	<u>(1,336)</u>
Net current liabilities		(1,223)	(872)
Non-current liabilities			
Financial liabilities	17	-	(8)
Total non-current liabilities		-	(8)
Net assets		<u>1,612</u>	<u>1,989</u>
Equity			
Share capital	18	2,736	2,587
Share premium account		4,029	4,004
Share options reserve		7	7
Retained earnings		(5,160)	(4,609)
Total equity		<u>1,612</u>	<u>1,989</u>

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2013 and were signed on its behalf by:

Lance O'Neill
Chairman

MediaZest plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share Capital £'000	Share Premium £'000	Share Options Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2011	2,507	3,929	7	(4,185)	2,258
Loss for the year	-	-	-	(424)	(424)
Total comprehensive income for the year	-	-	-	(424)	(424)
Issue of share capital	80	80	-	-	160
Share issue costs	-	(5)	-	-	(5)
Balance at 31 March 2012	2,587	4,004	7	(4,609)	1,989
Loss for the year	-	-	-	(551)	(551)
Total comprehensive income for the year	-	-	-	(551)	(551)
Issue of share capital	149	30	-	-	179
Share issue costs	-	(5)	-	-	(5)
Balance at 31 March 2013	2,736	4,029	7	(5,160)	1,612

MediaZest plc

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £'000	2012 £'000
Net cash used in operating activities	20	(385)	(141)
Cash flows used in investing activities			
Purchase of plant and machinery		(16)	(62)
Disposal of plant and machinery		3	-
Purchase of leasehold improvements		-	(4)
Net cash used in investing activities		(13)	(66)
Cash flow from financing activities			
Repayment of bank borrowings		(17)	(16)
Other loans		77	50
Shareholder repayments		-	(25)
Interest paid		(39)	(104)
Proceeds of share issue		179	160
Share issue costs		(5)	(5)
Net cash generated from financing activities		195	60
Net decrease in cash and cash equivalents		(203)	(147)
Cash and cash equivalents at beginning of year		4	151
Cash and cash equivalents at end of the year	19	(199)	4

MediaZest plc

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

(Company No. 05151799)

	Note	2013 £'000	2012 £'000
Non-current assets			
Investments	13	2,963	2,963
Current assets			
Trade and other receivables	15	22	22
Cash and cash equivalents		1	1
Total current assets		<u>23</u>	<u>23</u>
Current liabilities			
Trade and other payables	16	(538)	(350)
Financial liabilities	17	(607)	(530)
Total current liabilities		<u>(1,145)</u>	<u>(880)</u>
Net current liabilities		(1,122)	(857)
Net assets		<u>1,841</u>	<u>2,106</u>
Equity			
Share capital	18	2,736	2,587
Share premium account		4,029	4,004
Share options reserve		7	7
Retained earnings		(4,931)	(4,492)
Total equity		<u>1,841</u>	<u>2,106</u>

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2013 and were signed on its behalf by:

Lance O'Neill
Chairman

MediaZest plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2011	2,507	3,929	7	(4,056)	2,387
Loss for the year	-	-	-	(436)	(436)
Total comprehensive income for the year	-	-	-	(436)	(436)
Issue of share capital	80	80	-	-	160
Share issue costs	-	(5)	-	-	(5)
Balance at 31 March 2012	2,587	4,004	7	(4,492)	2,106
Loss for the year	-	-	-	(439)	(439)
Total comprehensive loss for the year	-	-	-	(439)	(439)
Issue of share capital	149	30	-	-	179
Share issue costs	-	(5)	-	-	(5)
Balance at 31 March 2013	2,736	4,029	7	(4,931)	1,841

MediaZest plc

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £'000	2012 £'000
Net cash used in operating activities	20	(327)	(368)
Cash flows from financing activities			
Receipts from group companies		329	464
Payments to group companies		(253)	(223)
Shareholder loans		77	50
Interest paid		-	(87)
Proceeds of share issue		179	160
Share issue costs		(5)	(5)
Net cash generated from financing activities		<u>327</u>	<u>359</u>
Net decrease in cash and cash equivalents		<u>-</u>	<u>(9)</u>
Cash and cash equivalents at beginning of year		1	10
Cash and cash equivalents at end of year	19	<u><u>1</u></u>	<u><u>1</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.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) 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. 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. Subsequent to the year end the Company raised £358,000 before expenses as detailed in the Chairman's Statement. The Company also announced in April 2013 that it had won a significant global contract that it expected to deliver revenues in excess of £1 million over the subsequent 18 months. The Board believes that this contract offers significant future business opportunities for the Company.

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 £530,000 at 31 March 2013 (2012: £530,000) stating that they will not call for repayment of the loans within the 12 months from the date of approval of these financial statements 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.

New standards and interpretations

There were no new standards and interpretations affecting the 31 March 2013 financial statements.

Note 27 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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

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

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;
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred and;
- maintenance revenue is recognised evenly over the period of the contract.

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.

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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

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.

Property, plant & machinery

Property, plant & machinery 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 and machinery	-	three years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labour costs, and other costs 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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Financial assets

Cash and cash equivalents include cash at bank, bank overdraft 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. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

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.

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.

Foreign currencies

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are retranslated at the year-end rate. Exchange differences are taken to operating profit.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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 2013 was £2,772,000 (2012: £2,772,000) – see Note 11.

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 2013 of £2,963,000 (2012: £2,963,000) – see Note 13.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION

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

	2013	2012
	£'000	£'000
UK and Channel Islands	1,716	2,505
Rest of Europe	21	16
Rest of World	113	-
	<u>1,850</u>	<u>2,521</u>

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

	2013	2012
	£'000	£'000
Goods	1,508	2,100
Services	342	421
	<u>1,850</u>	<u>2,521</u>

Segmental information 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.,

The MediaZest Ventures Division covers the supply and installation of AV equipment to blue chip clients mainly within the retail sector.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION (Continued)

Segmental information and results (continued)

	2013				
	Project Division	Service and Maintenance Division	MediaZest Ventures Division	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
Continuing operations					
UK and Channel Islands	979	333	404	-	1,716
Rest of Europe	-	9	12	-	21
Rest of World	38	-	75	-	113
Revenue	1,017	342	491	-	1,850
Cost of sales	(713)	(18)	(210)	-	(941)
Gross profit	304	324	281	-	909
Administrative expenses	(627)	(161)	(149)	(338)	(1,275)
Depreciation	-	-	-	(47)	(47)
Operating (loss)/profit	(323)	163	132	(385)	(413)
Finance costs	-	-	-	(138)	(138)
(Loss)/profit on ordinary activities before taxation	(323)	163	132	(523)	(551)
Tax on loss on ordinary activities	-	-	-	-	-
(Loss)/profit on ordinary activities after taxation	(323)	163	132	(523)	(551)

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION (Continued)

Segmental information and results (continued)

	2012				
	Project Division £'000	Service and Maintenance Division £'000	MediaZest Ventures Division £'000	Unallocated £'000	Total £'000
Continuing operations					
UK and Channel Islands	1,599	404	502	-	2,505
Rest of Europe	-	16	-	-	16
Revenue	1,599	420	502	-	2,521
Cost of sales	(1,123)	(35)	(236)	-	(1,394)
Gross profit	476	385	266	-	1,127
Administrative expenses	(678)	(160)	(230)	(355)	(1,423)
Depreciation	-	-	-	(24)	(24)
Operating (loss)/profit	(202)	225	36	(379)	(320)
Finance costs	-	-	-	(104)	(104)
(Loss)/profit on ordinary activities before taxation	(202)	225	36	(483)	(424)
Tax on loss on ordinary activities	-	-	-	-	-
(Loss)/profit on ordinary activities after taxation	(202)	225	36	(483)	(424)

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.

	2013 £'000	2012 £'000
Projects	204	269
Service and Maintenance	89	244
	<u>293</u>	<u>513</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING LOSS

	2013	2012
	£'000	£'000
This is stated after charging/(crediting):		
Depreciation of owned assets	47	24
Pension contributions	5	5
Operating lease rentals paid:		
- land and buildings	75	90
- other	17	12
Rentals receivable under operating leases	-	(2)

5. AUDITOR'S REMUNERATION

	2013	2012
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	7	7
The audit of the Company's subsidiary	12	12
Tax compliance services	3	1
Tax advisory services	1	4
Other non-audit services - general advice	-	1

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

6. STAFF COSTS

	2013	2012
	£'000	£'000
Staff costs during the year		
Wages and salaries	649	769
Social security costs	73	83
Pension	5	5
	<u>727</u>	<u>857</u>

	2013	2012
	Number	Number
Average number of employees		
Management	6	6
Other	10	15
	<u>16</u>	<u>21</u>

	2013	2012
	£'000	£'000
Directors' emoluments		
Executive directors		
Geoffrey Robertson	100	100
James Abdool	93	71
Non executive director		
Lance O'Neill	50	50
Total	<u>243</u>	<u>221</u>

The remuneration of the highest paid director during the year ended 31 March 2013 was £100,000 (2012: £100,000).

Geoffrey Robertson has 133,333 unexercised share options at 15p (2012: 133,333 unexercised share options at 15p).

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE COSTS

	2013	2012
	£'000	£'000
Loan interest, bank interest and charges	138	104

8. TAXATION

	2013	2012
	£'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:

	2013	2012
	£'000	£'000
Loss before taxation	(551)	(424)
Tax on loss on ordinary activities at standard UK corporation tax rate of 24% (2012: 26%)	(132)	(110)
Effects of:		
Expenses not allowable for taxation	1	1
Depreciation in excess of capital allowances	(8)	(7)
Losses carried forward	139	116
Total tax expense for the year	-	-

A potential deferred tax asset of £3,062,000 (2011: £3,164,000) in respect of the following has not been provided for on the basis that there is insufficient certainty over the date that they will be utilised.

	2013	2012
	£'000	£'000
Losses carried forward	12,337	12,198
Net fixed asset timing differences (ACA)	412	413
Short term timing differences	8	6
	12,757	12,617

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

9. 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 £439,000 (2012: £436,000).

10. LOSS PER ORDINARY SHARE

	2013	2012
	£'000	£'000
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	551	424
	2013	2012
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	367,675,618	257,898,551
Number of dilutive shares under option or warrant	-	-
Weighted average number of ordinary shares for the purposes of dilutive loss per share	367,675,618	257,898,551

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £551,000 (2012: £424,000) by the weighted average number of shares during the year of 367,675,618 (2012: 257,898,551).

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.

Earnings per share has been re-stated for the comparative year to correct a typographical error in the 2012 financial statements.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

11. GOODWILL

	2013	2012
	£'000	£'000
Net book value	<u>2,772</u>	<u>2,772</u>

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.

	2013	2012
	£'000	£'000
MediaZest Ventures	113	113
Project and services division	<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 CGUs 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% (2012: 12.5%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. 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% (2012: 3%), although they believe the Group has the potential for much greater growth.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND MACHINERY

	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 April 2012	43	320	363
Additions	-	16	16
Disposals	-	(5)	(5)
At 31 March 2013	<u>43</u>	<u>331</u>	<u>374</u>
Depreciation			
At 1 April 2012	24	242	266
Provided during the year	18	29	47
Disposals	-	(2)	(2)
At 31 March 2013	<u>42</u>	<u>269</u>	<u>311</u>
Net Book Value			
At 31 March 2013	<u>1</u>	<u>62</u>	<u>63</u>

	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 April 2011	39	235	274
Additions	4	62	66
Transfer from inventories	-	23	23
At 31 March 2012	<u>43</u>	<u>320</u>	<u>363</u>
Depreciation			
At 1 April 2011	18	224	242
Provided during the period	6	18	24
At 31 March 2012	<u>24</u>	<u>242</u>	<u>266</u>
Net Book Value			
At 31 March 2012	<u>19</u>	<u>78</u>	<u>97</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS IN SUBSIDIARIES

Investments	Shares in group undertakings £'000	Loans to group undertakings £000	Total £'000
Cost			
At 1 April 2012	2,963	969	3,932
Repayment of loans to group undertakings	-	-	-
At 31 March 2013	2,963	969	3,932
Provision for impairment			
At 1 April 2012	-	969	969
Release of provision	-	-	-
At 31 March 2013	-	969	969
Net Book Value			
At 31 March 2013	2,963	-	2,963

Investments	Shares in group undertakings £'000	Loans to group undertakings £000	Total £'000
Cost			
At 1 April 2011	2,963	969	3,932
Repayment of loans to group undertakings	-	-	-
At 31 March 2012	2,963	969	3,932
Provision for impairment			
At 1 April 2011	-	969	969
Release of provision	-	-	-
At 31 March 2012	-	969	969
Net Book Value			
At 31 March 2012	2,963	-	2,963

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS IN SUBSIDIARIES (Continued)

At 31 March 2013 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

14. INVENTORIES

	2013 £'000	2012 £'000
Finished Goods	123	106

The cost of inventories recognised as an expense and included within cost of sales amounted to £886,000 (2012: £1,327,000).

During the year the Group did not make any provision against stock (2012: £nil).

15. TRADE AND OTHER RECEIVABLES

	The Group 2013 £'000	The Group 2012 £'000	The Company 2013 £'000	The Company 2012 £'000
Trade receivables	460	186	12	12
Other receivables	6	5	6	5
Prepayments and accrued income	49	79	4	5
	<u>515</u>	<u>270</u>	<u>22</u>	<u>22</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.

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

	2013 £'000	2012 £'000
31 – 60 days	9	52
61 – 90 days	17	12
91 + days	33	25
	<u>59</u>	<u>89</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

	The Group	The Group	The	The
	2013	2012	Company	Company
	£'000	£'000	2013	2012
			£'000	£'000
Trade payables	363	360	45	27
Amount owed to group company	-	-	317	241
Invoice discounting facility	108	84	-	-
Other payables	30	30	-	-
Other taxes and social security payables	85	62	-	2
Accruals and deferred income	569	253	176	80
	<u>1,155</u>	<u>789</u>	<u>538</u>	<u>350</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 £108,000 (2012: £84,000) of funds in use. This facility is through the wholly owned subsidiary Touch Vision and is secured under an existing all assets debenture.

17. FINANCIAL LIABILITIES

	The Group	The Group	The Company	The Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Current				
Shareholder loans	530	530	530	530
Other loans	77	-	77	-
Bank overdraft	92	-	-	-
Bank loan	8	17	-	-
	<u>707</u>	<u>547</u>	<u>607</u>	<u>530</u>
Non-current				
Bank loan	-	8	-	-
	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>

The bank loan is on a fixed interest rate of 5.75% p.a. over base rate (currently 0.5% p.a.). The outstanding balance at 31 March 2013 was £8,000 (2012: £25,000) and is secured under an existing all assets debenture.

The bank overdraft attracts interest at 5% p.a. over base rate (currently 0.5% p.a.) and is secured under an existing all assets debenture.

Shareholder loan interest rates are fixed and range between 10% pa and 20% pa (2012: 10% - 20%). £480,000 of shareholder loans are secured against equity shares in the Company at 0.5 pence per share (2012: £480,000).

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

18. CALLED UP SHARE CAPITAL

	2013 Number of shares	2013 £'000	2012 Number of shares	2012 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.1 pence	476,792,227	477	327,625,327	328
Deferred shares of 9.9 pence	22,825,327	2,259	22,825,327	2,259
Total	499,617,554	2,736	350,450,654	2,587

Each ordinary share carries the right to one vote at company meetings, equal rights in any ordinary dividend declaration and equal rights 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 2013 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 2013. 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 24 December 2012 the company issued and allotted 149,166,900 new ordinary shares of 0.1p at a price of 0.12p raising £179,000.

	Ordinary 2013	Deferred 2013	Total 2013	Ordinary 2012	Deferred 2012	Total 2012
Opening balance	327,625,327	22,825,327	350,450,654	247,625,377	22,825,327	270,450,704
Issued in the year	149,166,900	-	149,166,900	79,999,950	-	79,999,950
Closing balance	476,792,227	22,825,327	499,617,554	327,625,327	22,825,327	350,450,654

Costs directly associated with the share issue amounted to £5,000.

19. CASH AND CASH EQUIVALENTS

	The Group 2013 £'000	The Group 2012 £'000	The Company 2013 £'000	The Company 2012 £'000
Cash held at bank	1	88	1	1
Bank overdraft	(92)	-	-	-
Invoice discounting facility	(108)	(84)	-	-
	(199)	4	1	1

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

20. CASH USED IN OPERATIONS

	The Group 2013 £'000	The Group 2012 £'000	The Company 2013 £'000	The Company 2012 £'000
Operating loss	(413)	(320)	(340)	(349)
Depreciation charge	47	24	-	-
Increase in inventories	(17)	(9)	-	-
Increase/(decrease) in payables	243	(89)	13	(32)
(Increase)/decrease in receivables	(245)	253	-	13
Net cash outflow from operating activities	(385)	(141)	(327)	(368)

21. LEASING COMMITMENTS

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

	2013		2012	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Due				
- within one year	30	8	80	13
- within two to five years	-	1	-	8
	30	9	80	21

22. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2013 (2012: £nil).

23. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 March 2013 (2012: £nil).

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

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NOTES TO THE FINANCIAL STATEMENTS

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 £530,000 (2012: £530,000) owed to shareholders, interest rates are fixed and range between 10% pa and 20% pa (2012: 10% - 20%). £480,000 of the shareholder loans are secured against equity shares in the Company at 0.5 pence per share.

£200,000 of the shareholder loans balance has been repaid at the time of signing these financial statements.

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:

	2013	2012
	£'000	£'000
Trade receivables	460	186
Other receivables	6	5
Cash and cash equivalents	1	88

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

Interest rate risk

The Group is exposed to interest rate risk as a result of positive cash balances at certain times during the year which earn interest at a variable rate, however the interest balance is immaterial therefore no sensitivity analysis is required under IFRS 7.

The Group is exposed to interest rate risk as a result of its invoice discounting facility and bank overdraft, denominated in sterling, which accrues interest at a variable rate, however the interest balance is immaterial and therefore no sensitivity analysis is required under IFRS 7.

The Group has fixed rate shareholder loans which are carried at amortised cost and changes in the market interest rates of these liabilities do not affect profit or equity therefore no sensitivity analysis is required under IFRS 7.

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

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NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

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:

At 31 March 2013	Trade payables £'000	Bank borrowing £'000	Other loans £'000	Invoice discounting facility £'000	Total £'000
6 months or less	363	100	252	108	823
6 - 12 months	-	-	582	-	582
1 - 2 years	-	-	-	-	-
Total contractual cash flows	363	100	834	108	1,405
Carrying amount of financial liabilities measured at amortised cost	363	100	607	108	1,178

At 31 March 2012	Trade payables £'000	Bank borrowings £'000	Other loans £'000	Invoice discounting facility £'000	Total £'000
6 months or less	360	9	41	84	494
6 - 12 months	-	9	571	-	580
1 - 2 years	-	8	-	-	8
Total contractual cash flows	360	26	612	84	1,082
Carrying amount of financial liabilities measured at amortised cost	360	25	530	84	999

At the year end the Group had an invoice discounting facility of up to £350,000 of which there were £108,000 (2012: £84,000) of funds in use. This facility is through wholly owned subsidiary Touch Vision Limited and secured under an existing all assets debenture.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (Continued)

Market risk and sensitivity analysis

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate risk as a result of trade receivables which will be settled in US Dollars. During the year the Group did not enter into any arrangements to hedge this risk, however a US Dollar account was opened with NatWest bank to receive these funds and access set up to their Foreign Exchange Platform to ensure the Group benefits from the best available exchange rates. The Group will review this policy as appropriate in the future.

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.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group.

Key management of the Group are:

Geoffrey Robertson

Lance O'Neill

James Abdool

James Ofield

Nick Findjan

Information regarding their compensation, including employer's national insurance contributions is given below in aggregate per IAS 24 Related Party Disclosures.

	The Group 2013 £'000	The Group 2012 £'000	The Company 2013 £'000	The Company 2012 £'000
Short term benefits	370	397	243	270
Pension contribution	5	5	-	-
	375	402	243	270

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

25. RELATED PARTY TRANSACTIONS (Continued)

James Abdool's fees as a director amounted to £93,000 (16 August 2011 to 31 March 2012: £71,000), charged through NeJo Partners, and the balance outstanding as at 31 March 2013 was £11,000 (2012: £13,000).

Loans from key management personnel of £44,000 were outstanding at 31 March 2013 (2012: £nil). The interest rate is fixed at 10% p.a. and these loans were fully repaid at the date of signing these financial statements.

Lance O'Neill is a director of EP&F Capital Advisory Limited and EP&F Capital Plc.

During the year EP&F Capital Advisory Limited provided company secretarial services amounting to £2,000 (2012: £6,000) and EP&F Capital Plc provided office space to the Group amounting to £13,000 (2012: £24,000).

The Group owed £26,000 (2012: £24,000) to EP&F Capital Plc and owed EP&F Capital Advisory Limited £2,000 (2012: £6,000) at 31 March 2013.

The Group had total outstanding loans from related party shareholders of £100,000 (2012: £100,000) the interest rates on these loans are fixed and range between 10% p.a. and 20% p.a. (2012: 15% - 20%). Accrued interest due to related party shareholders totalled £31,000 (2012: £7,000).

Interest payable to related parties in the year ended 31 March 2013 was £25,000 (2012: £21,000) and is included in finance costs in the consolidated statement of comprehensive income.

Group 12 months ended 31 March 2013	Subsidiaries £'000	Shareholders £'000	Total £'000
Sales	-	-	-
Purchases	-	14	14

Group 12 months ended 31 March 2012	Subsidiaries £'000	Shareholders £'000	Total £'000
Sales	-	-	-
Purchases	-	30	30

Balances with group companies are shown in note 16.

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NOTES TO THE FINANCIAL STATEMENTS

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:

	2013	Weighted average
	Number of share	exercise price
	options	
Outstanding at the beginning of the year	300,722	15p
Granted during the year	-	
Forfeited during the year	(12,827)	15p
Exercised during the year	-	
Expired during the year	-	
Outstanding at the end of the year	<u>287,894</u>	15p
Exercisable at the end of the year	<u>-</u>	15p
		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 2013 was three years (2012: four years)

The Group recognised total expenses of £nil related to equity-settled share-based payment transactions (2012: £nil).

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NOTES TO THE FINANCIAL STATEMENTS

27. LIST OF PUBLISHED IFRS THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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

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

Amendments to IFRSs arising from Annual Improvements Projects:

- Improvements to International Financial Reporting Standards (issued May 2012) (not yet endorsed 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.

28. SUBSEQUENT EVENTS

In June 2013 the company issued and allotted 143,200,000 new ordinary shares of 0.1p at a price of 0.25p per share raising £358,000.

In July 2013 the Company made significant shareholder loan repayments of £200,000.