<u>MediaZest plc</u>

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

(Company No. 5151799)

MediaZest plc

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MediaZest plc

DIRECTORS AND ADVISERS

DIRECTORS
Lance O'Neill (Non-Executive Chairman)
Geoff Robertson (Finance Director and Chief Executive Officer)
Andrew Hawkins (Group Sales & Marketing Director) – appointed 21 January 2007

SECRETARY
Nigel Duxbury

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MediaZest plc

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest plc (the "Group") for the year to 31 December 2007 incorporate the results of its subsidiaries, all of which are wholly owned.

Results for the Period and Key Performance Indicators

Turnover for the year was £3,857,000 (2006 - £3,171,000), cost of sales was £2,328,000 (2006 - £2,053,000) and the Group made a loss for the period, after taxation, of £497,000 (2006 - £989,000) after paying interest of £2,000 (2006 – £8,000) and having paid administrative expenses of £2,024,000 (2006 - £2,099,000).

The basic loss and fully diluted loss per share was 2 pence (2006 – 4 pence). The Group had net cash balances of £34,000 (2006 - £569,000) at the year end. Post year-end, the Group renegotiated its £200,000 overdraft facility to provide funding of up to £450,000 under an invoice discounting facility along with a transitional £50,000 overdraft until October 2008.

Administrative expenses, loss for the period and loss per share for 2006 reflect the reversal of a £150,000 charge for amortization of goodwill which is no longer required under IFRS accounting rules (see note 28).

Overview

The Group made progress in 2007, both in terms of revenue generation and a significant reduction in losses for the year. However, management recognises there is much that still needs to be done in turning these losses into profits.

The Group's priorities for the year were the development of its retail business in conjunction with its ongoing and successful activities in the education sector. As a consequence, the Group grew revenue by 22% and improved gross margins by 12%. It should be borne in mind that these results were achieved without increasing the Group's overhead costs which were, in fact, some £75,000 less than the previous year. However, further reductions in overhead are needed and these are being implemented during the 2008 financial year.

In January 2007 Sean Reel resigned as Chief Executive Officer and Chairman, and in May 2007 Chris Theis resigned from the position of Commercial Director. Mr Reel was replaced by Geoff Roberston as Chief Executive Officer and Andrew Hawkins joined the Board as Sales and Marketing Director. Lance O'Neill served as the Non-Executive Director throughout the year and assumed the position of Chairman following the resignation of Mr Reel.

Market Positioning

The Group has continued to use its two brands, namely Touch Vision and MediaZest Ventures, to good effect:

Touch Vision is a well established audio-visual engineering business with a number of long term clients, especially in the education sector where performance has been strong. The marketing strength of the MediaZest team has helped to revitalise this business.

CHAIRMAN'S STATEMENT (continued)

MediaZest Ventures is a creative marketing business which brings innovative audio-visual technology to the retail sector with delivery and installation provided by Touch Vision.

The year 2007, for both brands, was one of considerable change. The Group's board adopted a more market driven approach in both seeking out and capitalising upon additional sources of revenue. For example, revamps of both companies' websites led to considerable increases in customer traffic and corporate interest. In addition, the Group engaged actively with the marketing community and brand managers, who form the primary contact for our retail work, through direct mail and also through trade press. The Group also retained a public relations consultant, on a short term basis, to raise the profile of our work and successes.

MediaZest Ventures

During the year, our retail offering has developed considerably. We have generated a greater market awareness of our work; offered customers improved services and made a compelling case to clients in terms of their return from investing in our services and thereby justifying the commitment they make in adopting our ideas and technology.

Historically, we have enjoyed a wide range of blue chip clients who have experimented with our concepts only in flagship stores. During the year our products became more widely used by such clients, typically in a small number of prime retail sites. The board believe that with falling technology prices and proof of concept behind us, 2008 will see many of our clients using our products in an increasing number of sites.

The Company's media literacy and credibility in media technology circles has been very important in enabling it to penetrate a number of new markets. This, in turn, has allowed the Company to engage with a wide range of advertising agencies, brand managers and their associated industries. During 2007 we saw a move by suppliers from other industries to gain access to our markets through partnership agreements. We have not been excluded from this process and have formalised a partnership relationship with Cisco Systems, as announced earlier this year. We are already beginning to see the benefits of this arrangement as we engage mutual clients from both the IT infrastructure and marketing perspectives: innovative marketing ideas coupled with delivery credibility.

This trend has continued and we are now being courted as a potential partner by a range of corporate entities from outside of our own market sector, with the intention of marrying their long term client relationships to our innovative services. Against this background and through direct client contact we are winning an increasing amount of business with tier 1 blue chip retail clients as well as developing our existing relationships.

Touch Vision

During the year, the Company continued to focus on engineering excellence and growing our education, retail and corporate business. In particular, returns in the education sector were pleasing. In addition to our current long term agreements with two London universities won by way of competitive tendering, we added a new four year agreement with another prestigious UK university; again won through a similar process.

We have maintained our long standing relationship with HMV and the Company was pleased to become involved with their future store project. The Group's approach to this opportunity combined each companies' strengths to give the client a compelling product. After a successful launch in two stores last year, these concept stores are now being implemented into a number of other sites.

We continued to utilise our dedicated service team to improve the quality of revenue by emphasising the benefits of service and maintenance contracts to clients, especially in retail. This long term strategy enables us to generate an increasing proportion of our income from recurring sources.

The Future

The Group's sales pipeline is healthier and better defined than in the previous year. We believe there is an acceptance now of digital technology in the retail market and an increasing awareness of its attributes. Despite our losses we believe that the Group is in a good position to capitalise upon these developments. The strategic partnerships we have developed with companies such as Cisco and other retail suppliers in different disciplines should give us an added advantage as adoption continues.

The nature of our business is moving from short term such as product launches to permanent, versatile, digital signage. Our clients are benefitting from improved aesthetics, increased footfall, better targeting of sales messages, reduced traditional point-of-sale costs and improved in store compliance.

It is our belief that in the current economic climate, the ability of a high street retailer to attract customers more effectively, being able to react quickly to market conditions whilst cutting costs will be invaluable. An increasing amount of our client contact is taken up with these issues.

The Group continues to target new public sector tenders in addition to our three existing long term contracts. We are also broadening our corporate offering and have recruited a further senior sales consultant with strong experience in both of these areas. We expect to see significant gains from this strategy in the second half of 2008 and beyond. Under one of our existing tender framework agreements, in the first quarter of 2008, our education business has successfully completed its largest ever contract, installing 85 rooms for a London university, specifically targeted to help those with learning disabilities.

Finally, with the Group's share price so low, we have utilised debt based financing to improve our working capital position. In February 2008, we entered into an agreement with the Royal Bank of Scotland to provide up to £450,000 of funding through invoice financing with a £50,000 additional transitional overdraft until October 2008. This has resulted in improved cash flows since the year end and enables us to approach future opportunities with confidence.

Lance O'Neill
Chairman

25 June 2008

DIRECTORS' REPORT

The directors present their report and the audited financial statements of MediaZest plc (the "Company", and collectively with the subsidiary companies, the "Group") for the year ended 31 December 2007 and the comparative year ended 31 December 2006. The consolidated financial results of the Group include the results of its subsidiary companies, all of which are wholly owned.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company operates principally as a trading holding and investment company and specifically provides support to the subsidiary companies 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 £497,000 (2006: £989,000).

The directors do not recommend the payment of a dividend (2006: £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.

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 creditor days for the Group have been calculated at 72 days, (2006: 50 days) and represents 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 creditors falling due for payment within one year.

POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

NON FINANCIAL RISKS

Principal risks the Directors are monitoring include:

Global Economy – whilst the Group is already seeing some signs of slowdown in the retail sector, the Directors believe that the current economic climate is also generating opportunities for the Company in respect of retailers who are attempting to fight the economic trend using our technology and services. As is traditional during such times, we are also seeing an increase in Public Sector enquiries and our Education division continues to grow strongly.

DIRECTORS' REPORT (continued)

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 s234Z of the Companies Act 1985.

AUDITORS

Nexia Smith & Williamson have expressed their willingness to continue in office as auditors and a resolution to 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

25 June 2008

CORPORATE GOVERNANCE

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

BOARD STRUCTURE

At the end of the year the Board comprised two full time executive directors 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.

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

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

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

REMUNERATION COMMITTEE

Under the Chairmanship of Lance O'Neill, the Remuneration Committee determines the remuneration and contractual arrangements of individual executive and non-executive directors. The Board's report on directors' remuneration appears on page 10. The present members of the Committee are:

Lance O'Neill (Chairman)
Geoff 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)
Andrew Hawkins

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.

GOING CONCERN

After making enquiries, the directors formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the directors have considered the reduction in the Group's cost base, encouraging post year end results, the Group's current overdraft facility of £50,000 and an invoice discounting facility put in place post year end with provision for up to £450,000 of additional funding under certain terms and conditions. See note 20 for further information on the Group's banking facilities. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

MediaZest plc

REPORT ON DIRECTORS' REMUNERATION

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

SERVICE CONTRACTS

At the year end the executive Directors were engaged under service contracts and the non-executive Director under a letter of appointment all terminable by either party on six months notice.

SHARE OPTIONS

The Board adopted a share option scheme during the course of 2006, however there were no options granted during 2007

DIRECTORS' REMUNERATION

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

By order of the Board

Lance O'Neill
Chairman

25 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Independent auditors' report to the shareholders of MediaZest plc

We have audited the Group and Company financial statements ('the financial statements') of MediaZest plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. (The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report).

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities to not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Groups and Company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report to the shareholders of MediaZest plc (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's and Company's affairs at 31 December 2007 and of the Group's loss for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

25 June 2008

The maintenance and integrity of the MediaZest PLC website 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 accounts since they were initially presented on the website.

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

MediaZest plc

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Revenue	**2**	3,857	3,171
Cost of sales		(2,328)	(2,053)
Gross profit		1,529	1,118
Administrative expenses		(2,024)	(2,099)
Operating loss	**3**	(495)	(981)
Finance costs	**6**	(2)	(8)
Loss on ordinary activities before taxation		(497)	(989)
Tax on loss on ordinary activities	**7**	-	-
Loss on ordinary activities after taxation	**18**	(497)	(989)
Loss per ordinary 10p share			
Basic	**9**	(£0.02)	(£0.04)
Diluted	**9**	(£0.02)	(£0.04)

MediaZest plc

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Non-current assets			
Goodwill	**10**	2,772	2,772
Plant and equipment	**11**	107	105
Total Non-Current Assets		2,879	2,877
Current assets			
Inventories	**13**	172	142
Trade and other receivables	**14**	1,052	535
Cash and cash equivalents	**21**	34	569
Total Current Assets		1,258	1,246
Current Liabilities			
Trade and other payables	**15**	(917)	(430)
Current tax liability	**16**	(95)	(73)
Total Current Liabilities		(1,012)	(503)
Net Current Assets		246	743
Net Assets		3,125	3,620
Equity			
Share capital	**17**	2,283	2,283
Share premium account		3,211	3,211
Other reserves		7	5
Retained earnings		(2,376)	(1,879)
Total equity		3,125	3,620

The financial statements were approved by the Board of Directors on 25 June 2008 and were signed on its behalf by:

Geoff Robertson
Director

MediaZest plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 January 2006	2,283	3,211	-	(890)	**4,604**
Loss for the period	-	-	-	(989)	**(989)**
Total recognised income and expenses for the period	-	-	-	(989)	**(989)**
Share based payments	-	-	5	-	**5**
Balance at 31st December 2006	2,283	3,211	5	(1,879)	**3,620**
Loss for the period	-	-	-	(497)	**(497)**
Total recognised income and expenses for the period	-	-	-	(497)	**(497)**
Share based payments	-	-	2	-	**2**
Balance at 31st December 2007	2,283	3,211	7	(2,376)	**3,125**

The Other Reserves arise from accounting for share based payments (see note 26).

MediaZest plc

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Non-current assets			
Investments	**12**	4,200	4,283
Current assets			
Trade and other Receivables	**14**	374	282
Cash and cash equivalents		1	368
Total Current Assets		375	650
Current Liabilities			
Trade and other payables	**15**	(84)	(197)
Current tax liability	**16**	(4)	(10)
Total Current Liabilities		(88)	(207)
Net current assets		287	443
Net Assets		4,487	4,726
Equity			
Share capital	**17**	2,283	2,283
Share premium account		3,211	3,211
Share option reserve		7	5
Retained earnings		(1,014)	(773)
Total equity		4,487	4,726

The financial statements were approved by the Board of Directors on 25 June 2008 and were signed on its behalf by:

Geoff Robertson
Director

MediaZest plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 January 2006	2,283	3,211	-	(386)	**5,108**
Loss for the period	-	-	-	(387)	**(387)**
Total recognised income and expenses for the period	-	-	-	(387)	**(387)**
Share based payments	-	-	5	-	**5**
Balance at 31st December 2006	2,283	3,211	5	(773)	**4,726**
Loss for the period	-	-	-	(241)	**(241)**
Total recognised income and expenses for the period	-	-	-	(241)	**(241)**
Share based payments	-	-	2	-	**2**
Balance at 31st December 2007	2,283	3,211	7	(1,014)	**4,487**

The Other Reserves arise from accounting for share based payments (see note 26).

MediaZest plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Net cash (used in) operating activities	**18**	(470)	(613)
Investing Activities			
Purchase of property, plant and equipment		(67)	(61)
Proceeds from disposal of property, plant and equipment		4	-
Net cash (used in) investing activities		(63)	(61)
Financing Activities			
Interest paid		(2)	(8)
Net cash (used in) financing activities		(2)	(8)
Net (decrease) in cash and cash equivalents	**20**	(535)	(682)
Cash and cash equivalents at beginning of year		569	1,251
Cash and cash equivalents at end of year		34	569

MediaZest plc

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Net cash (used in) operating activities	**18**	(367)	(987)
Investing activities			
Interest received		-	-
Net cash generated from investing activities		-	-
Financing activities			
Interest paid		-	-
Net cash generated from financing activities		-	-
Net (decrease) in cash and cash equivalents	**20**	(367)	(987)
Cash and cash equivalents at beginning of year		368	1,355
Cash and cash equivalents at end of year		1	368

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 28. The financial statements have been prepared in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985.

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

Going Concern

In view of the losses and cash outflows incurred by the Group, the Directors have carefully considered the going concern assumption on the basis of financial projections and the factors outlined on page 9. 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.

New Standards and interpretations

Note 29 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 period of initial application.

Critical accounting judgements

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

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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the year and the carrying value of goodwill at the balance sheet date was £2,772,000.

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 December 2007 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.

1. ACCOUNTING POLICIES (continued)

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.

Rental Income

The Group's policy for recognition of revenue from operating leases is described below.

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 consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years 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 balance sheet 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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 balance sheet 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 period 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 balance sheet 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.

Tangible Fixed Assets

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

Leasehold land and buildings	-	original lease term
Plant, vehicles and equipment	-	1 to 7 years

Investments

Investments in subsidiaries held as fixed assets are stated at cost less provision for any impairment.

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Financial Instruments

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

Financial Assets

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 through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the original recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

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

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 profit or loss 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.

1. ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

Financial Liabilities

Classification as debt or equity

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

Equity Instruments

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

Other Financial Liabilities

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. 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.

1. ACCOUNTING POLICIES (continued)

The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Pounds Sterling (£) which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit and loss in the period in which they arise.

Trade creditors at 31 December 2007 included three European suppliers with a value of Euro 18,123 (2006 – Euro 6,900).

Pension Scheme

The Group makes payments to certain employees' Personal Pension schemes. Costs incurred during the year are charged to the profit and loss account as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE

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

	2007 £'000	2006 £'000
UK and Channel Islands	3,605	3,122
Rest of Europe	109	32
North America	-	2
Rest of World	143	15
	3,857	**3,171**

Segmental revenue and results

All of the Groups net assets are located in the UK and all revenue is generated by one class of business, that of audio visual supply, service and installation

3. OPERATING LOSS

	2007 £'000	2006 £'000
This is stated after charging/(crediting):		
Depreciation of owned assets	61	84
Operating lease rentals paid:		
- land and buildings	121	128
- other	33	32
Rentals receivable under operating leases	(19)	(19)

4. AUDITORS REMUNERATION

	2007 £'000	2006 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts		
- Audit services	16	12
- Audit of Company's subsidiaries	15	14
- Others services – Taxation	9	9

5. STAFF COSTS

	2007 Number	2006 Number
The average number of persons, including executive directors, was:		
Management	8	8
Other	23	22

Staff costs for the above persons were:	2007 £'000	2006 £'000
Wages and salaries	1,118	1,177
Social security costs	138	126
Pension costs	10	10
	1,266	1,313

Directors' emoluments	2007 £'000 Salaries	2006 £'000 Salaries
Executive Directors		
Anthony Moore	-	10
Sean Reel	8	158
Nigel Duxbury	-	10
Christopher Theis	70	110
Geoff Robertson	99	48
Andrew Hawkins	73	-
Non Executive Directors		
John Lovering	-	5
Lance O'Neill	25	22
Total	275	363

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS (continued)

The remuneration of the highest paid director during the year was £99,000 (2006: £158,000). No directors are accruing benefits under money purchase pension schemes.

As reported in the accounts to 31 December 2006, Sean Reel officially resigned as Chairman and Chief Executive Officer of the Company on 22 January 2007 and was paid £65,000 in relation to compensation for loss of office. This amount was accrued for in the 2006 accounts. In addition to this amount, Mr Reel was paid a salary of £8,000 for the period worked during 2007.

Christopher Theis resigned as Commercial Director on 4 May 2007. He was paid £40,500 as a termination payment in lieu of notice. This amount was recognised in full in the 2007 accounts.

6. FINANCE COSTS

	2007	**2006**
	£'000	**£'000**
Bank interest and charges	2	8

7. TAXATION

	2007	**2006**
	£'000	**£'000**
Current tax	nil	nil
Deferred tax	nil	nil
Total tax expense for the period	nil	nil

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:	**2007**	**2006**
	£'000	**£'000**
Loss before taxation	(497)	(989)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	(149)	(297)
Effects of:		
Expenses not allowable for taxation	19	33
Capital allowances in excess of depreciation	(28)	(17)
Other fixed asset differences, adjustments & movements	1	-
Losses carried forward	157	281
Total tax expense for the period	nil	nil

7. TAXATION (continued)

A potential deferred tax asset of £2,881,000 (2006: £2,975,000) in respect of the following have not been provided for on the basis that there is insufficient certainty over the date that they will be utilised.

	2007 £'000	2006 £'000
Losses carried forward	2,805	2,865
Timing differences in respect of accelerated capital allowances	76	110
Deferred tax asset unprovided	2,881	2,975

8. RESULTS ATTRIBUTED TO MEDIAZEST PLC

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £241,000 (2006 - £387,000).

9. LOSS PER ORDINARY SHARE

Loss per share	**2007** **£'000**	**2006** **£'000**
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	497	989
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	22,825,327	22,825,327
Number of dilutive shares under option or warrant	Nil	Nil
Weighted average number of ordinary shares for the purposes of dilutive loss per share	22,825,327	22,825,327

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £497,000 (2006: £989,000) by the weighted average number of shares during the year of 22,825,327 (2006: 22,825,327). 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.

NOTES TO THE FINANCIAL STATEMENTS

10. GOODWILL

	2007
	£'000
Net book amount	
At 1 January 2006 and 31 December 2007 (see note 29)	2,772

Good will 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:

	2007	2006
	£000	£000
MediaZest Ventures Limited	113	113
Touch Vision Limited	2,659	2,659
	2,772	2,772

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 period. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs as up to 10%. 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 for the next five years and extrapolates cash flows for the following 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 had estimated that long term growth rates are assumed to be less than 5%, although they believe the Company has the potential for much greater growth.

NOTES TO THE FINANCIAL STATEMENTS

11. PLANT AND EQUIPMENT

Group 2007	Leasehold land and buildings	Plant, vehicles and equipment	Total
Cost	**£'000**	**£'000**	**£'000**
At 1 January 2007	79	666	745
Additions	-	67	67
Disposals	-	(18)	(18)
At 31 December 2007	79	715	794
Depreciation			
At 1 January 2007	51	589	640
Provided during the year	3	58	61
Disposals	-	(14)	(14)
At 31 December 2007	54	633	687
Net Book Value			
At 31 December 2007	25	82	107
At 31 December 2006	28	77	105

Group 2006	Leasehold land and buildings	Plant, vehicles and equipment	Total
Cost	**£'000**	**£'000**	**£'000**
At 1 January 2006	49	635	684
Additions	30	31	61
At 31 December 2006	79	666	745
Depreciation			
At 1 January 2006	49	507	556
Provided during the year	2	82	84
At 31 December 2006	51	589	640
Net Book Value			
At 31 December 2006	28	77	105
At 31 December 2005	-	128	128

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES

Investments	Shares in group undertakings	Loans to group undertakings	Total
	£'000	£000	£'000
Cost			
At 1 January 2007	2,963	1,320	4,283
Repaid	-	(83)	(83)
At 31 December 2007	2,963	1,237	4,200

At 31 December 2007 the Company held the following interests in unlisted subsidiary undertakings.

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

* Held directly by Touch Vision Limited.

13. INVENTORIES

	2007 £'000	2006 £'000
Finished Goods	172	142

14. TRADE AND OTHER RECEIVABLES

	The Group 2007 £'000	The Group 2006 £'000	The Company 2007 £'000	The Company 2006 £'000
Trade debtors	769	392	12	12
Amounts owed by group undertakings	-	-	323	249
Other taxes and social security	2	3	2	2
Other debtors	70	81	12	7
Prepayments and accrued income	211	59	25	12
	1,052	535	374	282

14. TRADE AND OTHER RECEIVABLES (continued)

The Group and Company's credit risk is primarily attributable to its trade and other debtors. 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.

Included in the Group's trade receivables balance are debtors with a carrying amount of £134,000 (2006 - £105,000) which are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable and not materially impaired. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired

	2007 £'000	2006 £'000
61 – 90 days	83	48
91 + days	51	57
	134	105

The largest single trade debtor at 31 December 2007 was £145,582 - 19% (2006 - £119,626 - 30%) of total trade debtors full payment was received by 4 March 2008.

15. TRADE AND OTHER PAYABLES

	The Group 2007 £'000	The Group 2006 £'000	The Company 2007 £'000	The Company 2006 £'000
Trade creditors	468	130	45	50
Other creditors	7	-	7	10
Accruals and deferred income	442	300	32	137
	917	430	84	197

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.

16. CURRENT TAX LIABILITY

	The Group 2007 £'000	The Group 2006 £'000	The Company 2007 £'000	The Company 2006 £'000
Taxation and social security	95	73	4	10

17. CALLED UP SHARE CAPITAL

	2007 Number of shares	2007 £'000	2006 Number of shares	2006 £'000
Authorised				
Ordinary shares of 10 pence	100,000,000	10,000	100,000,000	10,000
Allotted, called up and fully paid				
Ordinary shares of 10 pence	22,825,327	2,283	22,825,327	2,283

At 31 December 2007 and 31 December 2006, 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 between the date falling seven days after the announcement of the Company's preliminary results for the year ending 31 December 2005 and 22 February 2015.

The Company had a further 2,831,165 warrants to subscribe for ordinary shares in the Company at 50 pence per share at 31 December 2006. 1,394,000 of these warrants remained in issue at 31 December 2006 and are exercisable at any time between the date falling seven days after the announcement of the Company's preliminary results for the year ending 31 December 2005 and 22 February 2015, or on a takeover or winding up of the Company. The remaining 1,437,165 of the warrants in issue at the beginning of the year were exercisable at any time up to 22 February 2007. Subsequently, all of these warrants expired on 22 February 2007.

18. CASH GENERATED FROM/(USED IN) OPERATIONS - GROUP

	The Group 2007 £'000	The Group 2006 £'000	The Company 2007 £'000	The Company 2006 £'000
Operating Loss before tax	(495)	(981)	(241)	(387)
Share option charge	2	5	2	5
Depreciation charge	61	84	-	-
(Increase)/decrease in stock	(30)	27	-	-
Increase/(decrease) in creditors	509	42	(119)	68
(Increase)/decrease in debtors	(517)	210	(9)	(673)
Net cash outflow from operating activities	(470)	(613)	(367)	(987)

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	The Group 2007 £'000	The Group 2006 £'000	The Company 2007 £'000	The Company 2006 £'000
Net funds at 1 January 2007	569	1,251	368	1,355
Decrease in cash for the year	(535)	(808)	(367)	(987)
Decrease in overdraft for the year	-	126	-	-
Net funds at 31 December 2007	34	569	1	368

20 ANALYSIS OF NET CASH FUNDS

	2007 £'000	2006 £'000
Cash at bank and in hand	34	569

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

At the period end, the Group had an unused overdraft facility of up to £200,000, secured under an all assets debenture through its wholly owned subsidiary, Touch Vision Limited.

Post year end, this facility was renegotiated to comprise an invoice financing facility of up to £450,000 plus an interim £50,000 overdraft facility in place until October 2008. These facilities were secured under an all assets debenture consistent with that previously held over the £200,000 overdraft facility.

21. LEASING COMMITMENTS

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

	2007 Land and buildings £'000	Other £'000	2006 Land and buildings £'000	Other £'000
Due				
- within one year	60	50	130	39
- within two to five years	65	57	122	107
- after five years	-	-	3	-
	125	107	255	146

22. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2007 (2006: £nil).

23. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2007 (2006: £nil).

24. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents 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 for 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.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented polices 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.

24 FINANCIAL INSTRUMENTS (continued)

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:

	2007 £'000	2006 £'000
Trade receivables	769	392
Cash and cash equivalents	34	569

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

Interest rate risk

The Group has interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Group has an overdraft facility of £200,000 (unused at the year end) and interest is charged at a variable rate based on LIBOR plus 1% during the year (2006 - 1%)

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

The Group's cash and cash equivalents earned interest at a variable rate based on prevailing market rates on a monthly basis, which typically ranged up to 6.4% (2006 – up to 4.56%).

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 December 2007	Trade and other Payables £'000	Bank Borrowings £'000	Total £'000
6 months or less	917	--	917
Total contractual cash flows	917	--	917
Carrying amount of financial liabilities measured at amortised cost	917	-	917

24 FINANCIAL INSTRUMENTS (Continued)

At 31 December 2006	Trade Payables £'000	Bank Borrowings £'000	Total £'000
6 months or less	130	-	130
Total contractual cash flows	130	-	130
Carrying amount of financial liabilities measured at amortised cost	130	-	130

The Company's only financial liabilities comprise trade payables with a carrying amount equal to the gross cash flows payable of £468,000 (2006: £130,000) all of which are payable within 6 months.

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 payables which will be settled in euros. During the year the Group did not enter into any arrangements to hedge this risk, as the directors did not consider the exposure to be significant given the short term nature of the balances. The Group will review this policy as appropriate in the future.

As at 31 December 2007, if the euro had weakened 10% against sterling with all other variables held constant, post-tax profit and equity would have been £1,211 (2006: £423) higher. Conversely, if the euro had strengthened 10% against sterling with all other variables held constant, post tax profit and equity would have been £1,332 (2006: £464) lower.

Interest rate risk

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

Capital risk management

The Group defines Capital as being Share Capital and Reserves. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

25. RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration for the year was £310,000 (2006: £409,000) which is equivalent to Directors remuneration for the Group disclosed in note 5 after adding share based payments and employers national insurance contributions. There were no other related party transactions with management.

Nigel Duxbury and Lance O'Neill are both directors of EP&F Capital plc. During the year, EP&F Capital plc provided accounting and consultancy services to the Company amounting to £9,961 (2006: £3,000). The Company owed £9,961 to EP&F Capital plc at the year-end date (2006: £3,000).

Group 2007	**Subsidiaries**	**Shareholders**	**Total**
	£'000	**£'000**	**£'000**
Sales	407	-	407
Purchases	417	10	427

Group 2006	**Subsidiaries**	**Shareholders**	**Total**
	£'000	**£'000**	**£'000**
Sales	125	-	125
Purchases	128	3	131

Balances with group companies are shown in note 14.

26. SHARE BASED PAYMENTS

During 2006, the company issued share options to employees. The options were granted at various dates between August and October. The options were granted on terms that they will vest on the third anniversary of the grant date, and will be settled by the issue of ordinary shares of 10 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:

	2007 Number of share options	**Weighted average exercise price**
Outstanding at the beginning of the period	1,080,350	15p
Granted during the period	-	
Forfeited during the period	(559,594)	15p
Exercised during the period	-	
Expired during the period	-	
Outstanding at the end of the period	520,756	15p
Exercisable at the end of the period	-	15p

26 SHARE BASED PAYMENTS (continued)

The value of the options is measured by the use of a binomial pricing model. The inputs into the binomial model were as follows:

	2007
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 December 2007 was 3 years (2006: 3 years)

The Group recognised total expenses of £2,000 related to equity-settled share-based payment transactions in 2007 (2006 - £5,000).

27. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

28. TRANSITION TO IFRS

MediaZest plc reported under UK GAAP in its previously published financial statements for the year ended 31 December 2006. The analysis below shows a reconciliation of net assets and loss as reported under UK GAAP as at 31 December 2006 to the revised net assets and loss under IFRS as reported in these financial statements at the transition date for the Company, being 1 January 2006.

Reconciliation of equity at 31 December 2006	**UK GAAP**	**Adjustment**	**IFRS**
Group	**£'000**	**£'000**	**£'000**
Fixed Assets			
Goodwill	2,622	150	2,772
Plant and equipment	105		105
Total Non-Current Assets	2,727	150	2,877
Current assets			
Inventories	142		142
Trade and other receivables	535		535
Cash and other equivalents	569		569
Total Current Assets	1,246		1,246
Current Liabilities			
Trade and other payables	(430)		(430)
Current tax liability	(73)		(73)
Total Current Liabilities	(503)		(503)
Net Current Assets	743		743
Net Assets	3,470	150	3,620
Equity			
Share capital	2,283		2,283
Share premium account	3,211		3,211
Other reserves	5		5
Retained earnings	(2,029)	150	(1,879)
Equity shareholders' funds	3,470	150	3,620

The adjustment arises following the reversal of the goodwill amortisation for 2006.

28. TRANSITION TO IFRS – (continued)

Reconciliation of loss for the year ended 31 December 2006 Group	UK GAAP £'000	Adjustment £'000	IFRS £'000
Revenue	3,171		3,171
Cost of sales	(2,053)		(2,053)
Gross profit	1,118		1,118
Administrative expenses	(2,249)	150	(2,099)
Operating loss	(1,131)	150	(981)
Finance costs	(8)		(8)
Loss on ordinary activities before taxation	(1,139)	150	(989)
Tax on loss on ordinary activities	-	-	-
Loss on ordinary activities after taxation	(1,139)	150	(989)
Loss per ordinary 10p share			
Basic	£0.05		£0.04
Diluted	£0.05		£0.04

The adjustment arises following the reversal of the goodwill amortisation for 2006

28. TRANSITION TO IFRS – (continued)

Reconciliation of equity as at 1 January 2006 Group	**UK GAAP £'000**	**Adjustment £'000**	**IFRS £'000**
Fixed Assets			
Goodwill	2,772		2,772
Plant and equipment	128		128
Total Non-Current Assets	2,900	-	2,900
Current assets			
Inventories	169		169
Trade and other receivables	745		745
Cash and other equivalents	1,377		1,377
Total Current Assets	2,291	-	2,291
Current Liabilities			
Trade and other payables	(538)		(538)
Current tax liability	(49)		(49)
Total Current Liabilities	(587)	-	(587)
Net Current Assets	1,704		1,704
Net Assets	4,604	-	4,604
Equity			
Share capital	2,283		2,283
Share premium account	3,211		3,211
Other reserves	-		-
Retained earnings	(890)		(890)
Equity shareholders' funds	4,604	-	4,604

28. TRANSITION TO IFRS – (continued)

Reconciliation of loss for the year ended 31 December 2005 Group	UK GAAP £'000	Adjustment £'000	IFRS £'000
Revenue	877		877
Cost of sales	(486)		(486)
Gross profit	391		391
Administrative expenses	(1,234)		(1,234)
Operating loss	(843)		(843)
Finance costs	(4)		(4)
Loss on ordinary activities before taxation	(847)		(847)
Tax on loss on ordinary activities	-		-
Loss on ordinary activities after taxation	(847)	-	(847)
Loss per ordinary 10p share			
Basic	£0.06		£0.06
Diluted	£0.06		£0.06

29. LIST OF PUBLISHED IFRS AS ADOPTED BY THE EU THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007

IAS 1 "Presentation of Financial Statements" (for annual periods beginning on or after 1 January 2009). The Standard requires all changes in equity arising from transactions with owners to be presented separately from non-owner changes of equity. An entity is not permitted to present components of comprehensive income in the statement of changes of equity. IAS 1 requires income and expenses to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income) separately from owner changes in equity. Also the Standard requires components of other comprehensive income to be displayed in the statement of comprehensive income and total comprehensive income to be presented in the financial statements. The Group will apply the Standard in preparing and presenting the financial statements in accordance with IFRS for the period ending 31 December 2009.

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The standard is mandatory for listed companies only.

Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group has not yet completed its analysis of the impact of the revised Standard but it is expected that the effect would be significant.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended). The acquisition of additional non-controlling stakes in business combinations is accounted as an equity transaction. The Company does not expect the revision of IFRS 3 and amendment of IAS 27 to have effect on these financial statements.

IFRIC 11 IFRS 2 – "Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007). The interpretation requires share-based payment, for which an entity receives goods or services for its own equity instruments, to be accounted for as a share-based payment, based on shares, settled in shares, regardless of the method the equity instruments are received. The interpretation directs to whether share-based payments, where to suppliers of goods or services are issued equity instruments of the parent company, these should be accounted in the financial statements as settled in cash or in shares. The Company does not expect IFRIC 11 to have an effect on the financial statements.

IFRIC 12 "Service Concession Agreement (effective for annual periods beginning on or after 1 January 2008). The interpretation clarifies to the private sector companies certain aspects of disclosure and valuation issues, arising from the accounting for the public-private concession agreement. The Company does not expect IFRIC 12 to have an effect on the financial statements because there are no concession agreements.

29. LIST OF PUBLISHED IFRS AS ADOPTED BY THE EU THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007 (continued)

IFRIC 13 “Customer Loyalty Programmes” (effective for annual periods beginning on or after 1 July 2008) The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services (‘awards’) to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The Company does not expect the Interpretation to have any impact on the financial statements. IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions (effective for annual periods beginning on or after 1 January 2008) The interpretation addresses 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; 2) how a MFR might affect the availability of reductions in future contributions; and 3) when a MFR might give rise to a liability. No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. It might have no effect on the Group.