<u>MediaZest plc</u>

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(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)

SECRETARY
Nigel Duxbury

REGISTERED OFFICE
3rd Floor
16 Dover Street
London W1S 4LR

NOMINATED ADVISERS AND BROKERS
Dowgate Capital Advisers Ltd
46 Worship Street
London EC2A 2EA

AUDITORS
Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London EC2R 6AY

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

PRINCIPAL BANKERS
Lloyds TSB Bank plc
222 Strand
London WC2R 1BB

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

MediaZest plc

CHAIRMAN’S STATEMENT

Introduction

The results for MediaZest plc (the “Group”) for the year to 31 December 2008 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 £4,424,000 (2007 - £3,857,000), cost of sales was £2,846,000 (2007 - £2,328,000) and the Group made a loss for the year, after taxation, of £605,000 (2007 - £497,000) after paying interest of £7,000 (2007 – £2,000) and having paid administrative expenses of £2,176,000 (2007 - £2,024,000). The loss for the year included £91,000 of costs written off relating to previous years, predominantly bad debts and slow moving stock.

The basic loss and diluted loss per share was 3 pence (2007 – 2 pence). The Group had cash in hand £102,000 (2007 - £34,000) at the year end, and an invoice discounting facility over the debtors of Touch Vision of which £220,000 was in use at the year end date. In addition the Group had a loan from a shareholder of £85,000 at this time.

As at 18 June 2009, the Group has net cash balances of £32,600 and an unused overdraft facility with Touch Vision of up to £100,000 and £94,700 outstanding under the invoice discounting facility which has a current maximum limit of £350,000. £47,500 of the loan from the shareholder has been repaid leaving a current outstanding balance of £37,500. Finally, post year end the Group has also secured an invoice discounting facility with two parties over the debtors of MediaZest Ventures, with £93,241 of funds currently in use.

Overview

The Group continued to increase revenue during the year, with a 15% growth rate. However, this revenue growth was not as strong as anticipated or the business plan required and whilst margins were maintained, administrative costs were too high to be supported by this level of activity, resulting in continuing losses during the financial year.

After a difficult first six months of the year, the second half of 2008 showed progress. Excluding write offs from previous periods, EBITDA for July to December 2008 was a loss of £107,000 which is a significant improvement on previous results although still reveals much work to do. Therefore, in view of continuing losses and the repeated failure of large scale opportunities within the sector as a whole to materialise, the Directors recognise that further cost cutting and reorganisation is required. As result the Board have instigated and executed a restructuring plan to reduce administrative overhead to £1.5m in 2009 with further reductions as deemed necessary thereafter.

Although the second half of 2008 saw an improvement in our turnover, the first half of 2009 has seen a drop in activity as a consequence of the economic downturn and in particular its impact on the retail sector. In anticipation of this we began restructuring and cutting costs in October 2008 and continued with further cuts in 2009, with the situation constantly monitored.

In view of the Group’s situation and the market currently faced, the Directors have been discussing options to restore shareholder value with a number of parties. As a consequence, the Group will hold a General Meeting on 6th July 2009 in order for the Board to request powers to restructure share capital and issue new equity in order to be in a position to raise further capital as and when appropriate. Given our progress in the second half of 2008 we believe that when macroeconomic conditions improve, we will be in a better position to develop our offering further.

MediaZest plc

CHAIRMAN'S STATEMENT (continued)

MediaZest Ventures

The ongoing demonstration of the Company's concept over the past 2 years led to an increasing number of customer sites in 2008. We have seen customers progress from testing our technology in single sites, to proving the concept over a handful of stores and then developing further to up to a dozen during the second half of the year.

In particular following a successful trade exhibition and marketing campaign in Summer 2008, we acquired some high profile new clients. With several of these we have developed both a variety of sites and also executed repeat campaigns thereby improving the quality of earnings. We install, typically, the audio visual infrastructure for these customers and then use its flexibility to provide a variety of dynamic, creative campaign led installations. The appeal of this offering is evident in the amount of repeat business we are beginning to get. Although marketing budgets have tightened considerably in 2009, the existence of these installations has enabled us to continue generating revenue from these clients even in the first quarter.

Also for the first time, our growing site numbers have enabled us to sign up a number of customers to service and maintenance contracts, again improving quality of earnings.

In response to the economic downturn we have revisited our pricing structure and product range in order to offer our retail clients even more value for money. The Board expect revenues to increase in the second half of 2009 partly as a result of this, and in line with the usual cyclical nature of this business.

Touch Vision

2008 was another robust year within our Education division. Under one of our tender contracts the Group was pleased to undertake our largest ever University project, a £700,000 refit at London Metropolitan University in the first half of the year. Our delivery on this project was of a high standard and led to significant further orders from the same client during the remainder of the year.

TouchVision also developed a number of clients in its Education portfolio with repeat orders and projects based on engineering excellence. It continues to have a strong reputation within the industry.

We have maintained a number of long standing relationships, with a variety of customers, in the retail sector. The longevity of many of TouchVision's key client relationships has undoubtedly helped the Company's performance in the first half of 2009 although it too has seen a reduction in revenues as a result of the economic downturn and reductions in client budgets.

The Future

Trading conditions remain very challenging, but as the year has progressed we have received ongoing enquiries in MediaZest Ventures and with the second half of the year approaching we anticipate an increase in sales as we move towards Christmas. In the current economic climate, it is more vital than ever for our clients to attract customers as effectively as possible. Therefore, there remains a valid reason for retailers to continue to utilise our services particularly now that we have launched a range of lower priced products.

CHAIRMAN'S STATEMENT (continued)

TouchVision continues to operate in a difficult market but has already won three large contracts in the region of £100,000 or greater this year.

In order to both maintain and develop the business, the Board believes it is necessary to raise further funding and has been discussing various options with existing shareholders and several interested third parties. The Board hopes to be able to announce additional funding from one or more of these sources in the second half of 2009.

The restructuring programme has been executed and will give the Group a significantly reduced cost base (in excess of 30% year on year). The Board has put various initiatives in place to mitigate against this having a negative impact upon the ability of the Group to generate revenue. However, subject to future trading conditions, further cost reductions may become necessary.

As we move forward, the initiatives referred to above along with a growing blue chip client base and improvement in quality of earnings combined with the reduced cost base will leave us in a better position to move the business forward.

Lance O'Neill
Chairman

Date:

MediaZest plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements of MediaZest plc (the "Company", and collectively with the subsidiary companies, the "Group") for the year ended 31 December 2008 and the comparative year ended 31 December 2007. 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 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 £605,000 (2007: £497,000).

The directors do not recommend the payment of a dividend (2007: £nil).

FINANCIAL RISK MANAGEMENT

Details of the group's financial instruments and its policies with regards to financial risk management are given in note 23 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 payable days for the Group have been calculated at 78 days, (2007: 72 days) and represent the ratio expressed in days between the amounts invoiced to the Group in the year by its suppliers and the amounts due, at the year end, to trade payables falling due for payment within one year.

POST BALANCE SHEET EVENTS

Note 26 details post balance sheet events.

NON FINANCIAL RISKS

Principal risks the Directors are monitoring include:

Global Economy – in the current economic environment the Group faces a risk of reduced levels of business as a result of the recession. Management constantly monitor sales levels, pipeline and margin profitability and have worked 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 also remain.

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 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:

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

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, the Group's current debt facilities and ongoing negotiations over the long term future of the Group with interested parties including current shareholders. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements, which is considered further in Note 1.

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 or 2008.

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

Date:

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.

Nexia Smith & Williamson

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 2008 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 27. 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 2008 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the Note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of £605,000 during the year ended 31 December 2008 and at that date had net current liabilities of £339,000. As described in Note 1, the directors are currently seeking to raise new equity funding but this has not yet been secured. These conditions, along with other matters explained in Note 1 of the financial statements, indicate the existence of material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. As also explained in Note 1 of the financial statements, should the group be unable to continue as a going concern it is likely that the value of the assets of the Group and parent company would be impaired. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

Date:

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.

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Revenue	**2**	4,424	3,857
Cost of sales		(2,846)	(2,328)
Gross profit		1,578	1,529
Administrative expenses		(2,176)	(2,024)
Operating loss	**3**	(598)	(495)
Finance costs	**6**	(7)	(2)
Loss on ordinary activities before taxation		(605)	(497)
Tax on loss on ordinary activities	**7**	-	-
Loss on ordinary activities after taxation		(605)	(497)
Loss per ordinary 10p share			
Basic	**9**	(£0.03)	(£0.02)
Diluted	**9**	(£0.03)	(£0.02)

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CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Non-current Assets			
Goodwill	**10**	2,772	2,772
Property, plant and equipment	**11**	87	107
Total Non-current Assets		2,859	2,879
Current Assets			
Inventories	**13**	107	172
Trade and other receivables	**14**	617	1,052
Cash and cash equivalents		102	34
Total Current Assets		826	1,258
Current Liabilities			
Trade and other payables	**15**	(1,055)	(917)
Current tax liability	**16**	(110)	(95)
Total Current Liabilities		(1,165)	(1,012)
Net Current (Liabilities) / Assets		(339)	246
Net Assets		2,520	3,125
Equity			
Share capital	**17**	2,283	2,283
Share premium account		3,211	3,211
Share options reserves		7	7
Retained earnings		(2,981)	(2,376)
Total equity		2,520	3,125

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2009 and were signed on its behalf by:

Lance O'Neill
Director

MediaZest plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 January 2007	2,283	3,211	5	(1,879)	**3,620**
Loss for the year	-	-	-	(497)	**(497)**
Total recognised income and expenses for the year	-	-	-	(497)	**(497)**
Share based payments	-	-	2	-	**2**
Balance at 31st December 2007	2,283	3,211	7	(2,376)	**3,125**
Loss for the year	-	-	-	(605)	**(605)**
Total recognised income and expenses for the year	-	-	-	(605)	**(605)**
Share based payments	-	-	-	-	**-**
Balance at 31st December 2008	2,283	3,211	7	(2,981)	**2,520**

MediaZest plc

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Non-current Assets			
Investments	**12**	2,252	4,200
Current Assets			
Trade and other receivables	**14**	371	374
Cash and cash equivalents		5	1
Total Current Assets		376	375
Current Liabilities			
Trade and other payables	**15**	(102)	(84)
Current tax liability	**16**	(6)	(4)
Total Current Liabilities		(108)	(88)
Net Current Assets		268	287
Net Assets		2,520	4,487
Equity			
Share capital	**17**	2,283	2,283
Share premium account		3,211	3,211
Share options reserve		7	7
Retained earnings		(2,981)	(1,014)
Total equity		2,520	4,487

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2009 and were signed on its behalf by:

Lance O'Neill
Director

MediaZest plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 January 2007	2,283	3,211	5	(773)	**4,726**
Loss for the year	-	-	-	(241)	**(241)**
Total recognised income and expenses for the year	-	-	-	(241)	**(241)**
Share based payments	-	-	2	-	**2**
Balance at 31st December 2007	2,283	3,211	7	(1,014)	**4,487**
Loss for the year	-	-	-	(1,967)	**(1,967)**
Total recognised income and expenses for the year	-	-	-	(1,967)	**(1,967)**
Share based payments	-	-	-	-	**-**
Balance at 31st December 2008	2,283	3,211	7	(2,981)	**2,520**

MediaZest plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Cash Flows from Operating Activities			
Cash used in operations	**19**	(118)	(470)
Net cash (used in) operating activities		(118)	(470)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(27)	(67)
Proceeds from disposal of property, plant and equipment		-	4
Net cash (used in) investing activities		(27)	(63)
Cash Flow from Financing Activities			
Invoice discounting facility		220	-
Interest paid		(7)	(2)
Net cash generated from / (used in) financing activities		213	(2)
Net increase / (decrease) in cash and cash equivalents		68	(535)
Cash and cash equivalents at beginning of year		34	569
Cash and cash equivalents at end of year		102	34

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COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Cash Flows from Operating Activities			
Cash used in operations	**19**	(264)	(367)
Net cash (used in) operating activities		(264)	(367)
Cash Flows from Investing activities			
Repayment of intercompany loans		268	-
Net cash generated from investing activities		268	-
Cash Flows from Financing activities			
Interest received		-	-
Net cash generated from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		4	(367)
Cash and cash equivalents at beginning of year		1	368
Cash and cash equivalents at end of year		5	1

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 period covered by these financial statements.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). 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 below, and existing debt based facilities as set out in Note 15.

The Directors have considered financial projections based upon known future invoicing, existing contracts, pipeline of new business, previous experience in the various markets in which it operates and the seasonal nature of each of these markets. In addition these forecasts have been considered in light of the global recession and the decline in Group turnover in the first half of the year. They also reflect the significant cost restructuring that has been undertaken in the final quarter of 2008 and the first half of 2009 as a response to these conditions. 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.

However, the Board believes it is necessary and prudent to raise further funding due to historical losses and the inherent uncertainty in forecasting future revenue, and in particular the timing of such revenues in the current economic climate. As such it issued a circular to Shareholders on 12 June 2009 to request powers to re-organise the share capital of the Company and furthermore powers to raise share capital. Over the past six months the Board has engaged in a number of discussions with interested parties and existing shareholders to this end and believe this will be achieved in the second half of 2009.

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

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 period of initial application.

1. ACCOUNTING POLICIES (continued)

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.

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, 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; and
- 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.

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.

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 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 the income statement.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 the income statement in the period in which they arise.

Trade payables at 31 December 2008 included did not include any overseas suppliers (2007 – Euro 18,123).

Pension Scheme

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

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE

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

	2008 £'000	2007 £'000
UK and Channel Islands	4,190	3,605
Rest of Europe	101	109
North America	20	-
Rest of World	113	143
	4,424	3,857

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

	2008 £'000	2007 £'000
This is stated after charging/(crediting):		
Depreciation of owned assets	47	61
Operating lease rentals paid:		
- land and buildings	99	121
- other	33	33
Rentals receivable under operating leases falling due within 2-5 years	(19)	(19)

4. AUDITORS REMUNERATION

Fees payable to the Group's auditor for the audit of the Group's annual accounts	2008 £'000	2007 £'000
- Audit services	16	16
- Audit of Company's subsidiaries	15	15
- Others services – Taxation	9	9

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS

	2008 Number	2007 Number
The average number of persons, including executive directors, was:		
Management	7	8
Other	26	23

Staff costs for the above persons were:	2008 £'000	2007 £'000
Wages and salaries	1,211	1,118
Social security costs	137	138
Pension costs	10	10
	1,358	1,266

Directors' short-term benefits	2008 £'000 Salaries	2007 £'000 Salaries
Executive Directors		
Sean Reel	-	8
Christopher Theis	-	70
Geoff Robertson	95	99
Andrew Hawkins *	82	73
Non Executive Directors		
Lance O'Neill	25	25
Total	202	275

***** For the period to 5 April 2008, Mr Hawkins' remuneration of £20,000 was recorded in MediaZest Ventures and from 6 April 2008 remuneration of £62,000 for the balance of the year in the accounts of MediaZest plc. For the purposes of disclosure the total remuneration received for the year is included above.

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS (continued)

The remuneration of the highest paid director during the year was £95,000 (2007: £99,000). No directors are accruing benefits under money purchase pension schemes.

6. FINANCE COSTS

	2008 £'000	2007 £'000
Bank interest and charges	7	2

7. TAXATION

	2008 £'000	2007 £'000
Current tax	-	-
Deferred tax	-	-
Total tax expense for the period	-	-

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:	2008 £'000	2007 £'000
Loss before taxation	(605)	(497)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28.5% (2007: 30%)	(172)	(149)
Effects of:		
Expenses not allowable for taxation	4	19
Capital allowances in excess of depreciation	(13)	(28)
Other fixed asset differences, adjustments & movements	-	1
Losses carried forward	181	157
Total tax expense for the period	-	-

7. TAXATION (continued)

A potential deferred tax asset of £3,045,000 (2007: £2,881,000) 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.

	2008 £'000	2007 £'000
Losses carried forward	2,982	2,805
Timing differences in respect of accelerated capital allowances	63	76
Deferred tax asset unprovided	3,045	2,881

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 £1,967,000 (2007 - £241,000).

9. LOSS PER ORDINARY SHARE

	2008 £'000	2007 £'000
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	605	497
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	-	-
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 £605,000 (2007: £497,000) by the weighted average number of shares during the year of 22,825,327 (2007: 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.

10. GOODWILL

	£'000
Net book amount	
At 1 January 2007 and 31 December 2008	2,772

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:

	2008 £000	2007 £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.

11. PROPERTY, PLANT AND EQUIPMENT

Group 2008	**Leasehold land and buildings**	**Plant, vehicles and equipment**	**Total**
Cost	**£'000**	**£'000**	**£'000**
At 1 January 2008	79	715	794
Additions	8	19	27
Disposals	-	-	-
At 31 December 2008	87	734	821
Depreciation			
At 1 January 2008	54	633	687
Provided during the year	4	43	47
Disposals	-	-	-
At 31 December 2008	58	676	734
Net Book Value			
At 31 December 2008	29	58	87
At 31 December 2007	25	82	107

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

12. INVESTMENTS IN SUBSIDIARIES

Investments	Shares in group undertakings	Loans to group undertakings	Total
	£'000	£000	£'000
Cost			
At 1 January 2008	2,963	1,237	4,200
Repayment of loans to group undertakings	-	(268)	(268)
At 31 December 2008	2,963	969	3,932
Provision for impairment			
At 1 January 2008	-	-	-
Charged during the year	711	969	1,680
At 31 December 2008	711	969	1,680
Net Book Value			
At 1 January 2008	2,963	1,237	4,200
At 31 December 2008	2,252	-	2,252

At 31 December 2008 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

	2008	2007
	£’000	£’000
Finished Goods	107	172

The cost of inventories recognised as an expense and included within cost of sales amounted to £2,846,000 (2007: £2,328,000).

14. TRADE AND OTHER RECEIVABLES

	The Group 2008 £'000	The Group 2007 £'000	The Company 2008 £'000	The Company 2007 £'000
Trade receivables	529	769	12	12
Amounts owed by group undertakings	-	-	345	323
Other taxes	6	2	6	2
Other receivables	6	70	5	12
Prepayments and accrued income	76	211	3	25
	617	1,052	371	374

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.

Included in the Group's trade receivables balance are debtors with a carrying amount of £126,000 (2007 - £207,000) 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

	2008 £'000	2007 £'000
31 – 60 days	112	73
61 – 90 days	15	83
91 + days	102	51
	229	207

The largest single trade debtor at 31 December 2008 was £61,533 - 12% (2007 - £145,582 - 19%) of total trade debtors, full payment was received post year end. Debtor impairment provisions at the year end of £20,000 (2007: £42,000) have been accounted for.

15. TRADE AND OTHER PAYABLES

	The Group 2008 £'000	The Group 2007 £'000	The Company 2008 £'000	The Company 2007 £'000
Bank overdraft and similar facilities	220	-	-	-
Trade payables	529	468	57	45
Other payables	103	7	-	7
Accruals and deferred income	203	442	45	32
	1,055	917	102	84

15 TRADE AND OTHER PAYABLES (continued)

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.

Included within other payables is a loan of £85,000 (2007: nil) owed to a shareholder of the Company. £48,500 of the loan has been repaid as at the date of the signing of these accounts, and currently £37,500 remains outstanding.

At the period end, the Group had an invoice discounting facility of up to £450,000 of which there were £220,000 of funds in use plus an interim unused overdraft facility of £50,000. These facilities were both through wholly owned subsidiary Touch Vision and secured under an all assets debenture consistent with that held over a previously granted £200,000 overdraft facility, which the new facilities have replaced.

Post year end the Group entered into a second invoice discounting agreement, over MediaZest Ventures trade receivables with the same shareholder and EP&F Capital plc a company associated with Lance O'Neill. This facility's terms mirrored those of the existing Touch Vision facility and the company has been advanced £93,241 at the current time under the terms of this agreement.

16. CURRENT TAX LIABILITY

	The Group 2008 £'000	The Group 2007 £'000	The Company 2008 £'000	The Company 2007 £'000
Social security	110	95	6	4

17. CALLED UP SHARE CAPITAL

	2008 Number of shares	2008 £'000	2007 Number of shares	2007 £'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 2008 and 31 December 2007, 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 1,394,000 warrants to subscribe for ordinary shares in the Company at 50 pence per share at 31 December 2008 and 31 December 2007. The warrants 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.

18. CASH AND CASH EQUIVALENTS

	The Group 2008 £'000	The Group 2007 £'000	The Company 2008 £'000	The Company 2007 £'000
Cash held at bank	102	34	5	1
Invoice discounting facility	(220)	-	-	-
Cash and Cash Equivalents	(118)	34	5	1

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

	The Group 2008 £'000	The Group 2007 £'000	The Company 2008 £'000	The Company 2007 £'000
Operating Loss	(598)	(495)	(1,967)	(241)
Share option charge	-	2	-	2
Depreciation charge	47	61	-	-
Impairment of investment	-	-	1,680	-
(Increase)/decrease in inventories	65	(30)	-	-
Increase/(decrease) in payables	(67)	509	20	(119)
(Increase)/decrease in receivables	435	(517)	3	(9)
Net cash outflow from operating activities	(118)	(470)	(264)	(367)

20. LEASING COMMITMENTS

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

	2008 Land and buildings £'000	2008 Other £'000	2007 Land and buildings £'000	2007 Other £'000
Due				
- within one year	102	34	60	50
- within two to five years	302	22	65	57
- after five years	-	-	-	-
	404	56	125	107

21. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2008 (2007: £nil).

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2008 (2007: £nil).

23. 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.

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:

	2008	2007
	£'000	£'000
Trade receivables	529	769
Cash and cash equivalents	102	34

The company has no credit risk beyond its intercompany amounts.

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.

At the year end, the Group had an unused overdraft facility of up to £50,000 which has subsequently been increased to £100,000 until 30 June 2009, secured under an all assets debenture and interest is charged at a variable rate based on LIBOR plus 1% during the year (2007 - 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 5.14 % (2007 – up to 6.4%).

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.

23 FINANCIAL INSTRUMENTS (Continued)

The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

At 31 December 2008	**Trade and other Payables £'000**	**Invoice discounting facility £'000**	**Total £'000**
6 months or less	835	220	1,055
Total contractual cash flows	835	220	1,055
Carrying amount of financial liabilities measured at amortised cost	835	220	1,055

At 31 December 2007	**Trade and other Payables £'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

The Company's financial liabilities comprise trade payables with a carrying amount equal to the gross cash flows payable of £529,000 (2007: £468,000) all of which are payable within 6 months, borrowings under an invoice discounting facility of £220,000 (2007: nil), all of which are payable within 6 months, and a loan of £85,000 (2007: nil) of which £49,000 has been repaid within 6 months and the remaining £38,000 is repayable within 12 months of the balance sheet date.

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 2008, if the euro had weakened 10% against sterling with all other variables held constant, post-tax profit and equity would have been £nil (2007: £1,211) higher. Conversely, if the euro had strengthened 10% against sterling with all other variables held constant, post tax profit and equity would have been £nil (2007: £1,332) lower.

23 FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

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.

24. RELATED PARTY TRANSACTIONS

The 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 £228,000 (2007: £310,000) which is equivalent to Directors remuneration for the Group disclosed in note 5 after adding share based payments and employers national insurance contributions. Of this amount, £202,000 (2007 - £245,000) relates to short term benefits and £26,000 (2007 - £75,000) relates to social security costs. There were no other related party transactions with management.

Lance O'Neill is director of EP&F Capital Advisory Ltd. During the year, EP&F Capital Advisory Ltd provided accounting and consultancy services to the Company amounting to £6,000 (2007: £9,961). The Company owed £6,090 to EP&F Capital Advisory Ltd at the year-end date (2007: £9,961).

Group 2008	**Subsidiaries**	**Shareholders**	**Total**
	£'000	**£'000**	**£'000**
Sales	466	-	466
Purchases	466	6	472

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

Balances with group companies are shown in note 14.

25. 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:

	2008 Number of share options	**Weighted average exercise price**
Outstanding at the beginning of the period	580,350	15p
Granted during the period	-	
Forfeited during the period	52,871	15p
Exercised during the period	-	
Expired during the period	-	
Outstanding at the end of the period	527,479	15p
Exercisable at the end of the period	-	15p

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

	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 December 2008 was 3 years (2007: 3 years)

The Group recognised total expenses of £nil related to equity-settled share-based payment transactions in 2008 (2007 - £2,000).

26. POST BALANCE SHEET EVENTS

On 12 June 2009, the Board issued a circular to shareholders to request powers to re-organise the share capital of the Company and furthermore powers to raise share capital.

27. LIST OF PUBLISHED IFRS AS ADOPTED BY THE EU THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

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

- IFRS 1 Revised IFRS 1 First-time adoption of IFRS
- IFRS 2 Share-based payments – Amendment, vesting conditions and cancellations
- IFRS 3 Business combinations – Comprehensive revision on applying the acquisition method
- IFRS 7 Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets
- IFRS 8 Operating segments
- IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income
- IAS 23 Borrowing Costs – Comprehensive revision to prohibit immediate expensing
- IAS 27 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3
- IAS 27 Consolidated and Separate Financial Statements – Amendment; Cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 28 Investment in Associates – Consequential amendments arising from IFRS 3
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Eligible Hedged Items

Amendments to IFRSs arising from Annual Improvements Projects:

- IFRS 2 Share-based Payments: clarifying the scope of FRS 20 and revised IFRS 3
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments: Disclosure of information about segment assets
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases: Classification of leases of land and buildings
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interests in Joint Ventures
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Properties

27. LIST OF PUBLISHED IFRS AS ADOPTED BY THE EU THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008 (continued)

- IAS 41 Agriculture
- IFRIC 9 Reassessment of Embedded Derivatives: Scope of IFRIC 9 and revised IFRS 3
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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