MediaZest Plc

Interim results for the six months ended 30 June 2007

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest Plc ("MediaZest", the "Company", and collectively with the Subsidiary Companies, the "Group") reflect the six-month period to 30 June 2007. They incorporate the results of its subsidiaries, all of which are wholly owned.

Results for the Period

Turnover for the period was £1,806,000 (2006 - £1,325,000) and the Group made a loss for the period, after taxation, of £223,000 (2006 - £447,000) after finance costs of £3,000 (2006 – £2,000) and having paid administrative expenses of £1,003,000 (2006 - £955,000). The basic and fully diluted loss per share was 1 pence (2005 – 2 pence). The Group had cash in hand of £251,000 (2006 - £963,000) at the period end.

Overview

The Group has made considerable progress in revenue generation during the period in both operational subsidiaries, MediaZest Ventures Limited ("MediaZest Ventures") and Touch Vision Limited ("Touch Vision"). Revenues in the Group grew by 36% versus the comparative period, reflecting increased interest in the products and services we offer and the developing digital out-of-home advertising market. The programme of cost containment measures begun in 2006 has given the business a more tenable cost base going forward and the full effect of these changes is expected to be felt during the second half of 2007.

Despite these positive developments, the Group recorded a loss in the period of £223,000, albeit half that of the comparative period in 2006. The largest proportion of these losses was incurred during a difficult start to the year in January and February.

MediaZest Ventures

In order to increase our revenue we pursued a new marketing strategy during the period, which has been successful in generating business from new clients. These continue to be, predominantly, advertising agencies, media agencies and brand owners looking for both creative and innovative ways to increase sales or reinforce branding messages.

Our efforts have been aided by increasing acceptance of the use of digital media in out-of-home advertising. Industry intelligence puts the number of out-of-home screens capable of carrying advertising at over 120,000 in the UK alone. Although the Group does not currently operate such national media networks, it is indicative of the growing interest in the services that we offer.

During the first half of 2007 we undertook projects for blue chip companies such as Mizuno, Sony, Famous Grouse and 20th Century Fox, amongst others. Repeat business with clients such as Chivas has also been encouraging.

Touch Vision

The improvement in Touch Vision results since we took ownership in 2005 has continued. This has been due, largely, to the reforms made to loss making areas, the winning of new contracts and an increasing volume of business being passed through from other Group companies.

In addition to the three-year framework agreement for the provision of sales, installation, and maintenance of audiovisual equipment to London South Bank University and London Metropolitan University, won last year, we have been appointed as one of four audiovisual installation suppliers to another large university for a four year period with effect from 1 August 2007. Furthermore, we have recently won our first piece of business under this tender agreement, which will be completed by the end of September 2007. Other significant wins have allowed our Education department to continue to grow and we have spent considerable time honing our high quality offering in this area, with encouraging results. Since the majority of work for these organizations occurs during holiday-periods, this work has proven counter-cyclical to our retail business and hence reduces our operational risk.

As the Christmas period approaches, orders across our retail clients have increased. We were pleased to have been involved in the HMV Store of the Future project, which has recently opened to much media interest. As well as providing audio-visual design, integration and installation services to this project, we have also supplied content management to a range of passive and interactive screens. The Company continues to provide maintenance services to all HMV UK stores. In the first half of 2007, we completed a range of exciting new audio-visual installations for a shopping centre in the North West of England, which included the deployment of Panasonic's 103" Plasma Screen for the first time in a UK retail environment and the implementation of a wide range of content management solutions.

In the Corporate sector, the Company completed two significant orders – providing audiovisual solutions for the new UK headquarters of both Electronic Arts, a major international computer games manufacturer, and Dunnhumby, a leading database manager and analytical services provider.

Outlook

The growing demand for digital out-of-home media coupled with our improved positioning and awareness of our services in the marketplace gives us grounds for optimism in the future. The second half of 2007 has begun with the Group's strongest ever quarter and in addition to a wide range of work in the education sector we have a good order book going forward with a number of well known blue-chip clients.

The impact of the rationalisation programme that was begun in 2006, is anticipated to be fully realised in the second half of 2007, with cost benefits occurring, primarily, in salary and administrative costs. Although headcount has increased, we have recruited more chargeable engineering resource whilst reducing non-revenue producing staff costs resulting in a net saving in salaries and employment overhead.

As part of our revised strategy in the market, we have begun developing closer ties with traditional Point-of-Sale suppliers as we believe that the future of in-store Point-of-Sale lies in the amalgamation of our technology with more traditional methods; the common ground being creativity in the crafting and delivery of the message.

Lance O'Neill
Chairman
17 September 2007

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Half Year 30-Jun-07 £'000	Unaudited Half Year 30-Jun-06 £'000	Audited Year Ended 31-Dec-06 £'000
Continuing Operations				
Revenue		1,806	1,325	3,171
Cost of sales		(1,023)	(815)	(2,053)
Gross profit		783	510	1,118
Administrative expenses		(1,003)	(955)	(2,099)
Operating Loss		(220)	(445)	(981)
Finance costs		(3)	(2)	(8)
Loss before taxation		(223)	(447)	(989)
Taxation		-	-	-
Retained loss on ordinary activities after taxation		(223)	(447)	(989)
Loss per ordinary 10p share				
Basic	**2**	£0.01	£0.02	£0.04
Diluted	**2**	£0.01	£0.02	£0.04

CONSOLIDATED BALANCE SHEET

	Unaudited Half Year 30-Jun-07 £'000	Unaudited Half Year 30-Jun-06 £'000	Audited Year Ended 31-Dec-06 £'000
Non-current assets			
Goodwill	2,772	2,772	2,772
Plant and equipment	99	91	105
Total non-current assets	2,871	2,863	2,877
Current assets			
Inventories	234	219	142
Trade and other receivables	1,012	999	535
Cash and cash equivalents	251	963	569
Total current assets	1,497	2,181	1,246
Current liabilities			
Financial liabilities – bank overdraft	(86)	(163)	-
Trade and other payables	(745)	(655)	(430)
Current tax liabilities	(138)	(69)	(73)
Total current liabilities	(969)	(887)	(503)
Net current assets	528	1,294	743
Net assets	3,399	4,157	3,620
Equity			
Share Capital	2,283	2,283	2,283
Share premium account	3,211	3,211	3,211
Other reserves	7	-	5
Retained earnings	(2,102)	(1,337)	(1,879)
Total equity	3,399	4,157	3,620

CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Half Year 30-Jun-07 £'000	Unaudited Half Year 30-Jun-06 £'000	Audited Year Ended 31-Dec-06 £'000
Net cash used in operating activities	**3**	(368)	(439)	(613)
Investing activties				
Purchase of property, plant and equipment		(33)	(10)	(61)
Net cash used in investing activities		(33)	(10)	(61)
Financing activities				
Interest paid		(3)	(2)	(8)
Net cash used in financing activities		(3)	(2)	(8)
Cash and cash equivalents at beginning of period		569	1,251	1,251
Cash and cash equivalents at end of period		165	800	569
Cash in hand, at bank		251	963	569
Overdraft		(86)	(163)	-
Cash and cash equivalents at end of period		165	800	569

NOTES

1. Basis of preparation

The next annual financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU applied in accordance with the provisions of the Companies Act 1985.

Accordingly, the interim financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2007.

The financial information has been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments. The principal accounting policies set out below have been consistently applied to all periods presented.

IFRS transition

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The interim financial information has been prepared on the basis of the following exemptions:

- Business combinations prior to 1 January 2006 have not been restated to comply with IFRS 3 "Business Combinations"

- IFRS 2 "Share-based Payments" has been applied retrospectively to those options that were issued after 7 November 2002 and had not vested by 1st January 2006.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 4.

Non-statutory accounts

The financial information for the year end 31 December 2006 set out in this interim report does not comprise the Group's statutory accounts as defined in section 240 of the Companies Act 1985.

The statutory accounts for the year ended 31 December 2006, which were prepared under UK Generally Accepted Accounting Practice (UK GAAP), have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The financial information for the 6 months ended 30 June 2007 and 30 June 2006 is unaudited.

2. Loss per share

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £223,000 (2006 £989,000) by the weighted average number of shares during the period 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 would have the effect of reducing the loss per share and therefore is not dilutive under International Accounting Standard 33 "Earnings per Share".

3 Cash used in operations

	Unaudited Half Year 30-Jun-07 £'000	Unaudited Half Year 30-Jun-06 £'000	Audited Year Ended 31-Dec-06 £'000
Operating loss	(220)	(445)	(981)

Share option charge	2	-	5
Depreciation of tangible assets	39	47	84
Decrease/(increase) in stock	(92)	(50)	27
Increase/(decrease) in creditors	380	263	42
Decrease/(increase) in debtors	(477)	(254)	210
Cash used in operations	(368)	(439)	(613)
Tax paid	-	-	-
	(368)	(439)	(613)

4. 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 profit as reported under UK GAAP as at 31 December 2006 to the revised net assets and profit under IFRS as reported in these financial statements. There is also a reconciliation of net assets and profit under UK GAAP to IFRS at the comparative interim date being 30 June 2006. Given the transitional exemption adopted (see note 1), there are no adjustments at the transition date of 1 January 2006.

Reconciliation of equity at 31 December 2006	**Note**	**Previous GAAP**	**Effect of transition to IFRS**	**IFRS**
		£'000	**£'000**	**£'000**
Non-current assets				
Goodwill	**A**	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 cash equivalents		569	-	569
Total current assets		1,246	-	1,246
Current liabilities				
Trade and other payables		(430)	-	(430)
Current tax liabilities		(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

Reconciliation of equity at 30 June 2006	Note	Previous GAAP	Effect of transition to IFRS	IFRS
		£'000	£'000	£'000
Non-current assets				
Goodwill	**A**	2,699	73	2,772
Plant and equipment		91	-	91
Total non-current assets		2,790	73	2,863
Current assets				
Inventories		219	-	219
Trade and other receivables		999	-	999
Cash and cash equivalents		963	-	963
Total current assets		2,181	-	2,181
Current liabilities				
Financial liabilities – overdraft		(163)	-	(163)
Trade and other payables		(655)	-	(655)
Current tax liabilities		(69)	-	(69)
Total current liabilities		(887)	-	(887)
Net current assets		1,294	-	1,294
Net assets		4,084	73	4,157
Equity				
Share Capital		2,283	-	2,283
Share premium account		3,211	-	3,211
Other reserves		-	-	-
Retained earnings		(1,410)	73	(1,337)
Equity shareholders' funds		4,084	73	4,157

Reconciliation of profit at 31 December 2006	**Note**	**Previous GAAP**	**Effect of transition to IFRS**	**IFRS**
		£'000	**£'000**	**£'000**
Continuing Operations				
Revenue		3,171	-	3,171
Cost of sales		(2,053)	-	(2,053)
Gross profit		1,118	-	1,118
Administrative expenses	**A**	(2,249)	150	(2,099)
Operating Loss		(1,131)	150	(981)
Finance costs		(8)	-	(8)
Loss before taxation		(1,139)	150	(989)
Taxation		-	-	-
Retained loss on ordinary activities after taxation		(1,139)	150	(989)

Reconciliation of profit at 30 June 2006		**Previous GAAP**	**Effect of transition to IFRS**	**IFRS**
		£'000	**£'000**	**£'000**
Continuing Operations				
Revenue		1,325	-	1,325
Cost of sales		(815)	-	(815)
Gross profit		510	-	509
Administrative expenses	**A**	(1,028)	73	(955)
Operating Loss		(518)	73	(445)
Finance costs		(2)	-	(2)
Loss before taxation		(520)	73	(447)
Taxation		-	-	-
Retained loss on ordinary activities after taxation		(520)	73	(447)

Explanation of adjustments to equity and profit

A. IFRS 3 does not permit the amorisation of goodwill.

Enquiries:

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