MediaZest Plc

Half-yearly unaudited results for the six months ended 30 September 2010

MediaZest Plc (AIM: MDZ), the creative digital out-of-home advertising company and audio-visual ("AV") integrator, announces its half-yearly unaudited results for the six months ended 30 September 2010.

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 September 2010. They incorporate the results of its subsidiaries, all of which are wholly owned.

The Company has moved its year end to 31 March and has consequently prepared financial statements for the 15 months to 31 March 2010. This set of interim results, therefore, covers the six months to 30 September 2010 and amounts presented for prior periods are not directly comparable.

Financial review

Revenue for the period was £1,080,000 (31 December 2009 - £1,263,000) and the Group made a loss for the period, after taxation, of £109,000 (31 December 2009 - £141,000) after finance costs of £32,000 (31 December 2009 – £9,000) and having paid administrative expenses of £595,000 (31 December 2009 - £664,000). EBITDA was a loss of £68,000 (31 December 2009 – £107,000). The basic and fully diluted loss per share was nil (31 December 2009 – nil).

Operational review

The sales performance for the six month period was consistent with first half results for 2009 and the generation of client revenue in our business continued to be challenging in the difficult trading environment encountered by many of our clients. Nevertheless, the reduction in cost base accomplished through the restructuring of the Group in 2009 has meant that the Company has been able to reduce its losses further particularly at the EBITDA level.

April and May were particularly difficult months as many clients appeared to delay spending plans prior to the General Election although the Group performed profitably in its operating subsidiaries for the subsequent four months.

TouchVision, as referred to in previous Group announcements, has been affected by cut backs in government expenditure which has had a direct impact on its Education business. This position was exacerbated by the conclusion of two large contracts in May 2009, when they were transferred into the London University Purchasing Consortium (LUPC) which at that time, TouchVision was not a part of. In early 2010 TouchVision had tendered for a number of framework agreements, including the LUPC, which the Board hoped it would participate in and anticipated that this would have had a positive impact on the Summer 2010 period. The results of these tenders were unfortunately not announced until winter 2010; however, on 25 November 2010, the Board announced that TouchVision had been appointed as a supplier of choice in all of the Lots that it submitted for. Furthermore, these successes in turn have opened up a large number of additional opportunities and potential revenue lines for the next three years that were not available to the Group in Summer 2010.

MediaZest Ventures enjoyed a markedly increased level of enquiries during the six month period. We expect these enquiries to begin to generate significant revenues in the second half of financial year 2010-2011 in line with normal business patterns and the expected lead time experienced when undertaking significant projects in this market. During this period, the Company was delighted to add new clients such as Aviva, Frontline Display and Microsoft. The latter engaged MediaZest to provide hardware solutions for 19 touchscreens in Vodafone retail stores in support of their Windows 7 software launch. MediaZest has continued to provide retail and marketing solutions for existing clients such as Barclays Bank, JD Sports, L'Oreal and Footlocker, all of whom engaged us to provide additional services in the period.

The Board continues to monitor and control costs across the Group as a whole. However, with a view to generating additional revenues it has employed an experienced salesperson in the Midlands area to broaden the Group's geographical reach. The Board expects this appointment to begin to bear fruit in the next quarter. From a financing perspective, interest costs were higher than in previous periods due to the increase in debt financing, which includes the invoice discounting facility, the refinancing of the TouchVision overdraft into a three year bank loan and the provision of shareholder loans and funding facilities. In addition, travel costs were higher than expected and as a result the Board took the decision to invest in new, more efficient company vehicles to reduce mileage costs in the longer term.

Outlook

The prospects for TouchVision have improved markedly with the company having been appointed to the LUPC (London Universities Purchasing Consortium), SUPC (Southern Universities Purchasing Consortium), HEPCW (Higher Education Purchasing Consortium Wales) and Value Wales purchasing consortia framework agreements effective 2 November 2010. These agreements are for three years with the option to extend a further year and are split into Lots. The Lots to which TouchVision has been appointed are expected to spend approximately £7,500,000 per annum and TouchVision is one of between 4 and 11 companies competing for business within these Lots. Although public sector spending is expected to reduce, this gives TouchVision a large number of potential new clients it can work with for the first time. The Board believes that the cost saving solutions Touch Vision offers can add value to clients outside of these areas and may offer additional opportunities.

TouchVision also has a framework contract with the NWUPC/CPC/APUC consortia which was extended for a further year to 31 December 2011 and under which member organizations are expected to spend approximately £1,800,000 on audio visual supplies. TouchVision is one of five companies appointed to this framework agreement.

MediaZest Ventures continues to add new clients and experience a significant increase in enquiries. The Company is currently in negotiation with a leading supplier of queue management systems, regarding a global deal to bring some of its technologies to their clients, and expects to make an announcement to such effect in due course. This has already led to a first order with significant further orders expected in 2011 and beyond.

The Group has set up, additionally, a new division, MediaZest Green Solutions (www.mediazestgreen.com), with the objective of meeting market demand for more environmentally friendly solutions and cost saving measures. The Board believes that this operation has the potential to generate significant revenues in future years through working with our existing client base to deliver cost effective solutions, such as efficient LED lighting, that can help customers to meet budget pressures without reducing headcount. The Board expects revenues to begin to be generated by this division in the first half of 2011. As this is complementary to TouchVision's existing business lines the Company has been able to establish this at little cost.

The Board continues to monitor cash and credit resources on a very regular basis and will maintain this policy going forward. The Group is encouraged by its new business pipeline which it expects will have a positive effect on future sales revenue. It also intends to recruit additional sales staff and invest in a more aggressive marketing programme in 2011, with the objective of driving revenues back to pre-recession levels and moving the the Group into a much stronger trading and financial position.

Lance O'Neill   30 December 2010
Chairman

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	Unaudited Six months 30-Sep-10 £'000	Unaudited Six months 31-Dec-09 £'000	Unaudited Six months 30-Jun-09 £'000	Audited 15 months 31-Mar-10 £'000
Continuing operations					
Revenue		1,080	1,263	1,035	2,572
Cost of sales		(553)	(706)	(540)	(1,451)
Gross profit		527	557	495	1,121
Administrative expenses - other		(595)	(540)	(832)	(1,787)
Administrative expenses - restructuring costs		-	(124)	-	-
EBITDA		(68)	(107)	(337)	(666)
Administrative expenses - depreciation		(9)	(25)	(17)	(49)
Operating Loss		(77)	(132)	(354)	(715)
Interest		(32)	(9)	(16)	(32)
Loss before taxation		(109)	(141)	(370)	(747)
Taxation		-	-	-	-
Retained loss on ordinary activities after taxation		(109)	(141)	(370)	(747)
Loss per ordinary share					
Basic	**2**	£0.00	£0.00	(£0.02)	(£0.01)
Diluted	**2**	£0.00	£0.00	(£0.02)	(£0.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Unaudited As at 30-Sep-10	Unaudited As at 31-Dec-09 restated	Unaudited As at 30-Jun-09 restated	Audited As at 31-Mar-10
	£'000	£'000	£'000	£'000
Non-current assets				
Goodwill	2,772	2,772	2,772	2,772
Plant and equipment	42	55	70	48
Total non-current assets	2,814	2,827	2,842	2,820
Current assets				
Inventories	116	186	177	94
Trade and other receivables	580	269	323	255
Cash and cash equivalents	2	1	13	37
Total current assets	698	456	513	386
Current liabilities				
Financial liabilities – borrowings	(419)	-	-	(290)
Bank overdraft	-	(83)	(44)	-
Trade and other payables	(833)	(716)	(1,009)	(551)
Current tax liabilities	(82)	(121)	(152)	(78)
Total current liabilities	(1,334)	(920)	(1,205)	(919)
Net current liabilities	(636)	(464)	(692)	(533)
Net assets	2,178	2,363	2,150	2,287
Equity				
Share Capital	2,428	2,362	2,283	2,428
Share premium account	3,580	3,327	3,211	3,580
Shares to be issued	-	154	-	-
Other reserves	7	7	7	7
Retained earnings	(3,837)	(3,487)	(3,351)	(3,728)
Total equity	2,178	2,363	2,150	2,287

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Share Capital £'000	Share Premium £'000	Shares to be Issued £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 January 2009	2,283	3,211	-	7	(2,981)	**2,520**
Total comprehensive income for the period	-	-	-	-	(370)	**(370)**
Balance at 30 June 2009	2,283	3,211	-	7	(3,351)	**2,150**
Total comprehensive income for the period	-	-	-	-	(141)	**(141)**
Expensing of old capital raising cost to Share Premium	-	(5)	-	-	5	**-**
Amounts received in advance of share issue	-	-	154	-	-	**154**
Issue of shares	79	121	-	-	-	**200**
Balance at 31 December 2009	2,362	3,327	154	7	(3,487)	**2,363**
Total comprehensive income for the period	-	-	-	-	(241)	**(241)**
Issue of shares	66	258	(154)	-	-	**170**
Share issue costs	-	(5)	-	-	-	**(5)**
Balance at 31 March 2010	2,428	3,580	-	7	(3,728)	**2,287**
Total comprehensive income for the period	-	-	-	-	(109)	**(109)**
Balance at 30 September 2010	2,428	3,580	-	7	(3,837)	**2,178**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Note	Unaudited	Unaudited	Unaudited	Audited
		Six months	**Six months**	**Six months**	**15 months**
		30-Sep-10	**31-Dec-09 restated**	**30-Jun-09 restated**	**31-Mar-10**
		£'000	**£'000**	**£'000**	**£'000**
Cash flows from operating activities					
Cash used in operations	**3**	(331)	(327)	(81)	(667)
Net cash used in operating activities		(331)	(327)	(81)	(667)
Cash flows from investing activities					
Purchase of property, plant and equipment		(3)	(10)	-	(10)
Net cash used in investing activities		(3)	(10)	-	(10)
Cash flow from financing activities					
Shareholder loans		81	-	-	290
Interest paid		(32)	(9)	(16)	(32)
Invoice discounting facility provided by shareholders later capitalised into shares		-	-	-	90
Investment income received		-	354	-	-
Bank loan		48	-	-	-
Net proceeds on issue of shares		-	-	-	424
Net cash (used in)/generated from financing activities		97	345	(16)	772
Net (decrease)/increase in cash and cash equivalents		(237)	8	(97)	95
Cash and cash equivalents at beginning of period		(23)	(215)	(118)	(118)
Cash and cash equivalents at end of period		(260)	(207)	(215)	(23)

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

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

Accordingly, the consolidated half-yearly financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRS Interpretations Committee) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable from 31 March 2011.

The financial information has been prepared under the historical cost convention and the principal accounting policies set out below have been consistently applied to all periods presented.

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

Non-statutory accounts

The financial information for the period ended 30 September 2010 set out in this interim report does not constitute the Group's statutory accounts for that period.

The statutory accounts for the 15 months ended 31 March 2010 have been delivered to the Registrar of Companies.

The auditors reported on those accounts; their report was unqualified, did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The financial information for the six months ended 30 September 2010, 31 December 2009 and 30 June 2009 is unaudited.

Change in accounting policy

The statutory accounts for the 15 months ended 31 March 2010 show the reclassification of the invoice discounting facility as cash and cash equivalents therefore to ensure consistent comparatives for this report the interims for six months ended 30 June 2009 and six months ended 31 December 2009 have also been reformatted.

2. Loss per share

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £109,000 (31 December 2009 £141,000) by the weighted average number of shares during the period of 167,625,327 (31 December 2009 – 133,825,327). 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".

NOTES TO THE FINANCIAL INFORMATION

3. Cash used in operations

	Unaudited Six months	**Unaudited Six months**	**Unaudited Six months**	**Audited 15 months**
	30-Sep-10	**31-Dec-09 restated**	**30-Jun-09 restated**	**31-Mar-10**
	£'000	**£'000**	**£'000**	**£'000**
Operating loss	(77)	(132)	(354)	(715)
Depreciation of tangible assets	9	25	17	49
(Increase)/decrease in inventories	(22)	(9)	(70)	13
Increase/(decrease) in payables	84	(265)	32	(376)
(Increase)/decrease in receivables	(325)	54	294	362
Cash used in operations	(331)	(327)	(81)	(667)
Tax paid	-	-	-	-
	(331)	(327)	(81)	(667)

4. Distribution of the Half-yearly Report

Copies of the Half-yearly Report will be available to the public from the Company website, www.mediazest.com, and from the Company Secretary at the Company's registered address at 3rd Floor, 16 Dover Street, London W1S 4LR.

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