Final Results for the Period ended 30 September 2020

MEDIAZEST PLC
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The information contained within this announcement is deemed to constitute inside information as stipulated under the UK Market Abuse Regulation. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

MediaZest Plc

("MediaZest" or the "Company"; AIM: MDZ)

Final Results for the Period ended 30 September 2020

MediaZest, the creative audio-visual company, is pleased to provide shareholders with final results for the period ended 30 September 2020.

CHAIRMAN'S STATEMENT

Introduction

The Board presents the consolidated audited results for the eighteen months ended 30 September 2020 for MediaZest plc ("MDZ") and its wholly owned subsidiary company MediaZest International Ltd ("MDZI") which together constitute the "Group".

MDZ Group Results for the year and Key Performance Indicators ("KPIs")

All KPIs compare the eighteen-month period to 30 September 2020 with 2019 comparatives for the prior twelve-month period of 1 April 2018 to 31 March 2019.

- Revenue for the period was £3,068,000 (2019: £3,303,000).
- Gross profit was £1,524,000 (2019: £1,675,000).
- Gross margin was 50% (2019: 51%).
- Administrative expenses excluding depreciation and amortisation were £1,735,000 (2019: £1,546,000).
- Depreciation and amortisation costs were £124,000 (2019: £40,000). This increase is partly due to the impact of IFRS16 which was £71,000.
- EBITDA was a loss of £186,000 (2019: profit of £129,000).
- Net loss for the period after taxation was £448,000 (2019: profit of £6,000).
- The basic and fully diluted loss per share was 0.0324 pence (2019: earnings per share 0.0004 pence).
- Cash in hand at 30 September 2020 was £91,000 (2019: £24,000).

MDZ Group Summary

The Group financial results for the eighteen-month period were affected substantially by the Covid-19 pandemic (the "Pandemic"), with a significant reduction in revenue particularly during the first UK lockdown. In response the Board secured £200,000 of new debt financing to provide additional liquidity, and reduced costs wherever possible without compromising the long-term goals of the business.

Client projects and, in particular, recurring revenue streams have remained consistent; however, the former are subject to timing delays due to the Pandemic. New client wins and long-term client relationships remain encouraging and value continues to build in the operations of the business.

The Group operates in three core sectors - Retail, Automotive and Corporate offices. The Board expects significant growth in all three of these markets in the medium to long term as businesses in these sectors embark upon, or widen their adoption of, digital transformation programmes.

Group Strategy

The Board's strategy continues to be one of growing both the quantum and quality of revenues with an emphasis upon clients where there is a long-term opportunity to deploy solutions across multiple sites, and sometimes countries, over a period of time.

The Group focus is on providing a high-quality Managed Service offering wrapped around hardware and software delivery that generates ongoing contractual revenues from the customer base over several years and this is a major objective.

In the longer-term, the aim is to cover the Group's costs with recurring contractual revenues to achieve consistent profitability, supplemented by one or more 'game changing' large scale roll-out projects.

In the context of the above narrative, the Board has recognised the current period of economic slowdown as a result of the Pandemic. It has, therefore, taken the following steps during the period to help mitigate this:

- Reduced costs by c. £187,000 for the 18 month period to 30 September 2020;
- Used Government Schemes such as the Job Retention Scheme where appropriate to partially fund employee costs;
- Took advantage of the Government Bounce Back Loan Scheme to raise £50,000 in debt funding via the Company's bankers; and
- Undertook a £150,000 fundraising by means of Convertible Loan Notes to improve working capital, as detailed below.

MDZ Group Operational Review

The eighteen-month period fell into three distinct phases of roughly six months each:

The first six months trading reflected uncertainty in the UK due to ongoing Brexit negotiations and the subsequent impact on macro-economic conditions; particularly in the retail sector. Many clients delayed investment decisions waiting for clarity on the UK's arrangements to leave the EU, and as a series of delays and votes appeared to give opportunity for a clearer picture in the short term, this trend continued.

In August 2019, the Board first noticed signs of a change in attitude whereby businesses appeared to decide that investment decisions could no longer wait and began to proceed with previously deferred planned projects.

There then followed a strong six-month period of growth and significant improvement in both revenues and profitability as macro-economic conditions improved. For this period, from 1 September 2019 to 29 February 2020, Group EBITDA profit was £65,0000, with a small loss of £18,000 after tax heading into a what was scheduled to be a very busy March 2020.

This progress was abruptly halted by the impact of the Pandemic which began negatively affecting financial results in mid-February 2020 and particularly March 2020 and throughout the final six months of the period. Clients initially began to defer some projects and then temporarily closed stores and other places of business as countries went into lockdown. All deployments and installations were placed on hold at that stage, and in particular this affected key projects across the UK and in Milan, Copenhagen and Berlin that were scheduled for those months.

Encouragingly, as the summer progressed, more and more client sites reopened and new projects began to be embarked upon.

MDZ Group Cost base and Covid-19 Response

The costs of MediaZest plc, the holding company, were £541,000 for the 18-month period (2019: £345,000). These costs continue to rise as a combination of both accounting, audit, legal and administrative and compliance work related to being a quoted public company become more onerous, and professional fees increasing accordingly. In addition, finance costs have increased during the period, from £83,000 to £168,000.

Overall administrative expenses excluding depreciation and amortisation in the period were £1,735,000 (2019: £1,546,000). However, because of the different lengths of the two periods this conceals the fact that the Group has significantly reduced its administrative expenses compared to the prior year despite the increases noted above. Average administrative costs per month were £96,000 for the period (2019: £129,000).

Depreciation and amortisation costs were £124,000 (2019: £40,000). As well as the increased period length, this is also impacted by the reclassification of some property rent costs into depreciation, due to new accounting standard IFRS16, discussed below.

In the first 6 months of the year to September 2019, this reduction was achieved with a cost cutting programme which had been implemented during Q1 calendar year 2019 in anticipation of difficult trading conditions and ongoing political uncertainty due to Brexit.

Costs were further reduced by cuts implemented in the wake of the Pandemic pursuant to which the Company saved approximately £187,000 for the eighteen-month period to 30

September 2020, with further savings realised in the subsequent period from 1 October 2020 onwards.

The Group has utilised the Government's Job Retention Scheme to furlough employees at appropriate levels during the period since 31 March 2020.

MDZ Group Client Work and Recurring Revenue Streams

The Group continues to service a core of long-standing client accounts including Lululemon Athletica, the University of Central Birmingham, Tiffany & Co, Kuoni, Ted Baker, HMV and Hyundai, all of which undertook new projects with the Group during the period under review. In addition, our work with Pets at Home continues and the Company provided audio visual solutions for over a dozen Pets at Home stores in the period. The Group was pleased to see that in March 2020 Pets at Home won the coveted Best Large Format Store award at the 'Retail Week Awards' for their refurbished Stockport store, a store for which the Company provided the audio-visual solutions.

New clients added in the year included Twinings, Belron, and Avis Budget Group. In addition, the Group won a high-profile project for Porsche to deliver audio visual solutions for its new CityLife concept store in Milan, Italy. This project had been initially scheduled to complete in February and March 2020 and was delayed during the first lockdown, subsequently being delivered by the Group's highly skilled in-house teams over the summer of 2020.

During the first lockdown period in the UK, all Group deployments and installations were placed on hold, and the ability of the Group to generate project-based revenue during this period was restricted accordingly. However, contractual revenues based around the Group's Managed Service proposition (including service, maintenance, data reporting and content management offerings) were robust and continued to deliver underlying turnover during that period.

A handful of clients continued to keep stores open as a result of operating in 'critical industries' throughout the first lockdown period. Strictly following the appropriate Government guidelines, the Group continued to support these clients on an ongoing basis; often using advanced remote management tools to quickly assist clients. These clients were able to use digital signage installed by the Group to communicate quickly and effectively with their customers and visitors to improve safety and both introduce and react to new rules as they have needed to be implemented.

With the beginning of easing of some of the lockdown measures, further client sites re-opened and in May 2020 MediaZest delivered the first two of the previously delayed projects, with others following over the course of the summer. All but two of the delayed projects were completed by the end of 2020.

In addition to the projects which resumed and completed following the first lockdown, the Group recommenced discussions in relation to potential new client mandates from the beginning of May, several of which have already been won and delivered, including large projects for Hyundai and Samsung in the Summer of 2020.

Contractual recurring revenue streams remain robust and in May 2020 the Group renewed a key long-term contract until October 2022 (with a clause to extend for a further 12 months) in addition to a significant annual contract with another client.

Group Fundraising

As a result of the Pandemic, the Board deemed it necessary to raise further capital during the period.

In May 2020, the Company secured a Bounce Back Loan of £50,000 under the Government's scheme to provide additional cash resources during the lockdown. In August 2020 MediaZest raised a further £150,000 by way of a Convertible Loan Note instrument ("CLN") to provide additional working capital for the Group.

New Accounting Standards

The introduction of IFRS16 has had an impact on the way the Company accounts for Leases and as such there is a change in the way that rent is presented in the accounts, as noted below. In essence, in the Consolidated Statement of Comprehensive Income, this rental cost for the Company's premises in Woking is now charged predominantly through depreciation rather than administrative costs. The effect on the Statement of Financial Position, is that a Right of Use Asset has been created which falls into Property, Plant and Machinery and, on the opposing side, a Lease Liability has been created which falls into the Financial Liabilities category. The change and impact on presentation, whilst netting out to virtually zero, is documented in Note 23.

Outlook from October 2020 into 2021

At this time, it remains difficult to fully assess the extent to which the Pandemic will affect the Group's forthcoming trading and financial performance as the situation continues to evolve. The second national lockdown in November 2020 and closure of many retail businesses had an impact, however new project pitches have increased in number since the start of 2021, despite the third national lockdown coming into effect. Conversion rates on the pitches into live projects will be crucial to financial performance for the coming year that has begun positively so far.

Many clients ceased on site work during December 2020 and January 2021 but begun to execute new projects from early February 2021 onwards.

Existing customers continue to require the Company's services and several long-term roll out projects that the Group had begun delivering have now restarted, albeit often at a slower pace than was intended by the client prior to the start of the Pandemic. Demand from these and other ongoing clients is expected to remain strong.

Recurring revenue streams and the building of value with longer term contractual agreements continues to be successful and provides further potential for growth in profitability for the future.

The Group has been investigating several new lines of business, all associated with the audio-visual market, which are aimed at meeting client's changing needs after the Pandemic. Two of these - gesture-based control systems and 'remote control' over interactive screens in store using a customers' mobile phone - have already been successfully deployed in live client projects.

The Board is working on the assumption that the disruption caused by the Pandemic will have an impact deep into 2021 and continues to plan accordingly, searching for new revenue streams whilst managing costs carefully and as flexibly as possible.

Lance O'Neill

Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Period 1.4.19 to 30.9.20	Year Ended 31.3.19
	£'000	£'000
Continuing operations		
Revenue	3,068	3,303
Cost of sales	(1,544)	(1,629)
Gross profit	1,524	1,675
Other operating income	25	-
Administrative expenses – excluding depreciation & amortisation	(1,735)	(1,546)
EBITDA	(186)	129
Administrative expenses – depreciation & amortisation	(124)	(40)
Operating profit/(loss)	(310)	89
Finance costs	(168)	(83)
Profit/(loss) on ordinary activities before taxation	(478)	6
Tax on profit/(loss) on ordinary activities	30	-

(Loss)/profit for the period	(448)	6
(Loss)/profit attributable to: Owners of the parent	(448)	6
Earnings/(loss) per ordinary 0.1p share		
Basic	(0.0324)	0.0004
Diluted	(0.0324)	0.0004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2020

	2020	**2018**
	£'000	**£'000**
Non-current assets		
Goodwill	2,772	2,772
Owned		
Intangible assets	-	1
Property, plant and equipment	39	62
Right of use		
Property, plant and equipment	171	-
Total Non-current assets	**2,982**	**2,835**
Current assets		
Inventories	93	69
Trade and other receivables	493	481
Cash and cash equivalents	91	24
Total current assets	**677**	**574**
TOTAL ASSETS	**3,659**	**3,409**
Equity		
Called up share capital	3,656	3,656
Share premium	5,244	5,244
Share option reserve	146	146
Retained earnings	(7,677)	(7,227)

Total equity	**1,369**	**1,819**
Non-current liabilities		
Financial liabilities – borrowings		
Interest bearing lease liabilities	157	25
Other interest bearing loans and borrowings	176	-
Total Non-current liabilities	**333**	**25**
Current liabilities		
Trade and other payables	968	814
Financial liabilities – borrowings		
Invoice discounting facility	245	203
Interest bearing lease liabilities	59	15
Other interest bearing loans and borrowings	685	533
Total current liabilities	**1,957**	**1,565**
Total liabilities	**2,290**	**1,590**
Total equity and liabilities	**3,659**	**3,409**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Called up share capital	Retained Earnings	Share Premium	Share Option Reserve	**Total Equity**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2018	3,546	(7,115)	5,244	146	**1,821**
Changes in equity					
Issue of share capital	110	-	-	-	**110**
Total comprehensive loss	-	(112)	-	-	**(112)**
Balance at 31 March 2019	**3,656**	**(7,227)**	**5,244**	**146**	**1,819**
Impact of IFRS16 implementation	-	(2)	-	-	**(2)**

Balance 1 April 2019 (restated)	**3,656**	**(7,229)**	**5,244**	**146**	**1,817**
Changes in equity					
Total comprehensive loss	-	(448)	-	-	**(448)**
Total comprehensive loss for the period	-	(448)	-	-	**(448)**
Balance at 30 September 2020	**3,656**	**(7,677)**	**5,244**	**146**	**1,369**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 APRIL 2019 TO 30 SEPTEMBER 2020

	Period 1.4.19 to 30.9.20	Year Ended 31.3.19
	£'000	**£'000**
Cash flows from operating activities		
Cash (absorbed by)/generated from operations	(73)	117
Tax paid	30	-
Net cash from operating activities	**(43)**	**117**
Cash flows from investing activities		
Purchase of tangible fixed assets	(29)	(30)
Net cash used in investing activities	**(29)**	**(30)**
Cash flow from financing activities		
Other loans	(16)	(19)
Shareholder loan receipts	718	385
Shareholder loan repayments	(515)	(330)
Bounce back loan	50	-
Payment of lease liabilities	(47)	-
Share issue	-	110
Share issue costs	-	(1)
Interest paid	(93)	(58)
Net cash generated from/(used in) financing activities	**97**	**87**

(Decrease)/increase in cash and cash equivalents	25	174
Cash and cash equivalents at beginning of period	(179)	(353)
Cash and cash equivalents at end of the period	**(154)**	**(179)**

NOTES TO THE FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's financial statements for the period ended 30 September 2020 or year ended 31 March 2019, but is derived from those financial statements. Statutory financial statements for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Group's annual general meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did include a reference to which the auditor drew attention by way of emphasis without qualifying their report in respect of going concern and (iii) did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Group made a loss after tax of £448,000 (2019: profit of £6,000) and has net current liabilities of £1,280,000 (2019: £991,000). The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

The Directors have carefully considered the going concern assumption on the basis of financial projections and the factors outlined below.

The Directors have considered financial projections based upon known future invoicing, existing contracts, pipeline of new business and the increasing number of opportunities it is currently working on in 2021, across all main sectors the company specialises in. Several substantial new contracts have been won during the new financial year and recurring revenues remain robust. Future operating and capital costs have also been reviewed and included in the cash flow forecast prepared by the Directors.

These forecasts have also been considered in light of the ongoing economic difficulties in the global economy as a result of the ongoing Covid-19 Pandemic and consequences of the UK Brexit agreement, previous experience of the markets in which the company operates and the seasonal nature of those markets.

Management has engaged with clients where possible to understand their plans for the coming year, the likely timing of those plans and any contingencies such as the timing and extent of lockdown measures that may impact them. Several have indicated substantial projects which they expect to work with the Group to deliver in the next 12 months, however as always, timing remains difficult to predict.

These forecasts indicate that the Group 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 current impact of the Covid-19 Pandemic in the UK and around the world means that the exact timing of clients' projects can be difficult to determine with timetables being adjusted to accommodate lockdown constraints, clients' priorities and Government advice. The exact timing of cash inflows is therefore harder to predict than normal and is therefore uncertain.

Consequently, the Directors have produced additional downside sensitised cashflow forecasts which consider the mitigating actions which could be taken in order for the Group to continue to remain a going concern. Whilst the Directors are confident that a number of options would be available to it there remains some uncertainty around the timing and quantum of these actions.

The Directors have budgeted carefully for the coming 12 months to include sufficient flexibility to meet such challenges, should they arise. In the event of additional UK lockdowns, the Group would seek to reduce costs and obtain additional liquidity if it were required. The Group successfully implemented this approach during 2020.

The Directors have obtained letters of support from two shareholders who have provided material loans to the Group, stating that they will not call for repayment of the loan within the 12 months from the date of approval of these financial statements or, if earlier, until the Group has sufficient funds to do so. The balance of these loans at 30 September 2020 totalled £589,000 (2019: £427,000).

As a result the Directors consider that it is appropriate to draw up the accounts on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this announcement are consistent with those in the full financial statements that have yet to be published, and other than in respect of IFRS 16 as explained above, were consistent with the policies for the year ended 31 March 2019.

The Report and Consolidated Financial Statements for the period ended 30 September 2020 will be posted to shareholders shortly and will also be available to download from the Company's website: www.mediazest.com

1. SEGMENTAL INFORMATION

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

	Period 1.4.19 to 30.9.20	Year Ended 31.3.19
	£'000	£'000

UK and Channel Islands	2,669	2,549
Rest of Europe	374	561
North America	25	29
Rest of World	-	164
	3,068	3,303

An analysis of revenue by type is shown below:

	Period 1.4.19 to 30.9.20	**Year Ended 31.3.19**
	£'000	**£'000**
Hardware and installation	2,097	2,008
Support and maintenance – recurring revenue	832	645
Other services (including software solutions)	139	650
	3,068	3,303

Segmental information and results

The Chief Operating Decision Maker ('CODM'), who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board. The Board have reviewed segmental information and concluded that there is only one operating segment.

The Group does not rely on any individual client - the following revenues arose from sales to the Group's largest client.

	Period 1.4.19 to 30.9.20	**Year Ended 31.3.19**
	£'000	**£'000**
Goods and services	433	155
Service and maintenance	53	181
	486	336

2. EARNINGS/(LOSS) PER ORDINARY SHARE

	Period 1.4.19 to 30.9.20	Year Ended 31.3.19
Profit/(Loss)	**£’000**	**£’000**
Profit/(Loss) for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	(448)	6
	2020	**2019**
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,396,425,774	1,296,370,979
Number of dilutive shares under option or warrant	-	-

	2020	2019
	£’000	**£’000**
Weighted average number of ordinary shares for the purposes of dilutive loss per share	1,396,425,774	1,296,370,979

Basic earnings per share is calculated by dividing the (loss)/profit after tax attributed to ordinary shareholders of £448,000 (2019 profit: £6,000) by the weighted average number of shares during the year of 1,396,425,774 (2019: 1,296,370,979).

The diluted loss per share is identical to that used for basic loss per share as the options are "out of the money" and therefore anti-dilutive.

3. CASH AND CASH EQUIVALENTS

	The Group	The Group	The Company	The Company
	2020	**2019**	**2020**	**2019**
	£’000	**£'000**	**£’000**	**£'000**
Cash held at bank	91	24	-	2
Invoice discounting facility	(245)	(203)	-	-
	(154)	(179)	-	2

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About MediaZest

MediaZest is a creative audio-visual systems integrator that specialises in providing innovative marketing solutions to leading retailers, brand owners and corporations, but also works in the public sector in both the NHS and Education markets. The Group supplies an integrated service from content creation and system design to installation, technical support, and maintenance. MediaZest was admitted to the London Stock Exchange's AIM market in February 2005. For more information, please visit www.mediazest.com