MediaZest plc

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

(Company No. 05151799)

MediaZest plc

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MediaZest plc

DIRECTORS AND ADVISERS

DIRECTORS
Lance O'Neill (Non-Executive Chairman)
Geoffrey Robertson (Chief Executive Officer)

REGISTERED OFFICE
Unit 9, Woking Business Park, Albert Drive
Woking, Surrey, GU21 5JY

NOMINATED ADVISERS
Northland Capital Partners Limited
40 Gracechurch Street, 2nd Floor
London
EC3V 0BT

BROKERS
Hybridan LLP
20 Ironmonger Lane
London
EC2V 8EP

AUDITOR
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

SOLICITORS
CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

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

REGISTRARS
Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR

MediaZest plc

STRATEGIC REPORT

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company operates principally as a holding and investment company and specifically provides support to the subsidiary company in pursuit of the Group's strategy to deliver a one-stop audio, visual, 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.

KEY PERFORMANCE INDICATORS

The Board considers Key Performance Indicators ("KPIs") to be financial performance, measured using profit/loss per share, cash in hand and banking facilities plus outstanding shareholder loans. These key performance indicators are regularly monitored on an ongoing basis. There are no non financial KPIs actively monitored by management currently.

Turnover for the year was £2,819,000 (2017: £3,013,000), cost of sales was £1,458,000 (2017: £1,700,000) leading to an EBITDA loss of £113,000 (2017: loss of £2,000). The Group made a loss for the year, after taxation, of £256,000 (2017: loss of £142,000) after finance costs of £102,000 (2017: £67,000) and having incurred administrative expenses of £1,515,000 (2017: £1,392,000).

These Key Performance Indicators are analysed in detail in the Chairman's Statement.

The basic loss and diluted loss per share was 0.02p (2017: 0.01p). The Group had cash in hand of £38,000 (2017: £160,000) at the year end and an invoice discounting facility over the debtors of MediaZest International Ltd of which £391,000 (2017: £68,000) was in use at 31 March 2018. As at 31 March 2018, the Group had a limit of £500,000 (2017: £500,000) under the existing invoice discounting facility. The reduction in cash in hand and increase of invoice discounting facility in use was largely as a result of larger projects requiring higher upfront supplier deposits and delayed timing of receipts from certain clients.

As at 31 March 2018, the Group also had loans from shareholders of £453,000 (2017: £385,000) and interest on those loans during the year amounted to £62,000 (2017: £41,000).

PRINCIPAL RISKS

Principal non financial risks the directors are monitoring include:

Global Economy – the Group faces a risk of reduced levels of business as a result of the current economic environment, including the impact on the UK and wider economy as a result of the ongoing "Brexit" negotiations. Management constantly monitor sales levels, pipeline and margin profitability and continue work 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 remain.

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.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial instruments and its policies with regards to financial risk management are given in Note 25 to the financial statements.

Approved by the Board of Directors
and signed on behalf of the Board by

Geoffrey Robertson
CEO

Date: 16 August 2018

MediaZest plc

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest plc (the "Group") for the year ended 31 March 2018 incorporate the results of its subsidiary, MediaZest International Limited, which is wholly owned.

Results for the year and Key Performance Indicators

- Revenue for the period was £2,819,000 down 6% (2017: £3,013,000).
- Gross profit was £1,361,000 – a 4% increase (2017: £1,313,000).
- Gross margins improved to 48% (2017: 44%).
- EBITDA was a loss of £113,000 (2017: loss of £2,000).
- Loss after tax of £256,000 increased 80% (2017: loss of £142,000).
- The basic and fully diluted loss per share was 0.02 pence (2017: 0.01 pence).
- Cash in hand at period end £38,000 (2017: £160,000).

Business overview

The Group comprises two entities: MediaZest plc, a holding company quoted on the AIM section of the London Stock Exchange, and an operational company, MediaZest International Limited.

Despite much progress in building the business during the year, the Board is disappointed with the financial results for year ended 31 March 2018 ("FY18"), which have been significantly affected by delays to three substantial projects that have all fallen into the new financial year ended 31 March 2019 ("FY19"). This timing risk was highlighted in the interim results announcement of 15 December 2017.

The net impact on the FY18 accounts has been that revenues are lower than expected by approximately £450,000 and net profit lower by approximately £200,000. There was also a further impact on cash in hand at year end as the Group held stock for two of these projects prior to the FY18 year-end cut-off.

In spite of these delays, the operational business, MediaZest International Limited, has again showed a net profit, with revenues of £2,819,000 (2017: £3,013,000) and profit of £95,000 after tax (2017: £118,000).

The most significant improvement in the business was evidenced by the increase in recurring contractual revenue. The Group continues to focus its efforts on permanent audio-visual installation work, with accompanying growth in recurring revenues. Over time this is expected to mitigate the impact of project delays such as those previously mentioned.

This strategy continues to work well for the Group and, as announced in the trading update on 23 May 2018, the current run rate of recurring revenues has grown significantly in the last 12 months. At the current time it is in excess of £700,000, more than double the level at the beginning of FY18. This increase in recurring revenue contracts will have substantial impact in FY19 as many of these contracts began relatively recently and the associated revenues are apportioned across the life of the contract.

The Group now supports approximately 2,000 displays in over 20 countries under these contracts.

Margins continue to improve in the business as recurring revenues grow, also reflecting the strategic emphasis on providing managed services in conjunction with any hardware supplied. This managed service wraps around the audio-visual proposition and includes the analysis of return on investment and associated data services for clients which the Board believes will be an area of profitable growth in the coming years.

The Group's advanced expertise in these areas provides a competitive advantage and in building on initial development of a product based on facial recognition technology ("MediaZest Retail Analytics") it has invested in acquiring access to new tools for data measurement and a refined reporting database to provide clients with further reporting and analytical services in respect of this data.

Costs have risen in some areas as the Group becomes better structured to meet client needs and there have also been increases in expenses associated with the listing of MediaZest plc and interest expense on shareholder loans. The Board continues to monitor these closely and will adjust as necessary to meet the demands of the business in FY19.

PROJECT HIGHLIGHTS AND MARKETS SERVED

The Group continues to enjoy a strong reputation in the broader retail sector, particularly in the Automotive, Fashion, Electronic goods and Financial Services sectors.

Project highlights for the year include the completion of our first store for Volkswagen, at Birmingham Bullring; completion of our first and delivery of our second major store projects for Clydesdale and Yorkshire Banking Group plus substantial project work with HP. All are new clients won within the last 18 months.

Other new clients include the European Bank for Reconstruction and Development (EBRD) and in the automotive sector Mitsubishi and Ford through our relationship with Rockar along with projects in Germany with Opel and a corporate project with BMW in the UK.

The Company's work with Ted Baker, Diesel, Kuoni, HMV, Halfords, Hyundai and several others all continues.

As well as serving clients all over the UK, in the past year there has been notable growth in overseas opportunities. Ted Baker is a client the Company works with on a global basis, now including Asia, Europe, the Middle East and Africa (EMEA), North America and Australasia. Recent projects for HP have been across the EMEA region and the Group recently completed several projects in China. There is an ongoing project for Opel is in Germany and the Group is pitching on several other multi-national substantial opportunities. The Board believes this offers meaningful growth opportunities in FY19 and future years.

MediaZest plc

CHAIRMAN'S STATEMENT (continued)

STRATEGY

The Board maintains the following policies to maximise revenue and long- term value in the company:

- Emphasis on maximising opportunities by concentrating the Group's marketing and sales efforts on acquiring and developing business relationships with large scale customers which have both the desire and potential of rolling out digital signage in multiple locations;
- Improve the Group's recurring revenue streams through different managed service offerings;
- Maintain the emphasis on proprietary products such as MediaZest Retail Analytics which can generate intellectual property in the statement of financial position and provide ongoing sustainable revenue streams; and
- Market the Group's 'one stop shop' positioning to a wide range of global retailers in conjunction with existing partners and to continue to grow the number of overseas deployments.

Furthermore, the Group has agreed to work more closely with one of its significant supplier partners, Samsung UK. As one of a handful of "Growth Engine Partners" selected by Samsung UK, the two companies are working on certain joint marketing activities that the Board hopes will lead to further mutual substantial opportunities in the next 12 months.

The growth in activity in audio visual retail markets currently being experienced by many companies in the sector is also leading to further corporate opportunities. The Board's view is that the acceleration of growth by way of merger and/or acquisition is a strategy that should be considered at this time and is evaluating several such opportunities whilst remaining open to other options.

FUNDRAISING DURING THE PERIOD

On 13 February 2018, the Company made a successful placing of 46,668,000 shares at 0.15p per share to raise £70,000 before expenses. The shares were admitted to trading on AIM in February 2018.

The reasons for this placing were twofold:

The Company is becoming more focused on dealing with large, complex, global organisations. This has led to a need to keep a proportion of operating cashflow earmarked for deposit purposes with suppliers. In order to take full advantage of two specific opportunities, the Board set aside some of these funds raised for this purpose.

In addition, as noted above, the Board believes that there are strategic growth opportunities that should be explored and an element of the Placing funds has been set aside for this accordingly.

Due to the dilutive nature of fund raising at the current share price, the Board limited the amount raised to cover these two requirements only.

MediaZest plc

CHAIRMAN'S STATEMENT (continued)

OUTLOOK

Although there has been much recent progress in business structure terms, the Board recognises that financial results need to improve and is looking to achieve this in FY19, particularly with the strong start to the first quarter.

Although the project delays have been particularly frustrating in FY18, all three will fall within the first half of FY19 and as a result, in tandem with growing contractual revenues, the Group expects to make substantial progress in financial performance at both Group and operational levels for the period ending 30 September 2019 versus the corresponding prior year period. Unaudited management accounts to 31 May 2018 (the first two months of the new financial year FY19) already show turnover of £662,000 and profit at Group level of £37,000 (profit in the operational company £105,000) which is a significant improvement on the previous year.

New projects for HP, Mitsubishi (at Lakeside shopping centre) and Ford (opened 16th July at Next in Manchester Arndale Centre) have been well received. The increased level of recurring revenue contracts is also expected to assist in achieving improved financial performance and to provide both greater predictability, visibility and quality of revenue.

New business activity continues to be brisk and the Board expect to announce further significant contract wins in due course.

Lance O'Neill
Chairman

Date: 16 August 2018

MediaZest plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements of MediaZest plc (the "Company", and collectively with the subsidiary company, the "Group") for the year ended 31 March 2018 and the comparative year ended 31 March 2017. The consolidated financial results of the Group include the results of its subsidiary company, which is wholly owned.

Directors during the year were:
Lance O'Neill
Geoffrey Robertson

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £256,000 (2017: £142,000).

The directors do not recommend the payment of a dividend (2017: £nil).

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 s418 of the Companies Act 2006.

FUTURE DEVELOPMENTS

The likely future developments of the Group are outlined in the Chairman's Statement.

POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

MediaZest plc

DIRECTORS' REPORT

AUDITOR

Nexia Smith & Williamson have expressed their willingness to continue in office as auditor 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 by

Geoffrey Robertson
CEO

Date: 16 August 2018

MediaZest plc

CORPORATE GOVERNANCE

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

BOARD STRUCTURE

At the end of the year the Board comprised one full time executive director 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 both directors have input to provide a balance to decision making.

The executive director is engaged under a service contract and the non-executive director under a letter of appointment, both terminable by either party on six months notice. 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.

Due to the small size of the board there are no sub-committees to which the board has delegated responsibilities with the exception of the Remuneration Committee.

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 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 director is 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.

CORPORATE GOVERNANCE (Continued)

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

SHARE OPTIONS

Effective 1 October 2015, the company authorised the issue of 130,010,000 share options at an exercise price of £0.0035 per share with a vesting period of six months. On 1 October 2015, 128,690,000 share options were issued with a further 440,000 share options issued on 6 January 2016. A further 880,000 share options remain to be issued.

No further share options were issued in the financial year ended 31 March 2018.

DIRECTORS' REMUNERATION

The directors' remuneration information is set out in note 6 to the financial statements.

By order of the Board

Geoffrey Robertson
CEO

Date: 16 August 2018

MediaZest plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS's as adopted by the European Union.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIAZEST PLC

Opinion

We have audited the financial statements of MediaZest Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole, and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	Description of risk	How the matter was addressed in the audit and key observations arising with respect to that risk
Group – Valuation of goodwill Parent – Valuation of investment in subsidiaries	The Group has material goodwill resulting from the acquisition of MediaZest International Limited and the parent company has a material investment in the same subsidiary which has made losses historically. The group's assessment of carrying values requires significant judgement, in particular regarding cashflows, growth rates, discount rates and sensitivities.	We have challenged the assumptions used in the impairment model for goodwill and investments as described under Note 11 in Notes to the Financial Statements. In performing our procedures, we: • considered the accuracy of estimates by comparing prior year estimates against current year actuals • assessed the appropriateness of the assumptions concerning growth rates • considered sensitivity analyses of key variables included within the value in use calculations • discussed the achievability of current year estimates As part of our procedures we used our internal valuation specialists to assess the appropriateness of the discount rate applied and model used.
Group – Revenue recognition (including accrued and deferred income)	The entity has revenue which can span different accounting periods covering multiple income streams. We have therefore identified revenue cut-off to be a significant audit risk.	As part of our procedures, we: • reviewed a sample of quotations raised in the year and compared it to customers' purchase order, invoice and also ensured it has been correctly recorded in the accounting records • reviewed transactions around the year-end and agreed that goods and services have been provided in the correct period by agreeing to relevant audit evidence • agreed a sample of accrued income and deferred income to invoices raised and confirmed revenue has been deferred or accrued as per revenue recognition policies in place

Materiality
The materiality for the group financial statements as a whole was set at £58,600. This has been determined with reference to the benchmark of the group's revenue, which we consider to be one of the principal considerations for members of the parent company in assessing the performance of the Group. Materiality represents 2.1% of the group's revenue as presented on the face of the Consolidated Statement of Comprehensive Income.

The materiality for the parent company financial statements as a whole was set at £42,600. This has been determined with reference to the benchmark of the parent company's net assets as the parent company exists only as a holding company for the group and carries on no trade in its own right. Materiality represents 2.0% of net assets as presented on the face of the parent company's Statement of Financial Position.

An overview of the scope of our audit
We have audited both the parent company (MediaZest Plc) and subsidiary company (MediaZest International Limited).

The components within the scope of our work covered: 100% of group revenue, 100% of group profit before tax and 100% of group net assets.

Other information

The other information comprises the information included in the Report and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Appleton
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Cumberland House
15–17 Cumberland Place
Southampton
SO15 2BG

Date: 16 August 2018

MediaZest plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	**3**	2,819	3,013
Cost of sales		(1,458)	(1,700)
Gross profit		1,361	1,313
Administrative expenses		(1,474)	(1,315)
EBITDA		(113)	(2)
Administrative expenses – depreciation & amortisation		(41)	(77)
Operating loss	**4**	(154)	(79)
Finance costs	**7**	(102)	(67)
Loss on ordinary activities before taxation		(256)	(146)
Tax on loss on ordinary activities	**8**	-	4
Loss for the year and total comprehensive loss for the year attributable to the owners of the parent		(256)	(142)
Loss per ordinary 0.1p share			
Basic	**10**	(0.02p)	(0.01p)
Diluted	**10**	(0.02p)	(0.01p)

MediaZest plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

(Company No. 05151799)

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	**11**	2,772	2,772
Property, plant & equipment	**12**	51	51
Intangible fixed assets	**13**	3	14
Total non-current assets		2,826	2,837
Current assets			
Inventories	**15**	217	69
Trade and other receivables	**16**	897	243
Cash and cash equivalents		38	160
Total current assets		1,152	472
Current liabilities			
Trade and other payables	**17**	(1,664)	(860)
Financial liabilities	**18**	(471)	(424)
Total current liabilities		(2,135)	(1,284)
Net current liabilities		(983)	(812)
Non-current liabilities			
Financial liabilities	**18**	(22)	(18)
Total non-current liabilities		(22)	(18)
Net assets		1,821	2,007
Equity			
Share capital	**19**	3,546	3,499
Share premium account		5,244	5,221
Share options reserve		146	146
Retained earnings		(7,115)	(6,859)
Total equity		1,821	2,007

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2018 and were signed on its behalf by:

Geoffrey Robertson
CEO

MediaZest plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital £'000	Share Premium £'000	Share Options Reserve £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 April 2016	3,299	5,138	146	(6,717)	**1,866**
Loss for the year	-	-	-	(142)	**(142)**
Total comprehensive loss for the year	-	-	-	(142)	**(142)**
Issue of share capital	200	100	-	-	**300**
Share issue costs	-	(17)	-	-	**(17)**
Balance at 31 March 2017	3,499	5,221	146	(6,859)	**2,007**
Loss for the year	-	-	-	(256)	**(256)**
Total comprehensive loss for the year	-	-	-	(256)	**(256)**
Issue of share capital	47	24	-	-	**71**
Share issue costs	-	(1)	-	-	**(1)**
Balance at 31 March 2018	3,546	5,244	146	(7,115)	**1,821**

MediaZest plc

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Net cash used in operating activities before tax	**21**	(434)	222
Taxation		-	9
Net cash used in operating activities		(434)	231
Cash flows used in investing activities			
Purchase of plant and machinery		(5)	(23)
Disposal of plant and machinery		-	11
Purchase of intellectual property		(2)	-
Purchase of leasehold improvements		-	(4)
Net cash used in investing activities		(7)	(16)
Cash flow from financing activities			
Other loans		(40)	(42)
Shareholder loan receipts		233	-
Shareholder loan repayments		(213)	(66)
Interest paid		(54)	(25)
Proceeds of share issue		70	250
Share issue costs		-	(17)
Net cash (used in) / generated from financing activities		(4)	100
Net decrease in cash and cash equivalents		(445)	315
Cash and cash equivalents at beginning of year		92	(223)
Cash and cash equivalents at end of the year	**20**	(353)	92

MediaZest plc

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

(Company No. 05151799)

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	**14**	3,046	3,046
Current assets			
Trade and other receivables	**16**	9	4
Cash and cash equivalents		-	-
Total current assets		9	4
Current liabilities			
Trade and other payables	**17**	(465)	(247)
Financial liabilities	**18**	(453)	(385)
Total current liabilities		(918)	(632)
Net current liabilities		(909)	(628)
Net assets		2,137	2,418
Equity			
Share capital	**19**	3,546	3,499
Share premium account		5,244	5,221
Share options reserve		146	146
Retained earnings		(6,799)	(6,448)
Total equity		2,137	2,418

Retained earnings includes a parent company loss of £351,000 (2017: £260,000).

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2018 and were signed on its behalf by:

Geoffrey Robertson
CEO

MediaZest plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 1 April 2016	3,299	5,138	146	(6,189)	**2,394**
Loss for the year	-	-	-	(259)	**(259)**
Total comprehensive loss for the year	-	-	-	(259)	**(259)**
Issue of share capital	200	100	-	-	**300**
Share issue costs	-	(17)	-	-	**(17)**
Balance at 31 March 2017	3,499	5,221	146	(6,448)	**2,418**
Loss for the year	-	-	-	(351)	**(351)**
Total comprehensive loss for the year	-	-	-	(351)	**(351)**
Issue of share capital	47	24	-	-	**71**
Share issue costs	-	(1)	-	-	**(1)**
Balance at 31 March 2018	3,546	5,244	146	(6,799)	**2,137**

MediaZest plc

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Net cash used in operating activities	**21**	(76)	(167)
Cash flows from financing activities			
Shareholder loan receipts		232	-
Shareholder loan repayments		(212)	(24)
Interest paid		(14)	(42)
Proceeds of share issue		70	250
Share issue costs		-	(17)
Net cash generated from financing activities		76	167
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	**20**	-	-

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 year covered by these financial statements.

MediaZest plc is a company domiciled and incorporated in London, United Kingdom, under company registration number 05151799. The principal place of business, as well as registered office, is 9 Woking Business Park, Albert Drive, Woking, Surrey GU21 5JY.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared under the historic cost convention unless otherwise stated.

Going concern

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, particularly in the retail sector. Future operating and capital costs have also been reviewed and included in the cash flow forecast prepared by the directors.

In addition, these forecasts have been considered in light of the ongoing economic difficulties in the global economy and consequences of the EU referendum, previous experience of the markets in which the company operates and the seasonal nature of those markets, as well as the likely impact of ongoing reductions to public sector spending. 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.

The directors have obtained letters of support from two shareholders who have provided material loans to the Group totalling £453,000 at 31 March 2018 (2017: £385,000) 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.

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

There were no new standards and interpretations affecting the 31 March 2018 financial statements.

Note 28 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 year of initial application.

1. ACCOUNTING POLICIES (Continued)

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 March 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.

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 statement of financial position date;
- servicing fees included in the price of product sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold;
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred; and
- maintenance revenue is recognised evenly over the period of the contract.

1. ACCOUNTING POLICIES (Continued)

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods 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 statement of financial position 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 statement of financial position 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 year 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 statement of financial position 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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

1. ACCOUNTING POLICIES (Continued)

Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

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 statement of comprehensive income 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.

Property, plant and equipment

Property, plant and equipment 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 improvements	-	original lease term
Plant and machinery	-	three years

Intangible fixed assets

Intangible fixed assets are stated at cost less amortisation. Amortisation 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:

Intellectual property	-	three years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labour costs, and other costs 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.

Financial instruments

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

1. ACCOUNTING POLICIES (Continued)

Financial assets

Cash and cash equivalents include cash at bank and in hand.

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 statement of financial position 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. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

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.

1. ACCOUNTING POLICIES (Continued)

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 year. 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.

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.

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are retranslated at the year-end rate. Exchange differences are taken to operating profit.

Pension scheme

The Group makes payments to certain employees' personal pension schemes. The Group auto-enrols all qualifying employees in the NEST workplace pension scheme. Costs incurred during the year are charged to the statement of comprehensive income as they fall due.

Share based payments

The Company operates an equity settled compensation scheme which grants options to qualifying employees. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the expected number of share options that vest unless this adjustment is due to the share price not achieving the set thresholds for vesting.

EBITDA

This is defined as Profit/(Loss) before Tax, adjusted for finance costs, depreciation and amortisation. The company uses this as a valuable measurement of performance after administrative expenses are deducted, but before depreciation, amortisation, finance costs and tax are considered.

Operating Profit/(Loss)

This is defined as Profit/(Loss) before Tax, adjusted for finance cost.

These can be reconciled as follows:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(256)	(146)
Finance Costs	102	67
Operating loss	(154)	(79)
Administrative expenses – depreciation & amortisation	41	77
EBITDA	(113)	(2)

1. ACCOUNTING POLICIES (Continued)

Research & Development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 statement of financial position date and the reported amounts of revenues and expenses during the reported year.

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 (note 1) and to the non-recognition of deferred tax assets (Note 8).

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 Company 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 and no provision for impairment was made in the year.

The carrying value of goodwill as at 31 March 2018 was £2,772,000 (2017: £2,772,000) – see Note 11.

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash generating units to which investments have been allocated. The value in use calculation requires the Company 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.

Investments in subsidiaries held as fixed assets are stated at cost less provision for any impairment and have a carrying value as at 31 March 2018 of £3,046,000 (2017: £3,046,000) – see Note 14.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Bad debt provisions

The trade debtors balances of £631,000 (2017: £148,000) recorded in the Company's statement of financial position comprise a relatively small number of large balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable. Following on from a year end review, the Company deems all trade debtor balances to be recoverable, therefore no provision has been made for bad debt.

Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labour costs. A stock take is carried out at the end of each month and obsolete items, or items unlikely to sell, are written off to cost of sales. The carrying value of stock at the year end was £217,000 (2017: £69,000). No provision for stock was included in the accounts at year end as it was deemed that all carrying stock was likely to result in a sale.

Accrued and Deferred income

A review of revenue is undertaken monthly and values are accrued/deferred in line with costs, and based on the timing of when the related projects are undertaken. There was accrued income at year end of £75,000 relating to jobs partially or fully completed during the year, but not invoiced until the first quarter of the next financial year. Revenue of £325,000 was deferred. Of this deferred income, £199,000 related to maintenance and service contracts which will be released across the period of the contracts. The rest of the deferred income related to deposit invoices raised in advance of work being commenced or completed by year end

3. SEGMENTAL INFORMATION

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

	2018 £'000	2017 £'000
UK and Channel Islands	2,381	2,885
Netherlands	281	23
Germany	70	-
North America	54	74
Other	33	31
	2,819	3,013

3. SEGMENTAL INFORMATION (Continued)

The Directors have decided that revenue recognition should be analysed between hardware and installation, support and maintenance - recurring revenue, and other services. The 2017 numbers have been re-stated in accordance with this decision and the revenue for this year, and comparatives, are as follows:

	2018 £'000	2017 £'000
Hardware and installation	2,016	2,418
Support and maintenance – recurring revenue	524	339
Other services	279	256
	2,819	3,013

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. Further analysis, previously undertaken between the Project division, Service/Maintenance division and MediaZest Ventures division, has therefore now been excluded.

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

	2018 £'000	2017 £'000
Goods and services	94	329
Service and maintenance	169	-
	263	329

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING LOSS

	2018 £'000	2017 £'000
This is stated after charging/(crediting):		
Depreciation of owned tangible assets	17	23
Amortisation of intangible assets	13	25
Depreciation of assets held under hire purchase agreements	11	29
Pension contributions	10	4
Operating lease rentals paid:		
- land and buildings	83	89
- other	1	1

5. AUDITOR'S REMUNERATION

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	5
The audit of the Company's subsidiary	16	16

6. STAFF COSTS

Staff costs during the year - Group	2018 £'000	2017 £'000
Wages and salaries	833	761
Social security costs	102	85
Pension	10	4
	945	850

Staff costs during the year - Company	2018 £'000	2017 £'000
Wages and salaries	125	106
Social security costs	15	12
Pension	1	-
	141	118

6. STAFF COSTS (continued)

	Number	Number
Consolidated average number of employees		
Management	3	3
Other	16	14
	19	17

	2018 Number	2017 Number
Company average number of employees		
Management	2	2
	2	2

Director's emoluments	2018 £'000	2017 £'000	Unexercised share options at 15p	Unexercised share options at 0.35p
Geoffrey Robertson	121	103	133,333	50,320,000
Lance O'Neill	60	50	-	26,260,000
Andrew Last	-	22	-	6,560,000

Two directors were accruing benefits under money purchase pension schemes (2017: 2). £2,000 was charged to the Statement of Comprehensive Income in respect of these schemes.

7. FINANCE COSTS

	2018 £'000	2017 £'000
Bank loan interest and charges	41	25
Other loan interest	62	42
	102	67

8. TAXATION

	2018 £'000	2017 £'000
Current tax	-	-
Current tax – prior years	-	-
Deferred tax	-	-
Total tax charge / (credit) for the year	-	-

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 £'000	2017 £'000
Loss before taxation	(256)	(146)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	(49)	(29)
Effects of:		
Expenses not allowable for taxation	1	2
Deferred tax not recognised	(5)	-
Losses utilised	(15)	(25)
Losses carried forward	68	52
Total tax charge / (credit) for the year	-	-

A potential deferred tax asset of £2,535,000 (2017: £2,474,000) in respect of the following (calculated at the corporate tax rate of 17% (2017: 17%) has not been provided for on the basis that there is insufficient certainty over the date that they will be utilised.

	2018 £'000	2017 £'000
Losses carried forward	14,818	14,427
Net fixed asset timing differences (ACA)	92	118
Short term timing differences	1	8
	14,911	14,553

Future tax developments

The main rate of corporation tax decreased to 19% on 1 April 2017.

The Finance Act 2016 reduces the mainstream rate of corporation tax to 17% in April 2020.

9. RESULTS ATTRIBUTED TO MEDIAZEST PLC

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements.

10. LOSS PER ORDINARY SHARE

	2018 £'000	2017 £'000
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	256	142

	2018 Number	2017 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,245,639,221	1,217,292,006
Number of dilutive shares under option or warrant	-	-

	2018 £'000	2017 £'000
Weighted average number of ordinary shares for the purposes of dilutive loss per share	1,245,639,221	1,217,292,006

Basic loss per share is calculated by dividing the loss after tax attributed to ordinary shareholders of £256,000 (2017: £141,000) by the weighted average number of shares during the year of 1,245,639,221 (2017: 1,217,292,006).

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 anti-dilutive.

11. GOODWILL

	2018 £'000	2017 £'000
Net book value	2,772	2,772

Goodwill acquired is now allocated to the single cash generating unit (CGU) as agreed by the Board. Prior to these financial statements, goodwill was allocated between the MediaZest Ventures division and the Project and services division.

11. GOODWILL (continued)

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the single CGU 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 year.

Management has adopted a discount rate of 12.5% (2017: 12.5%) using pre-tax rates that reflect current market assessments of the time value of money and specific risks. 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 and forecasts over a further four years based on future expectations of revenue growth and cost inflation. Beyond that cashflows re extrapolated using a long term average growth rate of 3% thereafter.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 April 2017	11	257	268
Additions	-	28	28
Disposals	-	(10)	(10)
At 31 March 2018	11	275	286
Depreciation			
At 1 April 2017	7	210	217
Provided during the year	2	26	28
Disposals	-	(10)	(10)
At 31 March 2018	9	226	235
Net Book Value			
At 31 March 2018	2	49	51

Included within Plant and Machinery are assets held under hire purchase agreements with a total net book value of £36,000 (2016: £18,000).

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 April 2016	7	240	247
Additions	4	23	27
Disposals	-	(6)	(6)
At 31 March 2017	11	257	268
Depreciation			
At 1 April 2016	4	165	169
Provided during the year	3	49	52
Disposals	-	(4)	(4)
At 31 March 2017	7	210	217
Net Book Value			
At 31 March 2017	4	47	51

13. INTANGIBLE FIXED ASSETS

	Intellectual Property £'000	Total £'000
Cost		
At 1 April 2017	75	75
Additions	2	2
At 31 March 2018	77	77
Depreciation		
At 1 April 2017	61	61
Provided during the year	13	13
At 31 March 2018	74	74
Net Book Value		
At 31 March 2018	3	3

13. INTANGIBLE FIXED ASSETS (continued)

	Intellectual Property £'000	Total £'000
Cost		
At 1 April 2016	75	75
Additions	-	-
At 31 March 2017	75	75
Depreciation		
At 1 April 2016	36	36
Provided during the year	25	25
At 31 March 2017	61	61
Net Book Value		
At 31 March 2017	14	14

14. INVESTMENTS IN SUBSIDIARIES

Investments	Shares in group undertakings £'000	Loans to group undertakings £'000	Total £'000
Cost			
At 1 April 2017	3,046	969	4,015
Additions	-	-	-
At 31 March 2018	3,046	969	4,015
Provision for impairment			
At 1 April 2017	-	969	969
Release of provision	-	-	-
At 31 March 2018	-	969	969
Net Book Value			
At 31 March 2018	3,046	-	3,046

14. INVESTMENTS IN SUBSIDIARIES (continued)

Investments	Shares in group undertakings £'000	Loans to group undertakings £'000	Total £'000
Cost			
At 1 April 2016	3,046	969	4,015
Repayment of loans to group undertakings	-	-	-
At 31 March 2017	3,046	969	4,015
Provision for impairment			
At 1 April 2016	-	969	969
Release of provision	-	-	-
At 31 March 2017	-	969	969
Net Book Value			
At 31 March 2017	3,046	-	3,046

At 31 March 2018 the Company held the following interests in unlisted subsidiary undertakings:

Name of company	Country of incorporation	Proportion held	Business
MediaZest International Ltd 9 Woking Business Park, Albert Drive, Woking, Surrey, GU21 5JY	UK	100%	Audio Visual Supply & Installation

15. INVENTORIES

	2018 £'000	2017 £'000
Finished Goods	217	69

The cost of inventories recognised as an expense and included within cost of sales amounted to £1,316,000 (2017: £1,663,000).

During the year the Group made a provision against slow moving stock of £nil (2017: £nil).

16. TRADE AND OTHER RECEIVABLES

	The Group 2018 £'000	The Group 2017 £'000	The Company 2018 £'000	The Company 2017 £'000
Trade receivables	631	148	-	-
Other receivables	7	7	-	-
Corporation tax repayable	4	4	-	-
Prepayments and accrued income	255	84	9	4
	897	243	9	4

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.

The table below shows the ageing of trade receivables that are past due but not impaired

	2018 £'000	2017 £'000
31 – 60 days	244	28
61 – 90 days	7	2
91 + days	42	-
	293	30

17. TRADE AND OTHER PAYABLES

	The Group 2018 £'000	The Group 2017 £'000	The Company 2018 £'000	The Company 2017 £'000
Trade payables	525	312	58	44
Amount owed to group company	-	-	388	198
Invoice discounting facility	391	68	-	-
Other payables	51	24	-	-
Other taxes and social security payables	91	98	-	-
Accruals and deferred income	606	358	19	5
	1,664	860	465	247

17. 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.

The Group has an invoice discounting facility of up to £500,000 of which there were £391,000 (2017: £68,000) of funds in use at the balance sheet date. This facility is provided through the wholly owned subsidiary MediaZest International Ltd and is secured under an existing all assets debenture.

18. FINANCIAL LIABILITIES

Current	**The Group 2018 £'000**	**The Group 2017 £'000**	**The Company 2018 £'000**	**The Company 2017 £'000**
Shareholder loans	453	385	453	385
Hire purchase liabilities	12	18	-	-
Bank loan	6	21	-	-
	471	424	453	385

Current shareholder loan interest rates are fixed at 10% - 15% pa (2017: 10% - 15%).

Non-current	**The Group 2018 £'000**	**The Group 2017 £'000**	**The Company 2018 £'000**	**The Company 2017 £'000**
Hire purchase liabilities	22	12	-	-
Bank loan	-	6	-	-
	22	18	-	-

The carrying value of all of the shareholder loans is equal to the fair value of the loans.

All financial liabilities are measured at amortised cost.

19. CALLED UP SHARE CAPITAL

	2018 Number of shares	2018 £'000	2017 Number of shares	2017 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.1 pence	1,286,425,774	1,287	1,239,757,774	1,240
Deferred shares of 9.9 pence	22,825,327	2,259	22,825,327	2,259
Total	1,309,251,101	3,546	1,262,583,101	3,499

Each ordinary share carries the right to one vote at company meetings, equal rights in any ordinary dividend declaration and equal rights in the distribution of any surplus due to ordinary shareholders upon a winding up.

The deferred shares do not carry voting or dividend rights and deferred shareholders are only entitled to payment on winding up after the ordinary shareholders have received a payment of £1,000,000 on each ordinary share in issue.

20. CASH AND CASH EQUIVALENTS

	The Group 2018 £'000	The Group 2017 £'000	The Company 2018 £'000	The Company 2017 £'000
Cash held at bank	38	160	-	-
Invoice discounting facility	(391)	(68)	-	-
	(353)	92	-	-

21. CASH USED IN OPERATIONS

	The Group 2018 £'000	The Group 2017 £'000	The Company 2018 £'000	The Company 2017 £'000
Loss after tax	(256)	(142)	(351)	(259)
Tax charge	-	(4)	-	-
Finance costs	102	67	62	42
Depreciation/amortisation charge	41	77	-	-
Conversion of interest on Shareholder loans into shares	-	50	-	50
Profit on sale of tangible assets	-	(9)	-	-
Increase in inventories	(148)	(1)	-	-
Decrease in payables	481	79	218	-
(Increase) / decrease in receivables	(654)	105	(5)	-
Net cash (outflow)/inflow from operating activities	(434)	222	(76)	(167)

21. CASH USED IN OPERATIONS (continued)

Reconciliation of liabilities arising from financing activities:

Group	2017	Cash flows	Non-cash changes: New finance leases	Non-cash changes: Interest accrued	2018
	£'000	£'000	£'000	£'000	£'000
Bank loan	27	(21)	-	-	6
Hire Purchase	30	(19)	23	-	34
Shareholder loans	385	20	-	48	453
	442	(20)	23	48	493

Company	2017	Cash flows	Non-cash changes: New finance leases	Non-cash changes: Interest accrued	2018
	£'000	£'000	£'000		£'000
Shareholder loans	385	20	-	48	453
	385	20	-	48	453

22. LEASING COMMITMENTS

The Group has commitments at the statement of financial position date under non-cancellable operating leases for which payments extend over a number of years as follows:

	2018		2017	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Due				
- within one year	23	-	49	1
- within two to five years	-	-	23	-
- after five years	-	-	-	-
	23	-	72	1

23. CAPITAL COMMITMENTS – GROUP & COMPANY

There were no capital commitments at 31 March 2018 (2017: £nil).

24. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 March 2018 (2017: £nil).

The Company has an unlimited corporate guarantee in favour of RBS Invoice Finance to discharge, on demand, the obligations of MediaZest International Ltd with interest from the date of demand. Details of the outstanding balances can be found in Note 17.

25. FINANCIAL INSTRUMENTS

The Group and Company's financial instruments comprise cash and cash equivalents, shareholder loans, invoice discounting facility, bank loan 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 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 Group's finance department.

Shareholder loans (Group and Company)

Included within current liabilities are loans of £453,000 (2017: £385,000) owed to shareholders, interest rates are fixed at 10% - 15% pa (2017: 10% - 15%).

Credit risk

The Group and Company'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:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade receivables	631	148	-	-
Other receivables	7	7	-	-
Cash and cash equivalents	38	160	-	-

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

Interest rate risk

The Group and Company are exposed to interest rate risk as a result of positive cash balances at certain times during the year which earn interest at a variable rate, however the interest fluctuation would not be material therefore no sensitivity analysis is required under IFRS 7.

25. FINANCIAL INSTRUMENTS (continued)

The Group is exposed to interest rate risk as a result of its invoice discounting facility and bank overdraft, denominated in sterling, which accrues interest at a variable rate, however the interest balance is not material and therefore no sensitivity analysis is required under IFRS 7.

The Company has fixed rate shareholder loans which are carried at amortised cost and changes in the market interest rates of these liabilities do not affect profit or equity therefore no sensitivity analysis is required under IFRS 7.

Neither the Group nor Company has not entered into any derivative transactions during the year.

Liquidity risk

The Group and Company maintain short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

GROUP At 31 March 2018	**Trade payables £'000**	**Other loans £'000**	**Invoice discounting facility £'000**	**Total £'000**
6 months or less	492	453	391	1,341
6 - 12 months	-	-	-	-
1 - 2 years	33	-	-	33
Total contractual cash flows	525	453	391	1,369
Carrying amount of financial liabilities measured at amortised cost	525	453	391	1,369

GROUP At 31 March 2017	**Trade payables £'000**	**Other loans £'000**	**Invoice discounting facility £'000**	**Total £'000**
6 months or less	279	385	68	732
6 - 12 months	-	-	-	-
1 - 2 years	33	-	-	33
Total contractual cash flows	312	385	68	765
Carrying amount of financial liabilities measured at amortised cost	312	385	68	765

The Group has an invoice discounting facility of up to £500,000 of which there were £391,000 (2017: £68,000) of funds in use at the balance sheet date.

25. FINANCIAL INSTRUMENTS (Continued)

This facility is provided through the wholly owned subsidiary MediaZest International Ltd and secured under an existing all assets debenture.

COMPANY At 31 March 2018	**Trade payables £'000**	**Total £'000**
6 months or less	58	58
6 - 12 months	-	-
1 - 2 years	-	-
Total contractual cash flows	58	58
Carrying amount of financial liabilities measured at amortised cost	58	58

COMPANY At 31 March 2017	**Trade payables £'000**	**Total £'000**
6 months or less	44	44
6 - 12 months	-	-
1 - 2 years	-	-
Total contractual cash flows	44	44
Carrying amount of financial liabilities measured at amortised cost	44	44

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 receivables and trade payables which will be settled in US Dollars and Euros. The impact on foreign exchange is immaterial therefore no sensitivity analysis is required under IFRS 7.

Capital risk management

The Group and Company defines capital as being share capital plus reserves. The Group and Company's objectives when managing capital are to safeguard their ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the level of capital as compared to long term debt commitments and adjusts the ratio of debt to capital as it is determined to be necessary.

26. RELATED PARTY TRANSACTIONS

There is no ultimate controlling party of MediaZest plc.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group.

Key management of the Group during the year:
Geoffrey Robertson
Lance O'Neill
James Ofield

Information regarding their compensation, is given below in aggregate per IAS 24 Related Party Disclosures.

	The Group 2018 £'000	The Group 2017 £'000	The Company 2018 £'000	The Company 2017 £'000
Short term benefits	272	255	117	102
Social security costs	34	31	15	13
Pension contribution	7	6	1	-
	313	292	132	115

There were no sales to other group companies during the year ended 31 March 2018 (2017: £nil). At the balance sheet date the Group owed £388,000 to its subsidiary MediaZest International Ltd (2017: £198,000 owed to). Balances between group companies arise as a result of loans or recharges undertaken in the normal course of business.

Lance O'Neill is a director of EP&F Capital Advisory Limited and EP&F Capital Plc.

The Company owed £33,000 (2017: £33,000) to EP&F Capital Plc and owed EP&F Capital Advisory Limited £nil (2017: £nil) at 31 March 2018.

The Company had outstanding loans from City & Claremont Capital Assets Limited, the Company's largest shareholder, as at 31 March 2018 of £381,000 (2017: £305,000), including two new short-term loans granted during the year totalling £32,000. The interest accrued on these loans in the year ended 31 March 2018 was £44,000 (2017: £37,000) and is included in finance costs in the consolidated statement of comprehensive income.

The Company had an outstanding loan from Shallotte Investments Limited, a shareholder of the Group, as at 31 March 2018 of £55,000 (2017: £55,000). The interest accrued on this loan in the year ended 31 March 2018 was £5,000 (2017: £5,000) and is included in finance costs in the consolidated statement of comprehensive income.

26. RELATED PARTY TRANSACTIONS (continued)

At 31 March 2017 the Company had a loan outstanding from a close family member of one of the directors of £25,000 which was repaid in full. Subsequent to this a new loan of £25,000 was made from a connected company of a close family member. Half of this was repaid during the year leaving £12,500
due at 31 March 2018 (no interest was repaid at this time). The interest accrued on the remaining loan during the year was £4,500, increasing the balance due to £17,000 at 31 March 2018.

A current director loaned the Group £16,000 in the year, which was still outstanding at year end. The loan was repaid in full in April 2018 including £2,000 accrued interest.

The spouse of a director is employed by the Group and received salaried remuneration of £45,000 in the year (2017: £42,000), and commission of £13,000 (£2017: 16,000). She also loaned the Group £30,000 during the year, £19,000 of which was repaid by year end (2017: £10,000 fully repaid by year end). The balance of the loan was repaid in April 2018, including £1,000 of interest.

The son of a director provided consulting services to the Group through his company, Technivents, and received invoiced remuneration of £7,000 in the year (2017: £13,000).

The son of director was employed by the Group from April 2017 to Sep 2017 and received salaried remuneration of £7,000.

A previous director and current shareholder loaned the Group £176,000 through various loans during the year which were fully repaid by year end. Interest on these loans was £4,000. He also provided consultancy services and received invoiced remuneration of £19,000 during the year.

27. SHARE BASED PAYMENTS

During 2006 the Board adopted a share option scheme and the Company issued share options to employees. The options were not to be exercised later than the day before the tenth anniversary of the grant date. All options lapsed during 2016 therefore no options were exercisable at year end 2018.

During 2015 the scheme was updated and the Company authorised the issue of 130,010,000 share options at an exercise price of £0.0035 per share. A total of 128,690,000 options were granted on 1 October 2015 and a further 440,000 on 6 January 2016. A further 880,000 options remain to be issued. The options were granted on terms that they will vest six months following the date of the grant, and will be settled by the issue of ordinary shares of 0.1 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.

27. SHARE BASED PAYMENTS (continued)

Details of the share options outstanding during the year are as follows:

	2018 Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	129,130,000	
Granted during the year	-	0.35p
Forfeited during the year	-	
Exercised during the year	-	
Expired during the year	-	
Outstanding at the end of the year	129,130,000	0.35p
Exercisable at the end of the year	-	

The Group recognised total expenses of £nil related to equity-settled share-based payment transactions (2017: £nil).

28. LIST OF PUBLISHED IFRS THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The following new and amended Standards and Interpretations, mandatory for the first time for the financial year beginning 1 April 2017, are not currently relevant to the Group; however they may have a significant impact in future years:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual improvements to IFRSs 2014-2016 cycle

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied to these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9: "Financial Instruments" will be effective for the year ending 31 March 2019 onwards, the main impact being the impairment assessment methodology used to value trade receivables. An assessment of the full impact of this standard is in progress. The Group's current treatment of financial assets and financial liabilities is explained in note 1 accounting policies.
- IFRS 15: "Revenue from Contracts with Customers". This will be effective for the year ending 31 March 2019 onwards, and is not expected to have a significant impact on the Group's revenues. Currently, where the Group has bundled products, revenue on all hardware is recognised immediately, and revenue in respect of service and maintenance is spread over the life of the contract.
- IFRS 16: "Leases" will be effective for the year ending 31 March 2020 onwards and the impact on the financial statements will be potentially significant. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments (£23,000 on an undiscounted basis, as shown in Note 25 of the financial statements) would be brought onto the statement of financial position and amortised and depreciated separately. There will be no impact on cash flows, although the presentation of the cash flow statement will also change. Management are currently

28. LIST OF PUBLISHED IFRS THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

working on the new processes and systems that will be required to comply with this accounting standard.

Other standards not listed above are not expected to have an impact on the Group.

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

29. RESERVES

Share premium account

Share premium represents the excess of the amount received on the issue of share capital in excess of its nominal value.

Share options reserve

This reserve relates to share options issued.

Retained earnings

Retained earnings relates to accumulated profits less distributions to shareholders.

30. POST BALANCE SHEET EVENTS

There have been no post balance sheet events.