

MediaZest plc
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017
(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)
Andrew Last (Finance Director) (Resigned 31 July 2016)

SECRETARY

Cargil Management Services Limited

REGISTERED OFFICE

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

NOMINATED ADVISERS

Northland Capital Partners Limited
60 Gresham Street
London
EC2V 7BB

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
Craven House
West Street
Farnham
Surrey GU9 7EN

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 to be financial performance (as measured by these elements: turnover, cost of sales, EBITDA, finance costs, administrative expenses and profit after tax), 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. The Board do not consider any non-financial measures to be Key Performance Indicators at the current time, but review this situation on a regular basis.

Turnover for the year was £3,013,000 (2016: £3,144,000), cost of sales was £1,700,000 (2016: £1,813,000) leading to an EBITDA loss of £2,000 (2016: loss of £81,000). The Group made a loss for the year, after taxation, of £142,000 (2016: loss of £248,000) after finance costs of £67,000 (2016: £87,000) and having incurred administrative expenses of £1,392,000 (2016: £1,491,000).

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

The basic loss and diluted loss per share was 0.01p (2016: 0.02p). The Group had cash in hand of £160,000 (2016: £9,000) at the year end and an invoice discounting facility over the debtors of MediaZest International Ltd of which £68,000 (2016: £232,000) was in use at 31 March 2017. As at 31 March 2017, the Group had a limit of £500,000 (2016: £500,000) under the existing invoice discounting facility. The improvement in cash in hand and reduction of invoice discounting facility in use was largely as a result of the improved financial performance and timing of receipts.

As at 31 March 2017, the Group also had loans from shareholders of £385,000 (2016: £410,000) and interest on those loans during the year amounted to £41,000 (2016: £39,000). On 17 May 2016, £50,000 interest was converted to equity via the issue of 33,333,333 new shares. The combined effect to reduce Company debt was again due to the improvement in performance during the year.

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

MediaZest plc

STRATEGIC REPORT (Continued)

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: 30 August 2017

MediaZest plc

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest plc (the "Group") for the year ended 31 March 2017 incorporate the results of its subsidiary, MediaZest International Limited, which is wholly owned.

Results for the year

- Revenue for the period was £3,013,000 down 4% (2016: £3,144,000).
- Gross profit was £1,313,000 - 1% change (2016: £1,331,000).
- Gross margins improved to 44% (2016: 42%).
- EBITDA was a loss of £2,000 (2016: loss of £81,000).
- Loss after tax of £142,000 fell 43% (2016: loss of £248,000).
- The basic and fully diluted loss per share was 0.01 pence (2016: 0.02 pence).
- Cash in hand at period end £160,000 (2016: £9,000).

Business overview

The Group continued to make progress during the year, delivering a full year unadjusted EBITDA loss of £2,000 (2016: loss of £81,000). Loss after tax reduced to £142,000 (2016: loss of £248,000) after depreciation and amortisation plus interest - predominantly on shareholder loans.

The operational business, MediaZest International Limited, made a profit after tax of £118,000 (2016: £60,000) again showing improvement year on year. In addition there was a reduction in overhead cost attributable to MediaZest plc of £50,000.

This improvement in financial results was achieved through strategic focus on permanent installation work, with accompanying growth in recurring revenues, and continued tight cost control over Administrative Expenses. This policy continues to be applied and is delivering further progress in the current year. Finance costs fell to £67,000 (2016: £87,000) largely as a result of reclassification of fees included within this category compared to the prior year.

Turnover for the year decreased by £131,000 or 4.2% year on year partly due to timing on two large projects which were completed shortly after the year end. However, gross margin increased to 44% (2016: 42%) and as a result, gross profit was almost identical to the prior year. This increase in margin is largely a function of the increase in recurring revenues.

Project highlights for the year included:

- third Rockar deployment, at Westfield Stratford, on this occasion with Jaguar Land Rover
- a substantial retail innovation project for Clydesdale Bank at their new "Studio B" location (completed in April 2017)
- ongoing work with fashion brands Ted Baker and Diesel
- initial phases of a major retail store for VW at Birmingham Bullring (completed in July 2017)
- substantial ongoing works with Hyundai in UK showrooms
- a growing number of permanent overseas deployments for clients such as Farrow & Ball, Ugg (part of Deckers Brands) and Ted Baker

MediaZest plc

CHAIRMAN'S STATEMENT (continued)

The combined effect of improved margins and reduced administrative expenses resulted in a substantial reduction in loss after tax to £142,000 (2016: £248,000).

STRATEGY

The Board continues to have the following policy to maximise revenues 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 on 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 continue to grow the number of overseas deployments.

This strategy has resulted in progress over the last 12 months. In particular, the growth in recurring revenues has been encouraging and the Group now provides ongoing managed services for approximately 2,000 screens around the world. Deployments as far away as Australasia, North America and Asia Pacific have been added during the last 12 months, and the Board believes this represents a sizeable opportunity for future growth as more UK and European based brands look to us our services to maintain consistency in their stores worldwide.

Consistent with the prior year, the Group continues to see growth in the development of touchscreen driven customer experiences allowing the consumer to browse, learn about and interact with our clients' products. MediaZest is able to design, program, deploy, support and update content on these systems using our in-house team and this proposition continues to be well received by clients.

FUNDRAISING DURING THE PERIOD

On 11 May 2016, Board moved to add to working capital funds with a successful placing of 166,666,800 shares at 0.15p per share to raise £250,000 before expenses.

The shares were admitted to trading on AIM in June 2016.

In addition, £50,000 of the outstanding interest due on shareholder loans was also converted to 33,333,333 shares at the same price.

In the prior year the Group issued share options to employees in order to align further with shareholder interests and provide additional incentives over Group performance whilst maintaining close control over wages. Full details are provided in Note 27. No further options were issued in the financial year ended 31 March 2017.

MediaZest plc

CHAIRMAN'S STATEMENT (continued)

BOARD APPOINTMENTS AND RESIGNATIONS

Andy Last resigned from the Board on 31 July 2016 and left the Group on 5 August 2016.

The Group has subsequently promoted a new Group Financial Controller internally to lead the finance team.

Outlook

The Group continues to make progress, whilst the Board recognise further work needs to be done to realise the Company's full potential.

The increase in recurring revenue contracts has provided a solid base for the new financial year. It has continued to grow in the current period.

The new year has begun well with the successful completion of the Clydesdale Bank and VW projects, plus the acquisition of several new clients with substantial projects in the coming months.

Lance O'Neill
Chairman

Date: 30 August 2017

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 2017 and the comparative year ended 31 March 2016. 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

Andrew Last (resigned 31 July 2016)

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £142,000 (2016: £248,000).

The directors do not recommend the payment of a dividend (2016: £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: 30 August 2017

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 all 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. 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.

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.

MediaZest plc

CORPORATE GOVERNANCE (Continued)

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

SERVICE CONTRACTS

At the year end the full time executive director was engaged under a service contract and the non-executive director under a letter of appointment both terminable by either party on six months notice.

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 2017.

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: 30 August 2017

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIAZEST PLC

We have audited the financial statements of MediaZest Plc for the year ended 31 March 2017 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 related notes 1 to 30. 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.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2017 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.

Opinion on other matter 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 those financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIAZEST PLC
(Continued)

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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.

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: 30 August 2017

MediaZest plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	3	3,013	3,144
Cost of sales		<u>(1,700)</u>	<u>(1,813)</u>
Gross profit		1,313	1,331
Administrative expenses		<u>(1,315)</u>	<u>(1,412)</u>
EBITDA		(2)	(81)
Administrative expenses – depreciation & amortisation		<u>(77)</u>	<u>(79)</u>
Operating loss	4	(79)	(160)
Finance costs	7	<u>(67)</u>	<u>(87)</u>
Loss on ordinary activities before taxation		(146)	(247)
Tax on loss on ordinary activities	8	<u>4</u>	<u>(1)</u>
Loss for the year and total comprehensive loss for the year attributable to the owners of the parent		<u><u>(142)</u></u>	<u><u>(248)</u></u>
Loss per ordinary 0.1p share			
Basic	10	(0.01p)	(0.02p)
Diluted	10	(0.01p)	(0.02p)

MediaZest plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

(Company No. 05151799)

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	11	2,772	2,772
Tangible fixed assets	12	51	78
Intangible fixed assets	13	14	39
Total non-current assets		<u>2,837</u>	<u>2,889</u>
Current assets			
Inventories	15	69	68
Trade and other receivables	16	243	353
Cash and cash equivalents		160	9
Total current assets		<u>472</u>	<u>430</u>
Current liabilities			
Trade and other payables	17	(860)	(944)
Financial liabilities	18	(424)	(452)
Total current liabilities		<u>(1,284)</u>	<u>(1,396)</u>
Net current liabilities		(812)	(966)
Non-current liabilities			
Financial liabilities	18	(18)	(57)
Total non-current liabilities		<u>(18)</u>	<u>(57)</u>
Net assets		<u>2,007</u>	<u>1,866</u>
Equity			
Share capital	19	3,499	3,299
Share premium account		5,221	5,138
Share options reserve		146	146
Retained earnings		(6,859)	(6,717)
Total equity		<u>2,007</u>	<u>1,866</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2017 and were signed on its behalf by:

Geoffrey Robertson
CEO

MediaZest plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital £'000	Share Premium £'000	Share Options Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2015	3,299	5,138	7	(6,469)	1,975
Loss for the year	-	-	-	(248)	(248)
Total comprehensive loss for the year	-	-	-	(248)	(248)
Share based payment charge	-	-	139	-	139
Balance at 31 March 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

MediaZest plc

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Net cash used in operating activities	21	222	(103)
Taxation		9	111
Cash flows used in investing activities			
Purchase of plant and machinery		(23)	(26)
Disposal of plant and machinery		11	14
Purchase of intellectual property		-	(14)
Purchase of leasehold improvements		(4)	-
Net cash used in investing activities		(16)	(26)
Cash flow from financing activities			
Other loans repayments		(42)	-
Other loans		-	50
Shareholder loan repayments		(66)	(7)
Interest paid		(25)	(87)
Proceeds of share issue		250	-
Share issue costs		(17)	-
Net cash generated from / (used in) financing activities		100	(44)
Net increase / (decrease) in cash and cash equivalents		315	(62)
Cash and cash equivalents at beginning of year		(223)	(161)
Cash and cash equivalents at end of the year	20	92	(223)

MediaZest plc

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

(Company No. 05151799)

	Note	2017 £'000	2016 £'000
Non-current assets			
Investments	14	3,046	3,046
Current assets			
Trade and other receivables	16	3	4
Cash and cash equivalents		-	-
Total current assets		<u>3</u>	<u>4</u>
Current liabilities			
Trade and other payables	17	(247)	(246)
Financial liabilities	18	<u>(385)</u>	<u>(410)</u>
Total current liabilities		<u>(632)</u>	<u>(656)</u>
Net current liabilities		(629)	(652)
Net assets		<u>2,417</u>	<u>2,394</u>
Equity			
Share capital	19	3,499	3,299
Share premium account		5,221	5,138
Share options reserve		146	146
Retained earnings		<u>(6,449)</u>	<u>(6,189)</u>
Total equity		<u>2,417</u>	<u>2,394</u>

Retained earnings includes a parent company loss of £260,000 (2016: £309,000).

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2017 and were signed on its behalf by:

Geoffrey Robertson
CEO

MediaZest plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2015	3,299	5,138	7	(5,880)	2,564
Loss for the year	-	-	-	(309)	(309)
Total comprehensive loss for the year	-	-	-	(309)	(309)
Share based payment charge	-	-	139	-	139
Balance at 31 March 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

MediaZest plc

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Net cash used in operating activities	21	(167)	(262)
Cash flows from financing activities			
Shareholder loan (repayments) / receipts		(24)	(7)
Net receipts from / (payments to) group companies		-	323
Interest paid		(42)	(54)
Proceeds of share issue		250	-
Share issue costs		(17)	-
Net cash generated from financing activities		<u>167</u>	<u>262</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	20	<u>-</u>	<u>-</u>

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 England, 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.

In addition, these forecasts have been considered in light of the ongoing economic difficulties in the global economy and the result of the recent 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 a letter of support from a shareholder who has provided a loan to the Group totalling £250,000 at 31 March 2017 (2016: £250,000) 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 2017 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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

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.

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
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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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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 Income Statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

MediaZest plc

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:

	2017	2016
	£'000	£'000
Loss on ordinary activities before taxation	(146)	(247)
Finance Costs	67	87
Operating loss	(79)	(160)
Administrative expenses – depreciation & amortisation	77	79
EBITDA	(2)	(81)

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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 2017 was £2,772,000 (2016: £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 2017 of £3,046,000 (2016: £3,046,000) – see Note 14.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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

Share based payments

In determining the fair value of equity settled share based payments and the related charge to the statement of comprehensive income, the Group makes assumptions about the future events and market conditions. Such assumptions reflect market expectations and advice taken from qualified personnel. Further details can be found in Note 27 (Share Based Payments).

3. SEGMENTAL INFORMATION

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

	2017	2016
	£'000	£'000
UK and Channel Islands	2,885	3,001
Rest of Europe	55	112
Rest of World	74	31
	<u>3,013</u>	<u>3,144</u>

Revenue for the year can be analysed between goods and services as follows:

	2017	2016
	£'000	£'000
Goods and installation	2,418	2,851
Service and maintenance	595	293
	<u>3,013</u>	<u>3,144</u>

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 Group's reportable segments and their activities are listed below:

The Project Division supplies goods and installs AV equipment to a variety of clients in both the public and private sectors.

The Service/Maintenance Division provides services in the form of both proactive and reactive service visits, remote diagnostics, equipment repairs and content management to a variety of clients in both the public and private sectors.

The MediaZest Ventures Division covers the supply and installation of AV equipment to blue chip clients mainly within the retail sector.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION (Continued)

Segmental information and results (continued)

	Project, Service and Maintenance Division	MediaZest Ventures Division	Unallocated	Total
	£'000	£'000	£'000	£'000
Continuing operations				
UK and Channel Islands	910	1,958	5	2,873
Rest of Europe	-	55	-	55
Rest of World	-	85	-	85
Revenue	910	2,097	5	3,013
Cost of sales	(559)	(1,139)	(2)	(1,701)
Gross profit	351	958	3	1,313
Administrative expenses	(139)	(266)	(898)	(1,303)
EBITDA	212	692	(895)	10
Depreciation & amortisation	-	-	(76)	(76)
Operating (loss) / profit	212	692	(971)	(67)
Finance costs	-	-	(79)	(79)
(Loss) / profit on ordinary activities before taxation	212	692	(1,050)	(146)
Tax on loss on ordinary activities	-	-	4	4
(Loss) / profit on ordinary activities after taxation	212	692	(1,046)	(142)

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL INFORMATION (Continued)

Segmental information and results (continued)

	Projects, Service and Maintenance Division £'000	MediaZest Ventures Division £'000	Unallocated £'000	Total £'000
Continuing operations				
UK and Channel Islands	1146	1,855	-	3,001
Rest of Europe	7	105	-	112
Rest of World	-	31	-	31
Revenue	1,153	1,991	-	3,144
Cost of sales	(640)	(1,173)	-	(1,813)
Gross profit	513	818	-	1,331
Administrative expenses	(286)	(415)	(711)	(1,412)
EBITDA	227	403	(711)	(81)
Depreciation & amortisation	-	-	(79)	(79)
Operating (loss)/profit	227	403	(790)	(160)
Finance costs	-	-	(87)	(87)
(Loss)/profit on ordinary activities before taxation	227	403	(877)	(247)
Tax on loss on ordinary activities	-	-	(1)	(1)
(Loss)/profit on ordinary activities after taxation	227	403	(878)	(248)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit / (loss) represents the profit / (loss) of each segment without the allocation of corporate and head office costs and finance costs as reported to the Board.

Segment information in relation to assets and liabilities is not provided to the CODM.

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

	2017 £'000	2016 £'000
Goods and services	329	751
Service and maintenance	-	109
	<u>329</u>	<u>860</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING LOSS

	2017 £'000	2016 £'000
This is stated after charging/(crediting):		
Depreciation of owned tangible assets	23	32
Amortisation of intangible assets	25	24
Depreciation of assets held under hire purchase agreements	29	23
Pension contributions	4	5
Operating lease rentals paid:		
- land and buildings	89	69
- other	1	1
	<u>1</u>	<u>1</u>

5. AUDITOR'S REMUNERATION

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	15
The audit of the Company's subsidiary	16	6
	<u>16</u>	<u>6</u>

6. STAFF COSTS

	2017 £'000	2016 £'000
Staff costs during the year - Group		
Wages and salaries	761	760
Social security costs	85	82
Share based payment charge	-	139
Pension	4	5
	<u>850</u>	<u>986</u>

	2017 £'000	2016 £'000
Staff costs during the year - Company		
Wages and salaries	106	95
Social security costs	12	11
Share based payment charge	-	56
Pension	-	-
	<u>118</u>	<u>162</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

6. STAFF COSTS (CONTINUED)

	2017 Number	2016 Number
Consolidated average number of employees		
Management	3	4
Other	14	13
	17	17

	2017 Number	2016 Number
Company average number of employees		
Management	2	3
Other	-	-
	2	3

Director's emoluments	2017 £'000	2016 £'000	Unexercised share options at 15p	Unexercised share options at 0.35p
Geoffrey Robertson	103	100	133,333	50,320,000
James Abdool	-	43	-	13,130,000
Lance O'Neill	50	50	-	26,260,000
Andrew Last	22	60	-	6,560,000

7. FINANCE COSTS

	2017 £'000	2016 £'000
Bank loan interest and charges	25	22
Other loan interest	42	65
	67	87

8. TAXATION

	2017 £'000	2016 £'000
Current tax	-	(8)
Current tax – prior years	-	9
Deferred tax	-	-
Total tax charge / (credit) for the year	-	1

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

8. TAXATION (Continued)

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:

	2017	2016
	£'000	£'000
Loss before taxation	(144)	(247)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	(29)	(49)
Effects of:		
Expenses not allowable for taxation	2	18
Prior year over provision of corporation tax	-	9
R&D taxation relief	-	(40)
Losses utilised	(25)	-
Losses carried forward	52	63
Total tax charge / (credit) for the year	<u>-</u>	<u>1</u>

A potential deferred tax asset of £2,474,000 (2016: £2,594,000) in respect of the following (calculated at the corporate tax rate of 17% (2016: 18%)) has not been provided for on the basis that there is insufficient certainty over the date that they will be utilised.

	2017	2016
	£'000	£'000
Losses carried forward	14,427	14,290
Net fixed asset timing differences (ACA)	118	117
Short term timing differences	8	5
	<u>14,553</u>	<u>14,412</u>

Future tax developments

The Finance Act 2016 reduces the mainstream rate of corporation tax to 18% in April 2020. In September 2016 the government enacted a further reduction in corporation tax to 17% for tax years from 2020 onwards.

The impact of the changes will be reflected once the relevant legislation has been substantively enacted.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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. The Company's loss for the year was £260,000 (2016: £309,000).

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

10. LOSS PER ORDINARY SHARE

	2017	2016
	£'000	£'000
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	141	248
	2017	2016
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,217,292,006	1,039,757,641
Number of dilutive shares under option or warrant	-	-
	2017	2016
	£'000	£'000
Weighted average number of ordinary shares for the purposes of dilutive loss per share	1,217,292,006	1,039,757,641

Basic loss per share is calculated by dividing the loss after tax attributed to ordinary shareholders of £141,000 (2016: £248,000) by the weighted average number of shares during the year of 1,217,292,006 (2016: 1,039,757,641).

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

	2017	2016
	£'000	£'000
Net book value	<u>2,772</u>	<u>2,772</u>

Goodwill acquired in a business combination is allocated at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been historically allocated as follows:

	2017	2016
	£'000	£'000
MediaZest Ventures	113	113
Project and services segments	<u>2,659</u>	<u>2,659</u>
	<u>2,772</u>	<u>2,772</u>

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

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct selling costs during the year.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

11. GOODWILL (Continued)

Management has estimated a discount rate of 12.5% (2016: 12.5%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. 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 extrapolates cash flows for a total period of five years based on estimated growth rates that do not exceed the average long term growth rate for the relevant markets. For accounting purposes, management has estimated that long term growth rates are assumed to be 3% (2016: 3%), although they believe the Group has the potential for much greater growth.

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

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included within Plant and Machinery are assets held under hire purchase agreements with a total net book value of £18,000 (2016: £35,000).

	Leasehold Improvements £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 April 2015	50	262	312
Additions	-	26	26
Disposals	(43)	(58)	(101)
At 31 March 2016	<u>7</u>	<u>230</u>	<u>237</u>
Depreciation			
At 1 April 2015	45	145	190
Provided during the year	2	53	55
Disposals	(43)	(43)	(86)
At 31 March 2016	<u>4</u>	<u>155</u>	<u>159</u>
Net Book Value			
At 31 March 2016	<u>3</u>	<u>75</u>	<u>78</u>

13. INTANGIBLE FIXED ASSETS

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

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE FIXED ASSETS (Continued)

	Intellectual Property £'000	Total £'000
Cost		
At 1 April 2015	61	61
Additions	14	14
Disposals	-	-
At 31 March 2016	<u>75</u>	<u>75</u>
Depreciation		
At 1 April 2015	12	12
Provided during the year	24	24
Disposals	-	-
At 31 March 2016	<u>36</u>	<u>36</u>
Net Book Value		
At 31 March 2016	<u>39</u>	<u>39</u>

14. INVESTMENTS IN SUBSIDIARIES

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

The addition in the year is the result of an IFRS 2 Share Based Payment charge relating to employees of the subsidiary company issued with share options in MediaZest plc.

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NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments	Shares in group undertakings £'000	Loans to group undertakings £'000	Total £'000
Cost			
At 1 April 2015	2,963	969	3,932
Repayment of loans to group undertakings	83	-	83
At 31 March 2016	3,046	969	4,015
Provision for impairment			
At 1 April 2015	-	969	969
Release of provision	-	-	-
At 31 March 2016	-	969	969
Net Book Value			
At 31 March 2016	3,046	-	3,046

At 31 March 2017 the Company held the following interests in unlisted subsidiary undertakings:

Name of company	Country of incorporation	Proportion held	Business
MediaZest International Ltd	UK	100%	Audio Visual Supply & Installation

MediaZest International Limited's registered office is at 9 Woking Business Park, Albert Drive, Woking, Surrey GU21 5JY.

15. INVENTORIES

	2017 £'000	2016 £'000
Finished Goods	69	68

The cost of inventories recognised as an expense and included within cost of sales amounted to £1,663,000 (2016: £1,792,000).

During the year the Group made a provision against slow moving stock of £nil (2016: £6,000).

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NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	The Group	The Group	The Company	The Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	148	301	-	-
Amounts owed from group company	-	-	-	-
Other receivables	7	7	-	-
Corporation tax repayable	4	8	-	-
Prepayments and accrued income	84	37	4	4
	243	353	4	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

	2017	2016
	£'000	£'000
31 – 60 days	28	30
61 – 90 days	2	-
91 + days	-	2
	30	32

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE AND OTHER PAYABLES

	The Group	The Group	The	The
	2017	2016	Company	Company
	£'000	£'000	2017	2016
			£'000	£'000
Trade payables	312	376	44	40
Amount owed to group company	-	-	198	198
Invoice discounting facility	68	232	-	-
Other payables	24	23	-	-
Other taxes and social security payables	98	50	-	-
Accruals and deferred income	358	263	6	8
	<u>860</u>	<u>944</u>	<u>248</u>	<u>246</u>

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.

At the year end the Group had an invoice discounting facility of up to £500,000 of which there were £68,000 (2016: £232,000) of funds in use. This facility is provided through the wholly owned subsidiary MediaZest International Ltd and is secured under an existing all assets debenture.

18. FINANCIAL LIABILITIES

	The Group	The Group	The Company	The Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Current				
Shareholder loans	385	410	385	410
Hire purchase liabilities	18	22	-	-
Bank loan	21	20	-	-
	<u>424</u>	<u>452</u>	<u>385</u>	<u>410</u>

Current shareholder loan interest rates are fixed at 10% - 15% pa (2016: 10% - 15%).

	The Group	The Group	The Company	The Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Non-current				
Hire purchase liabilities	12	30	-	-
Bank loan	6	27	-	-
	<u>18</u>	<u>57</u>	<u>-</u>	<u>-</u>

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

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

19. CALLED UP SHARE CAPITAL

	2017 Number of shares	2017 £'000	2016 Number of shares	2016 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.1 pence	1,239,757,774	1,240	1,039,757,641	1,040
Deferred shares of 9.9 pence	22,825,327	2,259	22,825,327	2,259
Total	<u>1,262,583,101</u>	<u>3,499</u>	<u>1,062,582,968</u>	<u>3,299</u>

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 2017 £'000	The Group 2016 £'000	The Company 2017 £'000	The Company 2016 £'000
Cash held at bank	160	9	-	-
Invoice discounting facility	(68)	(232)	-	-
	<u>92</u>	<u>(223)</u>	<u>-</u>	<u>-</u>

21. CASH USED IN OPERATIONS

	The Group 2017 £'000	The Group 2016 £'000	The Company 2017 £'000	The Company 2016 £'000
Profit/(Loss) after tax	(142)	(248)	(259)	(255)
Tax charge	(4)	1	-	-
Finance costs	67	87	42	-
Depreciation/amortisation charge	77	79	-	-
Conversion of interest on Shareholder loans into shares	50	-	50	-
(Profit)/Loss on sale of tangible assets	(9)	-	-	-
(Increase)/Decrease in inventories	(1)	19	-	-
Increase / (decrease) in payables	79	(303)	-	(68)
(Increase) / decrease in receivables	105	123	-	5
Share based payment charge	-	139	-	56
Net cash outflow from operating activities	<u>222</u>	<u>(103)</u>	<u>(167)</u>	<u>(262)</u>

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

22. LEASING COMMITMENTS

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

	2017		2016	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Due				
- within one year	49	1	31	2
- within two to five years	23	-	-	3
- after five years	-	-	-	-
	<u>72</u>	<u>1</u>	<u>31</u>	<u>5</u>

23. CAPITAL COMMITMENTS – GROUP & COMPANY

There were no capital commitments at 31 March 2017 (2016: £nil).

24. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 March 2017 (2016: £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 £385,000 (2016: £410,000) owed to shareholders, interest rates are fixed at 10% - 15% pa (2016: 10% - 15%).

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (Continued)

Credit risk

The Group and Company's credit risk is primarily attributable to its trade receivables. The Group has implemented policies 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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	148	301	-	-
Other receivables	7	7	-	-
Cash and cash equivalents	160	9	-	-

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.

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:

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (Continued)

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

GROUP At 31 March 2016	Trade payables £'000	Other loans £'000	Invoice discounting facility £'000	Total £'000
6 months or less	332	410	232	974
6 - 12 months	9	-	-	9
1 - 2 years	35	-	-	35
Total contractual cash flows	376	410	232	1,018
Carrying amount of financial liabilities measured at amortised cost	376	410	232	1,018

At the year end the Group had an invoice discounting facility of up to £500,000 of which there were £68,000 (2016: £232,000) of funds in use.

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

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (Continued)

COMPANY At 31 March 2017	Trade payables £'000	Other loans £'000	Invoice discounting facility £'000	Total £'000
6 months or less	268	-	68	336
6 - 12 months	-	-	-	-
1 - 2 years	-	-	-	-
Total contractual cash flows	268	-	68	336
Carrying amount of financial liabilities measured at amortised cost	268	-	68	336

COMPANY At 31 March 2016	Trade payables £'000	Other loans £'000	Invoice discounting facility £'000	Total £'000
6 months or less	24	410	-	434
6 - 12 months	1	-	-	1
1 - 2 years	15	-	-	15
Total contractual cash flows	40	410	-	450
Carrying amount of financial liabilities measured at amortised cost	40	410	-	450

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (Continued)

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

Andrew Last (Resigned 31 July 2016)

Information regarding their compensation, excluding employer's national insurance contributions is given below in aggregate per IAS 24 Related Party Disclosures.

	The Group 2017 £'000	The Group 2016 £'000	The Company 2017 £'000	The Company 2016 £'000
Short term benefits	255	341	153	193
Social security costs	31	37	13	11
Share based payment charge	-	127	-	56
Pension contribution	6	5	-	-
	292	510	166	260

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS (Continued)

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

The Group owed £33,000 (2016: £21,000) to EP&F Capital Plc and owed EP&F Capital Advisory Limited £nil (2016: £15,000) at 31 March 2017.

The Group had outstanding loans from City & Claremont Capital Assets Limited, the Group's largest shareholder, as at 31 March 2017 of £305,000 (2016: £318,000). The interest accrued on this loan in the year ended 31 March 2017 was £37,000 (2016: £39,000) and is included in finance costs in the consolidated statement of comprehensive income.

The Group had an outstanding loan from Shallotte Investments Limited, a shareholder of the Group, as at 31 March 2017 of £55,000 (2016: £55,000). The interest accrued on this loan in the year ended 31 March 2017 was £5,000 (2016: £5,000) and is included in finance costs in the consolidated statement of comprehensive income.

The Group had an outstanding loan from a close family member of one of the directors of £25,000 (2016: £nil) as at 31 March 2017. The interest accrued on this loan in the year ended 31 March 2017 was £nil (2016: £nil).

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 2017.

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.

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

	2017	
	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	<u>129,130,000</u>	0.35p
Exercisable at the end of the year	<u>129,130,000</u>	

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

27. SHARE BASED PAYMENTS (Continued)

	2015
Share price at grant date	0.18p
Exercise price	0.35p
Volatility	120%
Expected life (years)	3
Risk free rate	0.5%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Group's share price over the year prior to the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The weighted average contractual life of options outstanding at 31 March 2017 was eight years (2016: nine years).

The Group recognised total expenses of £nil related to equity-settled share-based payment transactions (2016: £139,000).

28. LIST OF PUBLISHED IFRS THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 April 2017 are:

- IFRS 9: Financial Instruments (IASB effective date 1 January 2018). The company's treatment of financial assets and financial liabilities is explained in note 1 accounting policies.
- IFRS 15: Revenue from Contracts with Customers. This should have no effect on revenue recognition. Currently, where the company 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 (effective 1 January 2019). The company currently capitalises assets obtained under hire purchase contract and finance leases as tangible fixed assets. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. Operating lease payments are recognised as an expense on a straight line basis over the lease term. Based on current operating leases held by the company, the impact were this to be adopted would not be significant.

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 Company when the relevant standards come into effect for years commencing after the statement of financial position date.

MediaZest plc

NOTES TO THE FINANCIAL STATEMENTS

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 were no post balance sheet events.