

Second Interim Results and Restoration of Trading on AIM

MEDIAZEST PLC

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18 September 2020

MediaZest Plc

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

Second Unaudited Interim Results for the year ended 31 March 2020

Restoration of Trading on AIM

MediaZest, the creative audio-visual company, announces its unaudited interim results for the year ended 31 March 2020.

As announced on 3 April 2020, MediaZest extended its current accounting year end to 30 September 2020 in order to defer audit costs until later in the year, thereby conserving cash during the "lockdown" period.

In addition to the Company's announcements of 8 and 9 June 2020, unaudited, second interim results which incorporate results for the unaudited 6-month period to 31 March 2020 are set out below. All comparisons are against MediaZest's audited results for the year ended 31 March 2019. The Company's audited results for the 18-month period ending 30 September 2020 will be published by no later than 31 March 2021.

Further to its announcement of 14 September 2020, trading in the Company's ordinary shares on AIM will resume with effect from 7:30 a.m. today (18 September 2020).

CHAIRMAN'S STATEMENT

Introduction

The Board presents the consolidated unaudited results for the twelve months ended 31 March 2020 for MediaZest plc and its wholly owned subsidiary company MediaZest International Ltd (together the "Group").

Financial Review

- Revenue for the period was £2,397,000, down 27% (2019: £3,303,000).
- Gross profit was £1,131,000, down 32% (2019: £1,675,000).
- Gross margin was down slightly to 47% (2019: 51%).
- Administrative expenses were £1,282,000, a reduction of 17% (2019: £1,546,000).
- EBITDA was a loss of £151,000 (2019: profit of £129,000).
- Net loss for the period after taxation was £271,000 (2019: profit of £6,000).

- The basic and fully diluted loss per share was 0.0194 pence (2019: earnings per share 0.0004 pence).
- Cash in hand at 31 March 2020 was £16,000 (2019: £24,000).

Operational Review

As highlighted in the Financial Review above, the unaudited financial results for the twelve months to 31 March 2020 were adversely affected first by the difficult business conditions encountered at the beginning of the current financial year and secondly by the Covid-19 pandemic (the “Pandemic”), by way of comparison with the prior period. This shows a reduction in both revenue and profitability at a Group level.

The impact on the results for the first 6 months of the year to 30 September 2019, was accentuated by delays to a large project with a UK University, as noted in the Group’s Final Results announcement of 28 August 2019. This project has subsequently been completed, with the majority of the work falling into October and November 2019.

Coupled with improving macro-economic conditions this led to a substantial improvement in financial performance during the second half of 2019, however this progress was curtailed from mid-February 2020 due to the impact of the Pandemic.

Results for February and particularly March 2020 were materially adversely impacted by the Pandemic, as clients initially began to defer some projects and then temporarily closed stores and other places of business as countries went into “lockdown”. All deployments and installations were placed on hold at that stage, and in particular this affected key projects across the UK and in Milan, Copenhagen and Berlin that were scheduled for those months.

The Company has significantly reduced its administrative expenses compared to the prior year. In the first 6 months of the year to September 2019 this was due to a cost cutting programme which had been implemented during Q1 2019, in anticipation of difficult trading conditions and ongoing political uncertainty. Costs were further reduced by cuts implemented in the wake of the Pandemic pursuant to which the Company expects to save approximately £170,000 on an annualised basis, although the majority of these savings will only be received in the subsequent period from 1 April 2020.

The Group has utilised the Government’s Job Retention Scheme to furlough employees at appropriate levels during the period since 31 March 2020. All furloughed employees have returned to work in some form since July 2020 as the “lockdown” eased and project delivery resumed.

Client Work

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

New clients added in the year included Twinings, Belron, and Avis Budget Group. In addition, the Group won a high-profile project for Porsche to deliver audio visual solutions for its new CityLife concept store in Milan, Italy. This project had been initially scheduled to complete in March 2020 and was delayed during “lockdown”, subsequently being delivered by the Group’s highly skilled in-house teams over the summer, as per the Company’s announcement of 10 August 2020.

Trading post UK “lockdown”

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

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

With the easing of some of the “lockdown” measures, further client sites have re-opened and in May 2020 MediaZest delivered on the first two of the previously delayed projects. There were several other projects similarly completed in June and July 2020 and the Board expects that all previously delayed projects will be delivered before the end of 2020.

In addition to these projects existing pre “lockdown”, which are now at or nearing the completion stage, the Group recommenced discussions in relation to potential new client mandates from the beginning of May, several of which have already been won and delivered, including large projects for Hyundai and Samsung.

Contractual recurring revenue streams remain robust and in May 2020 the Group renewed a key long-term contract until October 2022 (with a clause to extend for a further 12 months) in addition to a significant annual contract with another client. The combined value of these over the initial contractual periods is approximately £150,000 rising to up to £220,000 if extension clauses are activated.

Fundraising

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

The terms of the CLNs are as follows:

- 3-year CLN (the “Term”), with interest of 7% per annum, payable quarterly in arrears;

- MediaZest will make a bullet repayment to each investor at the end of the Term if the CLN (in whole or in part) remains unconverted;
- The Company may repay in full the CLN at any time, including accumulated interest on a pro-rata basis;
- Each investor can convert the CLNs (in whole or in part) into new ordinary shares in MediaZest by serving written notice 14 days after each annual anniversary during the Term;
- The CLN conversion rate will be calculated by dividing the principal amount of the CLN by the mid-market price of the ordinary shares, on the last business day before the relevant anniversary date of the CLN, less a discount of 10%; and
- If the CLN is repaid at the end of the Term then warrants over new ordinary shares will be granted to each investor (the “Warrants”). The number of Warrants granted will be calculated by dividing a sum equal to 10% of the principal amount of the CLN by the mid-market price of the shares in MDZ at on the last business day before the closing of the CLN. The Warrants’ exercise price will be the mid-market price of the shares in MDZ on the last business day before the closing of the CLN and the Warrants will expire 12 months from the date of grant

New Accounting Standards

The introduction of IFRS16 has had an impact on the way the Company accounts for Leases and as such there is a change in the way that rent is presented in the accounts, as noted below. In essence, in the Consolidated Statement of Comprehensive Income this rental cost for the Company’s premises in Woking is now charged predominantly through depreciation rather than administrative costs. The effect on the Statement of Financial Position, is that a Right of Use Asset has been created which falls into Property, Plant and Machinery and, on the opposing side, a Lease Liability has been created which falls into the Financial Liabilities category. The change and impact on presentation, whilst netting out to virtually zero, is documented in Note 6.

Outlook

At this time, it remains difficult to fully assess the extent to which the Pandemic will affect the Group’s forthcoming trading and financial performance as the situation continues to evolve rapidly.

In response to this, as well as the various cost cutting measures, the Group has been investigating several new lines of business, all associated with the audio-visual market, which are aimed at meeting client’s changing needs after the Pandemic.

The Company continues to receive enquiries from potential new clients although these remain below the expected levels for this time of the year.

Existing customers continue to require the Company’s services and several long term roll out projects that the Group had begun delivering have now restarted. Demand from ongoing clients is expected to remain strong.

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

Lance O'Neill

Chairman

18 September 2020

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE TWELVE MONTHS ENDED 31 MARCH 2020**

	Unaudited	Audited
	12 months	12 months
Notes	31-Mar- 20	31-Mar- 19
	£'000	£'000
Continuing Operations		
Revenue	2,397	3,303
Cost of sales	(1,266)	(1,628)
	-----	-----
Gross profit	1,131	1,675
Administrative expenses	(1,282)	(1,546)
	-----	-----
EBITDA	(151)	129
Administrative expenses – depreciation & amortisation	(81)	(40)
	-----	-----
Operating (Loss)/Profit	(232)	89
Finance Costs	(79)	(83)
	-----	-----
(Loss)/Profit before taxation	(311)	6
Taxation	40	-

(Loss)/Profit for the period and total comprehensive loss/income for the period attributable to the owners of the parent

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 (271) 6
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Earnings/(Loss) per ordinary 0.01p (2019: 0.1p) share

Basic	2	(0.0194)p	0.0004p
Diluted	2	(0.0194)p	0.0004p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2020**

	Unaudited	Audited
	As at 31-Mar-20	As at 31-Mar-19
	£'000	£'000
Non-current assets		
Goodwill	2,772	2,772
Property, plant and equipment	211	62
Intellectual property	-	1
	-----	-----
Total non-current assets	2,983	2,835
Current assets		
Inventories	116	69
Trade and other receivables	548	481
Cash and cash equivalents	16	24
	-----	-----
Total current assets	680	574
Current liabilities		
Trade and other payables	(1,252)	(1,017)
Financial liabilities	(747)	(548)

	-----	-----
Total current liabilities	(1,999)	(1,565)
Net current liabilities	(1,319)	(991)
Non-current liabilities		
Financial liabilities	(118)	(25)
	-----	-----
Total non-current liabilities	(118)	(25)
	=====	=====
Net assets	1,546	1,819
	=====	=====
Equity		
Share Capital	3,656	3,656
Share premium account	5,244	5,244
Other reserves	146	146
Retained earnings	(7,500)	(7,227)
	=====	=====
Total equity	1,546	1,819
	=====	=====

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED 31 MARCH 2020**

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2018	3,546	5,244	146	(7,232)	1,704

Profit for the year	-	-	-	6	6
	-----	-----	-----	-----	-----
Total comprehensive profit for the year	-	-	-	6	6
Issue of share capital	110	-	-	-	110
Share issue costs	-	-	-	(1)	(1)
	=====	=====	=====	=====	=====
Balance at 31 March 2019	3,656	5,244	146	(7,227)	1,819
	=====	=====	=====	=====	=====
Impact of IFRS 16 implementation	-	-	-	(2)	(2)
	-----	-----	-----	-----	-----
Balance at 1 April 2019 restated	3,656	5,244	146	(7,229)	1,817
Loss for the year	-	-	-	(271)	(271)
	-----	-----	-----	-----	-----
Total comprehensive loss for the year	-	-	-	(271)	(271)
	=====	=====	=====	=====	=====
Balance at 31 March 2020	3,656	5,244	146	(7,500)	1,546
	=====	=====	=====	=====	=====

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED 31 MARCH 2020**

Unaudited Audited
12 months 12 months

	Note	31-Mar- 20 £'000	31-Mar- 19 £'000
Net cash generated from operating activities	3	-	117
Taxation		40	-
		-----	-----
Net cash generated from operating activities		40	117
Cash flows used in investing activities			
Purchase of plant and machinery		(9)	(30)
		-----	-----
Net cash used in investing activities		(9)	(30)
Cash flow from financing activities			
Other loans		(15)	(19)
Lease liability payments		(46)	-
Shareholder loan receipts		535	385
Shareholder loan repayments		(425)	(330)
Interest paid		(68)	(58)
Proceeds of share issue		-	110
Share issue costs		-	(1)
		-----	-----
Net cash (used in)/ generated from financing activities		(19)	87
		-----	-----
Net increase in cash and cash equivalents		12	174
		-----	-----
Cash and cash equivalents at beginning of year		(179)	(353)
		=====	=====
Cash and cash equivalents at end of year	4	(167)	(179)
		=====	=====

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

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

Accordingly, the consolidated twelve-month financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 30 September 2020.

The Board has considered the impact of IFRS16 when drawing up this financial information, and has made the necessary adjustments.

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

Going Concern

The Directors have considered financial projections based upon known future invoicing, existing contracts, pipeline of new business and the number of opportunities it is currently working on, particularly in the Retail sector. In addition, these forecasts have been considered in the light of the ongoing challenges in the global economy, previous experience of the markets in which the Group operates and the seasonal nature of those markets, as well as the likely ongoing impact of the Covid-19 pandemic. These forecasts indicate that the Group will generate sufficient cash resources to meet its liabilities as they fall due over the next 12-month period from the date of this interim announcement.

As a result the Directors consider that it is appropriate to draw up the financial information 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. The Group will provide audited financial statements for the 18-month period to 30 September 2020 before 31 March 2021.

Non-statutory accounts

The financial information contained in this document does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 ("the Act").

The statutory accounts for the year ended 31 March 2019 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Act. The financial information for the twelve months to 31 March 2020 has not been audited.

2. Earnings per share

Basic earnings per share is calculated by dividing the loss attributed to ordinary shareholders of £271,000 (2019: profit of £6,000) by the weighted average number of shares during the period of 1,396,425,774 (2019: 1,296,370,979). The diluted earnings per share is identical to that used for basic earnings per share as the warrants or share options are anti-dilutive.

3. Cash generated from operations

	Unaudited	Audited
	12 months	12 months
	31-Mar-20	31-Mar-19
	£'000	£'000
(Loss)/Profit after tax	(271)	6
Depreciation/amortisation charge	81	40
Finance Costs	79	83
(Increase)/decrease in inventories	(47)	148
Increase/(decrease) in payables	226	(776)
(Increase)/decrease in receivables	(68)	616
	=====	=====
Net cash generated from operating activities	-	117
	=====	=====

4. Cash and cash equivalents

	Unaudited	Audited
	12 months	12 months
	31-Mar-20	31-Mar-19
	£'000	£'000

Cash held at bank	16	24
Invoice discounting facility	(183)	(203)
	=====	=====
	(167)	(179)
	=====	=====

5. Subsequent events

Subsequent to 31 March 2020, the “lockdown” continued to negatively impact revenue, with projects remaining on hold and revenue mostly limited to ongoing service and maintenance contracts. Costs were reduced as noted above in order to mitigate this impact. As the “lockdown” was eased, these projects have mostly been completed and new work added and delivered. This is noted in more detail in the Chairman’s statement above.

In May 2020 the Company secured a Bounce Back Loan of £50,000 under the Government’s scheme, and raised a further £150,000 by way of a Convertible Loan Note instrument in August 2020 to provide additional working capital for the Group at the current time.

6. IFRS 16 Adoption

For the accounting period beginning 1 April 2019, IFRS 16 must be applied for the first time. This replaced IAS 17 and governs how Leases must be treated and accounted for in the financial statements.

There are two approaches to its adoption, and the Group has chosen to use the cumulative catch-up approach. This means that the comparative information presented for the year ended 31 March 2019 has not been restated and presents the Groups’ Lease, upon the registered office and headquarters in Woking, under IAS 17 for those periods.

The cumulative effect of the implementation of this accounting standard is recognised in retained earnings as at 1 April 2019 and shown separately on the Consolidated Statement of Changes in Equity.

IFRS 16 seeks to recognise future liabilities associated with Leases on the Statement of Financial Position. A corresponding right of use of the asset is also recognised on the Statement of Financial Position to capture the economic benefits of the Group’s right to use the underlying leased asset.

Accounting Policy

The Standard recognises right of use of an asset and the associated lease liabilities at the lease commencement date. The liability is calculated as the net present value of the lease payments over the lifetime of the lease. This calculation uses the discounted interest rate implicit in the lease which is not easily established and hence is replaced with the Group’s incremental borrowing rate. This has been assumed at 10% based on the Group’s other rates of borrowing.

This liability is then measured at amortised cost and increased by the interest charge and decreased by lease payments as they are made.

Given that the lease in question for the Group is a 5-year rental lease on premises with no break clause, the lease term used for all calculations is 5 years.

On transition to IFRS 16 the right of use asset is calculated retrospectively using the Group's incremental borrowing rate. The asset is then depreciated on a straight-line basis over the 5 years of the lease.

The impact of IFRS 16 on this financial information is a net decrease in equity of £2,000.

Due to the nature of the right of use asset, this is presented in "Property, Plant and Equipment", and was equal to £157,000 at 31 March 2020.

Lease liabilities are presented separately within the Statement of Financial Position as "Contract Liabilities" and at 31 March 2020 was equal to £157,000.

7. Distribution of the Second Interim Report

Copies of the Second Interim Report will be available to the public from the Company's website, www.mediazest.com, and from the Company Secretary at the Company's registered address at Unit 9, Woking Business Park, Albert Drive, Woking, Surrey, GU21 5JY.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

Enquiries:

Geoff Robertson 0845 207 9378
Chief Executive Officer
MediaZest Plc

David Hignell/Soltan Tagiev 020 3470 0470
Nominated Adviser
SP Angel Corporate Finance LLP

Claire Noyce 020 3764 2341
Broker
Hybridan LLP

Notes to Editors:

About MediaZest

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