MediaZest Plc - Half-year Report

PR Newswire

London, December 14

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

Unaudited results for the six months ended 30 September 2017

CHAIRMAN'S STATEMENT

Introduction

The Board reports the consolidated unaudited results for the six months ended 30 September 2017 for MediaZest plc and its wholly owned subsidiary company MediaZest International Ltd ("the Group").

Financial Review

- Revenue for the period was £1,339,000, down 9% (2016: £1,474,000).
- Gross profit was £643,000, up 2% (2016: £631,000).
- Gross margins improved to 48% (2016: 43%).
- EBITDA was a loss of £87,000 (2016: profit £4,000).
- Loss for the period after taxation of £149,000 (2016: loss of £67,000).
- The basic and fully diluted loss per share was 0.01 pence (2016: loss per share 0.01 pence).
- Cash in hand at period end was £103,000 (2016: £137,000).

Operational Review

Results for the six months to 30 September 2017 are weaker than those for the comparable period, with revenues down and administrative expenses up. However, the fall in revenue was largely the result of two key projects slipping into the subsequent period. The financial impact of this was a reduction in bookable turnover of approximately £300,000, which will now be recognised in the second half of the year. Without this slippage, the half-year results would have represented the Group's best Operating results to date for any half-year period and the knock on effect will be to show improvement in the second half of the year.

Administrative expenses were higher mainly due to investment in the engineering and administration department to meet increased demand (especially from recurring revenue contracts), the introduction of the new employer's pension regulations and an increase in commission costs. In addition, the Group invested in an updated website and incurred other marketing costs during the period, the benefit of which will be mainly felt in future periods.

Gross margins continue to improve as the business has become increasingly focussed around managed service fees and less dependent on low margin 'box shifting' transactional work. To this end, the Board is pleased to announce further growth in recurring revenue contracts to a run rate of just under £600,000 per annum (versus just under £400,000 per annum at the end of the comparable period last year). The Board notes that several of the larger contracts written during the period were towards the end of the half-year and hence the benefit will mainly be accrued thereafter.

New client acquisition continued apace and the Group was pleased to add new clients Hewlett Packard (for in-store work in EMEA (Europe Middle East and Africa)), Godiva Chocolates, Volkswagen UK ("VW"), European Bank for Reconstruction and Development ("EBRD"), and BMW. The Board anticipates further projects to be delivered from these relationships.

The Group is receiving more international enquiries and opportunities and now work with several key clients outside of the UK. During the period, the Group rolled out digital signage solutions for Ted Baker alone in Asia Pacific, the Middle East, Africa, and the United States. The consistency of delivery of high quality solutions gives the Company a strong market proposition which is attractive to clients.

During the six month period to 30 September 2017, revenue has continued to be generated predominantly across the Retail and Corporate sectors. The Retail sector (including Automotive Retail) continues to be the area of best performance, and largest opportunity, but in addition the Group has acquired new clients in the Corporate sector including EBRD, plus non-retail work for BMW.

Highlights for the period include delivery of Studio B for Clydesdale Bank, which opened in April, and the new VW store in Birmingham at the Bullring. In addition, another new store for Clydesdale Bank was opened towards the end of the period, again in Birmingham. Ongoing smaller project and recurring work with existing clients Hyundai, Halfords, HMV, Kuoni, Diesel and Rockar continued.

Overall strategy continues to be to focus the sales effort on a concentrated number of high profile clients, providing innovative audio visual solutions which have the potential to generate ongoing long term business opportunities, across multiple sites, and to pursue greater recurring revenues by providing a fully managed delivery and on-going support service to those clients. By covering a larger proportion of the cost base with recurring revenue contracts, the Group can deliver consistent profit month on month. It is also advantageous for cash-flow purposes, and helped generate a cash in-hand balance at period end of £103,000 (2016: £137,000). The Board expects the cash balance to improve in the final quarter of the full financial year due to the completion of the projects that slipped from the half year, ongoing new business wins and renewals of further recurring revenue contracts.

The client proposition continues to be that of generating business loyalty through excellence of delivery, coupled with offering a diverse product range including the Group's own products. As noted above, recurring revenues are at the forefront of this strategy and are being increased by offering contracts for service and maintenance, content production and management, additional consultancy and data analysis work.

Operating Costs

The Board continuously reviews costs whilst balancing investment in the sales and marketing process.

As noted, costs increased somewhat this half-year as the business invested to meet the demands of our growing customer base. This has included further engineering resource to help support the increase in recurring revenue contracts, but also increased marketing spend to attract new clients. The MediaZest.com website has been overhauled to improve the presentation of the Group to clients and investors and generate more incoming opportunities. In addition, the Group exhibited at the Retail Digital Signage Expo at London Olympia in May 2017 for the first time in several years in order to boost new business efforts. Finally, the Company also hosted its first Retail Transformation Conference at Studio B recently inviting a select audience of Retailers to learn about the Company's work in that space for Clydesdale Bank.

Outlook

The Board acknowledges that timing differences mean that the half-year results do not reflect the continued improvement in the Group position but are confident that by the full year (31 March 2018) this situation will be better represented. Pending the outcome of a handful of current pitches for quarter 4 of that year, the Board hopes that the Company will deliver a consolidated full year profit at EBITDA level for the first time.

The improvements in recurring revenue streams are important as the Company moves to consistent month on month profitability, and is enabling the Group to build a strong foundation for future growth.

Lance O'Neill

Chairman

15 December 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited	Unaudited	Audited
		Six months	Six months	12 months
	Notes	30-Sep-17	30-Sep-16	31-Mar-17
		£'000	£'000	£'000
Continuing Operations				
Revenue		1,339	1,474	3,013
Cost of sales		(696)	(843)	(1,700)
Gross profit		643	631	1,313
Administrative expenses		(730)	(627)	(1,315)
EBITDA		(87)	4	(2)
Administrative expenses – depreciation & amortisation		(28)	(38)	(77)
Operating Loss		(115)	(34)	(79)
Finance Costs		(34)	(37)	(67)

Loss before taxation		(149)	(71)	(146)
Taxation credit		-	4	4
Loss for the period and total comprehensive loss for the period attributable to the owners of the parent		(149)	(67)	(142)
Loss per ordinary 0.1p share				
Basic	**2**	(0.01p)	(0.01p)	(0.01p)
Diluted	**2**	(0.01p)	(0.01p)	(0.01p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Unaudited	**Unaudited**	**Audited**
	As at 30-Sep-17	**As at 30-Sep-16**	**As at 31-Mar-17**
	£'000	**£'000**	**£'000**
Non-current assets			
Goodwill	2,772	2,772	2,772
Property, plant and equipment	43	63	51
Intellectual property	5	26	14
Total non-current assets	2,820	2,861	2,837
Current assets			
Inventories	92	99	69
Trade and other receivables	585	491	243
Cash and cash equivalents	103	137	160
Total current assets	780	727	472
Current liabilities			
Trade and other payables	(1,284)	(1,086)	(860)
Financial liabilities	(447)	(385)	(424)
Total current liabilities	(1,731)	(1,471)	(1,284)
Net current liabilities	(951)	(744)	(812)
Non-current liabilities			
Financial liabilities	(11)	(35)	(18)
Total non-current liabilities	(11)	(35)	(18)

Net assets	1,858	2,082	2,007
Equity			
Share Capital	3,499	3,499	3,499
Share premium account	5,221	5,221	5,221
Other reserves	146	146	146
Retained earnings	(7,008)	(6,784)	(6,859)
Total equity	1,858	2,082	2,007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 31 March 2016	3,299	5,138	146	(6,717)	**1,866**
Loss for the period	-	-	-	(67)	**(67)**
Total comprehensive loss for the period	-	-	-	(67)	**(67)**
Issue of share capital	200	100	-	-	**300**
Share issue costs	-	(17)	-	-	**(17)**
Balance at 30 September 2016	3,499	5,221	146	(6,784)	**2,082**
Loss for the period	-	-	-	(75)	**(75)**
Total comprehensive loss for the period	-	-	-	(75)	**(75)**
Balance at 31 March 2017	3,499	5,221	146	(6,859)	**2,007**
Loss for the period	-	-	-	(149)	**(149)**
Total comprehensive loss for the period	-	-	-	(149)	**(149)**
Balance at 30 September 2017	3,499	5,221	146	(7,008)	**1,858**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Unaudited Six months 30-Sep-17 £'000	Unaudited Six months 30-Sep-16 £'000	Audited 12 months 31-Mar-17 £'000
Net cash used in operating activities	**3**	(195)	(95)	222
Taxation		-	-	9
Cash flows used in investing activities				
Purchase of plant and machinery		(10)	(12)	(23)
Disposal of plant and machinery		-	11	11
Purchase of intellectual property		(2)	-	-
Purchase of leasehold improvements		-	-	(4)
Net cash (used in) / generated from investing activities		(12)	(1)	(16)
Cash flow from financing activities				
Other loan repayments		(10)	(10)	(42)
Shareholder loan receipts		32	78	28
Shareholder loan repayments		-	(50)	(94)
Interest paid		(40)	(48)	(25)
Proceeds of share issue		-	250	250
Share issue costs		-	(17)	(17)
Net cash (used in) / generated from financing activities		(18)	203	100
Net decrease in cash and cash equivalents		(225)	107	315
Cash and cash equivalents at beginning of period / year		92	(223)	(223)
Cash and cash equivalents at end of period / year	**4**	(133)	(116)	92

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

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

Accordingly, the consolidated half-yearly financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the 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 31 March 2018.

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 impact of ongoing reductions to public sector spending. 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.

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 2017 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 six months ended 30 September 2017 and 30 September 2016 is not audited.

2. Loss per share

Basic loss per share is calculated by dividing the loss attributed to ordinary shareholders of £149,000 (2016: £67,000) by the weighted average number of shares during the period of 1,239,757,641 (2016: 1,195,801,597). The diluted loss per share is identical to that used for basic loss per share as the exercise of warrants and share options would have the effect of reducing the loss per share and therefore is not dilutive under International Accounting Standard 33 "Earnings per Share".

3. Cash used in operations

	Unaudited Six months 30-Sep-17 £'000	Unaudited Six months 30-Sep-16 £'000	Audited 12 months 31-Mar-17 £'000
Operating loss	(115)	(34)	(79)
Depreciation of tangible assets	18	25	52
(Profit) / Loss on sale of tangible assets	-	(9)	(9)
Amortisation of intangible assets	10	13	25
Conversion of interest on shareholder loans into shares	-	-	50
Decrease / (increase) in inventories	(23)	(31)	(1)
(Decrease) / increase in payables	257	75	79
(Increase) / decrease in receivables	(342)	(134)	105
Net cash outflow from operating activities	(195)	(95)	222

4. Cash and cash equivalents

	Unaudited Six months 30-Sep-17 £'000	Unaudited Six months 30-Sep-16 £'000	Audited 12 months 31-Mar-17 £'000
Cash held at bank	103	137	160
Invoice discounting facility	(236)	(253)	(68)
	(133)	(116)	92

5. Subsequent events

There have been no subsequent events since 30 September 2017.

6. Distribution of the Half-Yearly Report

Copies of the Half-yearly 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.

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Anonymous (not verified) Half-year Report
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