MediaZest Plc - Half-year Report

PR Newswire

London, November 3

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

Unaudited results for the six months ended 30 September 2018

MediaZest, the creative audio-visual company, is pleased to provide shareholders with unaudited interim results for the six months ended 30 September 2018.

CHAIRMAN'S STATEMENT

Introduction

The Board presents the consolidated unaudited results for the six months ended 30 September 2018 for MediaZest plc and its wholly owned subsidiary company MediaZest International Ltd (together the "Group").

Financial Review

- Revenue for the period was £1,819,000, up 36% (2017: £1,339,000).
- Gross profit was £932,000, up 45% (2017: £643,000).
- Gross margins improved to 51% (2017: 48%).
- EBITDA was a profit of £156,000 (2017: loss £87,000).
- Net profit for the period after taxation of £90,000 (2017: loss of £149,000).
- The basic and fully diluted earnings per share was 0.0001 pence (2017: loss per share 0.01 pence).
- Cash in hand at period end was £12,000 (2017: £103,000), although following period end additional monies were received/are expected shortly from a material overdue debtor.

Operational Review

Results for the six months to 30 September 2018 were considerably better than for the comparable prior period with improvement in both revenue and profitability. The Group reported a net profit after tax and at the EBITDA level for the first time.

Revenue improved by £480,000 reflecting prestigious projects for clients including HP, the European Bank for Reconstruction and Development (EBRD), Ford, Mitsubishi, Kuoni, Ted Baker and Tiffany & Co. Revenues for three of these projects included amounts delayed from the previous period, although in addition the six months also showed growth in client business outside those mentioned above, with several roll out opportunities beginning to develop.

Recurring revenues also continued to grow in the period and the current run rate for these is over £700,000 per annum (2017: approximately £600,000). The Board is targeting a run rate of £800,000 worth of recurring revenues by the end of the financial year, which would cover almost 50% of the cost base.

Profit margins were enhanced by the growth in the recurring revenues generated by the Company. The Board continues to view this as an important focal point which enables management to have greater clarity on future revenues and to plan operational capabilities from a position of strength. This wider focus on managed services instead of on low margin hardware supply continues to reap benefits, both in gross margin percentage and market positioning.

Administrative costs remained largely unchanged with reduced amortisation and depreciation costs being offset by a small increase in engineering resources to meet the additional workload generated by recurring contract growth. The Company continues to run a very lean team of dedicated in house staff with resources maximised to meet client and stakeholder demands.

Financing

The statement of financial position was improved by way of a reduction in trade and other payables, whilst financial liabilities have been maintained at a consistent level to the prior period. Cash in hand was, however, lower than the comparable prior year due to late receipts from one client of €130,000 which was overdue at the period end date. The majority of this money has now been received and the balance is expected shortly. No bad debt provision is required, however the delay in payment has adversely affected cashflow during the period and the closing cash balance. Despite this late payment, and the growth in Revenue, trade debtors have remained consistent with the prior period.

Corporate Governance

The Company adopted the QCA Corporate Governance code in September 2018 and has strengthened the Board by adding James Abdool as a non-executive director.

Outlook

As highlighted in previous statements, the Group is having considerable success with overseas deployments, primarily in Europe, but also on a global basis. Clients such as HP, Ted Baker, Nokia, Lululemon and Opel have all engaged the Group's services outside of the UK in the six month period, representing approximately 30% of gross profit.

The Group continues to target these opportunities, particularly during a time when the domestic UK retail market is under pressure, leading to uncertainty, which can result in the postponement of or delay in retail investment from some UK participants. Notwithstanding, the Group is developing, currently, several roll out / substantial deployment opportunities which would enable the Company to show further progress both in the current and future reporting periods.

Lance O'Neill

Chairman

5 November 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Unaudited Six months 30-Sep-18 £'000	Unaudited Six months 30-Sep-17 £'000	Audited 12 months 31-Mar-18 £'000
Continuing Operations				
Revenue		1,819	1,339	2,819
Cost of sales		(887)	(696)	(1,458)
		------------	------------	------------
Gross profit		932	643	1,361
Administrative expenses		(776)	(730)	(1,474)
		------------	------------	------------
EBITDA		156	(87)	(113)
Administrative expenses – depreciation & amortisation		(10)	(28)	(41)
		------------	------------	------------
Operating Profit/(Loss)		146	(115)	(154)
Finance Costs		(56)	(34)	(102)
		------------	------------	------------
Profit/(Loss) before taxation		90	(149)	(256)
Taxation		-	-	-
		========	========	========
Profit/(Loss) for the period and total comprehensive income/loss for the period attributable to the owners of the parent		90	(149)	(256)
		========	========	========
Earnings/(Loss) per ordinary 0.1p share				
Basic	**2**	0.0001p	(0.01p)	(0.02p)
Diluted	**2**	0.0001p	(0.01p)	(0.02p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Unaudited As at 30-Sep-18 £'000	Unaudited As at 30-Sep-17 £'000	Audited As at 31-Mar-18 £'000
Non-current assets			
Goodwill	2,772	2,772	2,772
Property, plant and equipment	58	43	51
Intellectual property	2	5	3
	------------	------------	------------
Total non-current assets	2,832	2,820	2,826
Current assets			
Inventories	97	92	217
Trade and other receivables	596	585	897
Cash and cash equivalents	12	103	38
	------------	------------	------------
Total current assets	705	780	1,152
Current liabilities			
Trade and other payables	(1,175)	(1,284)	(1,664)
Financial liabilities	(434)	(447)	(471)
	------------	------------	------------
Total current liabilities	(1,609)	(1,731)	(2,135)
Net current liabilities	(904)	(951)	(983)
Non-current liabilities			
Financial liabilities	(17)	(11)	(22)
	------------	------------	------------
Total non-current liabilities	(17)	(11)	(22)
	========	========	========
Net assets	1,911	1,858	1,821
	========	========	========
Equity			
Share Capital	3,546	3,499	3,546

Share premium account	5,244	5,221	5,244
Other reserves	146	146	146
Retained earnings	(7,025)	(7,008)	(7,115)
	========	========	========
Total equity	1,911	1,858	1,821
	========	========	========

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
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**
	=======	=======	========	=======	=======
Loss for the period	-	-	-	(107)	**(107)**
	------------	------------	------------------	------------	------------
Total comprehensive loss for the period	-	-	-	(107)	**(107)**
Issue of share capital	47	24	-	-	**71**
Share issue costs	-	(1)	-	-	(1)
	=======	========	=========	=======	=======
Balance at 31 March 2018	3,546	5,244	146	(7,115)	**1,821**
	=======	========	=========	=======	=======
Profit for the period	-	-	-	90	**90**
	------------	-------------	----------------	------------	-----------
Total comprehensive income for the period	-	-	-	90	**90**
	=======	========	=========	=======	=======
Balance at 30 September 2018	3,546	5,244	146	(7,025)	**1,911**
	=======	========	=========	=======	=======

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Note	Unaudited Six months 30-Sep-18 £'000	Unaudited Six months 30-Sep-17 £'000	Audited 12 months 31-Mar-18 £'000
Net cash generated from/(used in) operating activities	**3**	143	(195)	(434)
Taxation		-	-	-
Cash flows used in investing activities				
Purchase of plant and machinery		(13)	(10)	(5)
Purchase of intellectual property		-	(2)	(2)
Purchase of leasehold improvements		(3)	-	-
		----------	----------	----------
Net cash used in investing activities		(16)	(12)	(7)
Cash flow from financing activities				
Other loan repayments		(13)	(10)	(40)
Shareholder loan receipts		-	32	233
Shareholder loan repayments		(68)	-	(213)
Interest paid		(17)	(40)	(54)
Proceeds of share issue		-	-	70
		----------	----------	----------
Net cash used in financing activities		(98)	(18)	(4)
		----------	---------	----------
Net increase/(decrease) in cash and cash equivalents		29	(225)	(445)
		----------	----------	----------
Cash and cash equivalents at beginning of period / year		(353)	92	92
		=======	=======	=======
Cash and cash equivalents at end of period / year	**4**	(324)	(133)	(353)
		=======	=======	=======

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 2019.

The Board has considered the impact of IFRS9 and IFRS15 when drawing up these financial statements, and deems no adjustments necessary.

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 2018 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 2018 and 30 September 2017 is not audited.

2. Earnings per share

Basic earnings per share is calculated by dividing the profit attributed to ordinary shareholders of £90,000 (2017: loss of £149,000) by the weighted average number of shares during the period of 1,286,425,774 (2017: 1,239,757,641). 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/(used in) operations

	Unaudited Six months 30-Sep-18 £'000	Unaudited Six months 30-Sep-17 £'000	Audited 12 months 31-Mar-18 £'000
Operating profit / (loss)	146	(115)	(256)
Depreciation of tangible assets	9	18	-
Finance Costs	56	34	102
Amortisation of intangible assets	1	10	41
Decrease / (increase) in inventories	118	(23)	(148)
(Decrease) / increase in payables	(488)	223	481
Decrease / (increase) in receivables	301	(342)	(654)
	========	========	========
Net cash outflow from operating activities	143	(195)	(434)
	========	========	========

4. Cash and cash equivalents

	Unaudited Six months 30-Sep-18 £'000	Unaudited Six months 30-Sep-17 £'000	Audited 12 months 31-Mar-18 £'000
Cash held at bank	12	103	38
Invoice discounting facility	(336)	(236)	(391)
	========	========	========
	(324)	(133)	(353)
	========	========	========

5. Subsequent events

£47,000 of cash was received from a major client post 30 September 2018 in payment of long-overdue invoices. Another payment of £53,000 is expected from the same client in early November relating to further invoices currently over due by 120 days or more. Had this cash been received within payment terms, the bank balance at 30 September 2018 would have been significantly improved.

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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28224563 A Mon, 11/05/2018 - 07:00 PR Newswire Results and Trading Reports MDZ