MediaZest Plc - Half-year Report

PR Newswire

London, December 23

Market Abuse Regulation (MAR) Disclosure
Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement

23 December 2019

MediaZest plc

("MediaZest", the "Company" or the "Group")

Unaudited results for the six months ended 30 September 2019

MediaZest (AIM: MDZ), the creative audio-visual company, announces its unaudited interim results for the six months ended 30 September 2019.

CHAIRMAN'S STATEMENT

Introduction

The Board presents the consolidated unaudited results for the six months ended 30 September 2019 for MediaZest plc and its wholly owned subsidiary company MediaZest International Ltd (together the "Group").

Financial Review

- Revenue for the period was £943,000 (Restated 2018: £2,136,000)
- Gross profit was £475,000 (Restated 2018: £1,049,000), impacted by delay to a major project
- Sharp improvement in performance post period end with Profit after tax in October and November of £44,000 on revenue of £709,000 (2018: loss of £12,000 on revenue of £531,000)
- Gross margins were consistent at 50% (Restated 2018: 49%)
- EBITDA was a loss of £140,000 (Restated 2018: profit of £273,000)
- Net loss for the period after taxation of £228,000 (Restated 2018: profit of £207,000)
- The basic and fully diluted loss per share was 0.0163 pence (Restated 2018: earnings per share 0.0161 pence)
- Overdraft at period end was £6,000 (2018: cash in hand of £12,000). The period end cash position is reflective of payments made to suppliers prior to the month end and large receipts from customers falling in October and November. Cash in hand at close of business 20 December 2019 was £38,000.

Operational Review

As shown in the Financial Review above, the results for the six months to 30 September 2019 were adversely affected by the difficult business conditions encountered in the current year, by way of comparison with the prior period. This shows a reduction in both revenue and profitability at Group level.

In anticipation of the possibility of this slowdown, the Board implemented a cost cutting programme during January and February 2019 and reduced the cost base by approximately £200,000 for the current financial year. The impact of this was to reduce ongoing costs and overheads, half of which was experienced in the period, thus having a mitigating effect on the reduction in project activity.

The impact on the interim results 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 is currently progressing towards completion, with the majority of the work falling into October and November 2019.

In light of the above, the Directors believe the results for the six month period ending 30 September 2019 should be viewed alongside MediaZest’s stronger performance during October and November 2019, when the Group generated profit after tax of £44,000, based on revenue of £709,000. Accordingly, key performance indicators for the eight month period to 30 November 2019 are revenue of £1,652,000, loss at EBITDA of £95,000 and a loss after tax of £184,000.

The Group’s operating subsidiary, MediaZest International, shows corresponding profit after tax of £83,000 and EBITDA of £150,000 within those results before deduction of Plc costs, for the eight months to 30 November 2019.

Client Work

The Group continues to service a core of long-standing client accounts including Lululemon Athletica, 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 has now provided audio visual solutions for a further twelve stores since 1 April 2019 with a further six scheduled to be completed early in 2020. New clients added to date in the current financial year include Twinings, Belron and Avis Budget Group. In addition, the Group has recently won a high-profile project with a global luxury automotive brand, which is also a new client, and expects to announce further details regarding this project during 2020.

Recurring revenues have diminished by approximately 7% during the period with renewals strong, but with a small number of store closures and projects completing leading to a reduction in retainer income. This has led to an ongoing annualised recurring revenue base total of approximately £650,000 (2018: approximately £700,000). The Board is targeting a run rate of £700,000 worth of recurring revenues by the end of the financial year, which would cover almost 50% of the cost base going into the next financial year.

Administrative costs have been reduced, primarily, by refining the already lean team of dedicated in house staff that the Company employs and by relinquishing the London sales office. The Group is also looking to generate more new business in the Corporate and Education markets in order to reduce the reliance on the proportion of business completed in the retail sector. As such, further investment in the sales and marketing process has been made during the period to target these markets.

The introduction of IFRS16 has had an impact on the way the Company accounts for leases as shown in note 6 to these results.

Outlook

As noted, both in this statement and previously, the UK market continues to suffer from macroeconomic headwinds particularly in the Retail sector, leading to delayed investment decisions, cost cutting programmes and the termination of projects by clients. Despite these pressures, over the last three months, the Group has seen a marked increase in enquiries and built an encouraging pipeline for 2020. Several existing clients have already indicated plans to extend their engagement with the Company substantially in 2020 via new projects and the expansion of existing programmes.

Notwithstanding the disappointing performance in the period, the Board believes that the new calendar year will provide opportunities for the Group to continue the progress it made in the last Financial Year ended 31 March 2019.

Feedback from clients on projects delivered remains encouraging and, as such, the quality of the services provided by the Company gives cause for optimism as a continued differentiator in the market. The Directors continue to review costs on a month by month basis and will make further adjustments as necessary based on market conditions as they evolve in the coming period.

Lance O'Neill

Chairman

23 December 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Unaudited	Restated Unaudited	Audited
		Six months	Six months	12 months
	Notes	30-Sep-19	30-Sep-18	31-Mar-19
		£'000	£'000	£'000
Continuing Operations				
Revenue		943	2,136	3,303
Cost of sales		(468)	(1,087)	(1,628)
		------------	------------	------------
Gross profit		475	1,049	1,675
Administrative expenses		(615)	(776)	(1,546)
		------------	------------	------------
EBITDA		(140)	273	129
Administrative expenses – depreciation & amortisation		(40)	(10)	(40)
		------------	------------	------------
Operating (Loss)/Profit		(180)	263	89
Finance Costs		(48)	(56)	(83)

		------------	------------	------------
(Loss)/Profit before taxation		(228)	207	6
Taxation		-	-	-
		========	========	========
(Loss)/Profit for the period and total comprehensive loss/income for the period attributable to the owners of the parent		(228)	207	6
		========	========	========
Earnings/(Loss) per ordinary 0.1p share				
Basic	**2**	(0.0163)p	0.0161p	0.0004p
Diluted	**2**	(0.0163)p	0.0161p	0.0004p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Unaudited	**Unaudited**	**Audited**
	As at 30-Sep-19	**As at 30-Sep-18**	**As at 31-Mar-19**
	£'000	**£'000**	**£'000**
Non-current assets			
Goodwill	2,772	2,772	2,772
Property, plant and equipment	241	58	62
Intellectual property	1	2	1
	------------	------------	------------
Total non-current assets	3,014	2,832	2,835
Current assets			
Inventories	98	97	69
Trade and other receivables	356	596	481
Cash and cash equivalents	-	12	24
	------------	------------	------------
Total current assets	454	705	574
Current liabilities			
Trade and other payables	(1,012)	(1,175)	(1,017)
Financial liabilities	(708)	(434)	(548)
	------------	------------	------------
Total current liabilities	(1,720)	(1,609)	(1,565)
Net current liabilities	(1,266)	(904)	(991)

Non-current liabilities			
Financial liabilities	(159)	(17)	(25)
	------------	------------	------------
Total non-current liabilities	(159)	(17)	(25)
	========	========	========
Net assets	1,589	1,911	1,819
	========	========	========
Equity			
Share Capital	3,656	3,546	3,656
Share premium account	5,244	5,244	5,244
Other reserves	146	146	146
Retained earnings	(7,457)	(7,025)	(7,227)
	========	========	========
Total equity	1,589	1,911	1,819
	========	========	========

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share Capital £'000	Share Premium £'000	Share Options Reserves £'000	Retained Earnings £'000	**Total Equity £'000**
Balance at 31 March 2018	3,546	5,244	146	(7,115)	**1,821**
Adjustment for adoption of IFRS15	-	-	-	(117)	**(117)**
	-----------	------------	---------------	------------	-----------
Balance at 1 April 2018 restated	**3,546**	**5,244**	**146**	**(7,232)**	**1,704**
Restated Profit for the period	-	-	-	207	**207**
	-----------	-----------	-----------	-----------	-----------
Total comprehensive profit for the period	-	-	-	207	**207**
	=======	=======	========	=======	======
Balance at 30 September 2018 restated	3,546	5,244	146	(7,025)	**1,911**
	=======	=======	========	=======	======
Loss for the period	-	-	-	(201)	**(201)**

Total comprehensive loss for the period	-	-	-	(201)	**(201)**
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**
Adjustment for adoption of IFRS 16	-	-	-	(2)	**(2)**
Balance at 1 April 2019 restated	3,656	5,244	146	(7,229)	**1,817**
Loss for the period	-	-	-	(228)	**(228)**
Total comprehensive loss for the period	-	-	-	(228)	**(228)**
Balance at 30 September 2019	3,656	5,244	146	(7,457)	**1,589**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Unaudited	**Restated Unaudited**	**Audited**
		Six months	**Six months**	**12 months**
	Note	**30-Sep-19**	**30-Sep-18**	**31-Mar-19**
		£'000	**£'000**	**£'000**
Net cash generated from operating activities	**3**	14	138	117
Taxation		-	-	-
Net cash generated from operating activities		14	138	117
Cash flows used in investing activities				
Purchase of plant and machinery		(17)	(13)	(30)
Purchase of leasehold improvements		-	(3)	-

Net cash used in investing activities		(17)	(16)	(30)
Cash flow from financing activities				
Other loans		(34)	(14)	(19)
Shareholder loan receipts		317	-	385
Shareholder loan repayments		(206)	(52)	(330)
Interest paid		(40)	(27)	(58)
Proceeds of share issue		-	-	110
Share issue costs		-	-	(1)
		----------	----------	----------
Net cash used in financing activities		37	(93)	87
		----------	---------	----------
Net increase in cash and cash equivalents		34	29	174
		----------	----------	----------
Cash and cash equivalents at beginning of period / year		(179)	(353)	(353)
		=======	=======	=======
Cash and cash equivalents at end of period / year	**4**	(145)	(324)	(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 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 2020.

IFRS15 was implemented for the first time for the Financial Year Ended 31 March 2019 and the resulting impact was an increase in revenue of £317,000 and an increase in costs of £200,000 leading to an additional profit of £117,000 for the period. These adjustments have been reflected in the restated comparative results for the period ended 30 September 2018.

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 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 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 six months ended 30 September 2019 and 30 September 2018 is not audited.

2. Earnings per share

Basic earnings per share is calculated by dividing the loss attributed to ordinary shareholders of £228,000 (restated 2018: profit of £207,000) by the weighted average number of shares during the period of 1,396,425,774 (2018: 1,286,425,774). 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	**Restated Unaudited**	**Audited**
	Six months	**Six months**	**12 months**
	30-Sep-19	**30-Sep-18**	**31-Mar-19**
	£'000	**£'000**	**£'000**
Profit/(Loss) after tax	(228)	207	6
Depreciation/amortisation charge	40	10	40
Finance Costs	48	56	83

(Increase)/Decrease in inventories	(29)	118	148
Increase/(Decrease) in payables	57	(509)	(776)
Decrease in receivables	126	256	616
	========	========	========
Net cash generated from operating activities	14	138	117
	========	========	========

4. Cash and cash equivalents

	Unaudited	**Unaudited**	**Audited**
	Six months	**Six months**	**12 months**
	30-Sep-19	**30-Sep-18**	**31-Mar-19**
	£'000	**£'000**	**£'000**
Cash held at bank	-	12	24
Invoice discounting facility	(139)	(336)	(203)
Bank overdrafts	(6)	-	-
	========	========	========
	(145)	(324)	(179)
	========	========	========

5. Subsequent events

Subsequent to 30 September 2019, trade has improved and both October and November 2019 management accounts were profitable at consolidated level. Profit for the two months was £44,000 after tax, based on revenue of £709,000 during those two months.

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 and for the six months ended 30 September 2018 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% for the one relevant lease 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 £179,000 at 30 September 2019.

Lease liabilities are presented within Financial Liabilities on the Statement of Financial Position at 30 September 2019 and was equal to £184,000.

7. 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.

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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.

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