MediaZest International Ltd

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

(Company No. 01227519)

MediaZest International Ltd

CONTENTS

MediaZest International Ltd

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS
Geoffrey Robertson
James Ofield
Andrew Last (Resigned 31 July 2016)

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

AUDITOR
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Cumberland House
15-17 Cumberland House
Southampton
SO15 2BG

SOLICITORS
CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

PRINCIPAL BANKERS
NatWest
39 The Borough
Farnham
Surrey GU9 7NW

MediaZest International Ltd

STRATEGIC REPORT

The directors present the strategic report for the year ended 31 March 2017.

Principal Activities

The Company's principal activity continues to be the sale, rental, installation and servicing of professional audio-visual equipment.

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), cash in hand and banking facilities. 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 of £216,000 (2016: £172,000). The Company made a profit for the year, after taxation, of £118,000 (2016: £60,000) after finance costs of £25,000 (2016: £32,000) and having incurred administrative expenses of £1,098,000 (2016: £1,159,000).

These Key Performance Indicators are analysed in detail in the Review of Business.

The Company had cash in hand of £160,000 (2016: £9,000) at the year end and an invoice discounting facility over debtors 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.

Principal Risks

Principal non-financial risks the directors are monitoring include:

Global Economy – the Company 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 Company operates, this consequential risk will remain.

Technology obsolescence and supplier reliance – as a leading provider of audio-visual technology, the Company 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 developments and gaining access to new technology. The Company 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.

MediaZest International Ltd

STRATEGIC REPORT (Continued)

Review of business

The Company continued to make progress during the year, and made a profit after tax of £118,000 (2016: £60,000) showing improvement year on year.

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. This policy continues to be applied and is delivering further progress in the current year.

Turnover for the year decreased by £131,000 or 4.2% year on year. However, gross margin increased to 43.6% (2016: 42.3%) and as a result, gross profit was almost identical to the prior year. This increased 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

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, with the increase in recurring revenue contracts providing 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.

Approved by the Board of Directors
and signed on behalf of the Board by

Geoffrey Robertson

Date: 30 August 2017

MediaZest International Ltd

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 March 2017 and the comparative year ended 31 March 2016.

DIRECTORS

The directors who served during the year were as follows:
Geoffrey Robertson
James Ofield
Andrew Last (Resigned 31 July 2016)

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 period.

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.

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 profit or loss of the Company for that period. 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 will continue in business;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MediaZest International Ltd

DIRECTORS' REPORT (Continued)

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.

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.
- 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.

Approved by the Board of Directors
and signed on behalf of the Board by

Geoffrey Robertson
Director

Date: 30 August 2017

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIAZEST INTERNATIONAL LTD

We have audited the financial statements of MediaZest International Ltd for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 26. 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.

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 5 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 company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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.

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.

Nexia Smith & Williamson

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Nexia Smith & Williamson

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 International Ltd

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

Continuing Operations	Note	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Revenue	3	3,013	3,144
Cost of sales		(1,700)	(1,813)
Gross profit		1,313	1,331
Administrative expenses		(1,098)	(1,076)
Share based payment charge		-	(83)
EBITDA		215	172
Administrative expenses – depreciation & amortisation		(76)	(79)
Operating profit / (loss)	4	139	93
Finance costs	7	(25)	(32)
Profit / (loss) on ordinary activities before taxation		114	61
Tax on profit / (loss) on ordinary activities	8	4	(1)
Profit / (loss) on ordinary activities after taxation and total comprehensive income for the year		118	60

MediaZest International Ltd

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

Company Number: 01227519

	Note	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Property, plant and equipment	9	51	78
Intellectual property	10	14	39
		65	117
Current assets			
Inventories	11	69	68
Trade and other receivables	12	437	547
Cash and cash equivalents		160	9
Total current assets		666	624
Current liabilities			
Trade and other payables	13	(810)	(896)
Financial liabilities	14	(39)	(42)
Total current liabilities		(849)	(938)
Net current liabilities		(183)	(314)
Non-current liabilities			
Financial liabilities	14	(18)	(57)
Total non-current liabilities		(18)	(57)
Net liabilities		(136)	(254)
Equity			
Share capital	15	171	171
Share premium account		1,577	1,577
Capital redemption reserve		25	25
Capital contribution reserve		83	83
Retained earnings		(1,992)	(2,110)
Total equity		(136)	(254)

These financial statements were approved by the Board of Directors on 30 August 2017.
Signed on behalf of the Board of Directors

Geoffrey Robertson
Director

MediaZest International Ltd

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital	Share Premium	Capital Redemption Reserve	Capital Contribution Reserve	Retained Earnings	**Total Equity**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2015	171	1,577	25	-	(2,170)	**(397)**
Profit for the year	-	-	-	-	60	**60**
Total comprehensive income for the year	-	-	-	-	60	**60**
Share based payment charge	-	-	-	83	-	**83**
Balance at 31 March 2016	171	1,577	25	83	(2,110)	**(254)**
Profit for the year	-	-	-	-	118	**118**
Total comprehensive income for the year	-	-	-	-	118	**118**
Balance at 31 March 2017	171	1,577	25	83	(1,992)	**(136)**

MediaZest International Ltd

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	Year ended 31-Mar-17 £'000	Year ended 31-Mar-16 £'000
Net cash generated from operating activities	**21**	389	158
Taxation		9	111
Cash flows from 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			
Net (payments to) / receipts from group companies		-	(323)
Other loans		(42)	50
Interest paid		(25)	(32)
Net cash (used in) financing activities		(67)	(305)
Net increase/(decrease) in cash and cash equivalents		315	(62)
Cash and cash equivalents at beginning of the year		(223)	(161)
Cash and cash equivalents at end of the year	**22**	92	(223)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

MediaZest International Ltd is a Company domiciled and incorporated in England, under company registration number 01227519. It's principal place of business and registered office is at Unit 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 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.

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 Company prove not to be a going concern.

New standards and interpretations

There were no new standards and interpretations affecting the 31 March 2017 financial statements.

Note 23 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 Company's financial statements in the period of initial application.

1. ACCOUNTING POLICIES (continued)

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 of the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company 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; maintenance revenue is recognised evenly over the period of the contract.

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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

1. ACCOUNTING POLICIES (Continued)

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 Company 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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is 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

1. ACCOUNTING POLICIES (Continued)

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

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 Company becomes a party to the contractual provisions of the instrument.

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.

1. ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 Company are recorded at the proceeds received, net of direct issue cost.

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 period. 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 Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

1. ACCOUNTING POLICIES (Continued)

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

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 Company makes payments to certain employees' personal pension schemes. The Company auto-enrols all qualifying employees in the NEST workplace pension scheme. The Company Costs incurred during the year are charged to the statement of comprehensive income as they fall due.

Share based payments

The parent Company, Mediazest plc, 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 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.

1. ACCOUNTING POLICIES (Continued)

Operating Profit

This is defined as Profit before Tax, adjusted for finance cost.

These can be reconciled as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	114	61
Finance Costs	25	32
Operating profit	139	93
Administrative expenses – depreciation & amortisation	76	79
EBITDA	215	172

Operating Profit

This is defined as Profit before Tax, adjusted for finance cost.

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 an only if certain specific criteria are met in order for 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

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 period.

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

2. CRITICAL ACCOUNTING POLICIES (Continued)

circumstances. The most significant judgements relate to the going concern assumption (Note 1) and to the non-recognition of deferred tax assets (Note 8).

Bad debt provisions

The trade debtors balances of £148,342 recorded in the Company's balance sheet comprise a relatively small number of large balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable. Following on from a year end review, the Company deems all trade debtor balances to be recoverable, therefore no provision has been made for bad debt.

Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labour costs. A stock take is carried out at the end of each month and obsolete items, or items unlikely to sell, are written off to cost of sales. The carrying value of stock at the year end was £69,000 (2016: £68,000). No provision for stock was included in the accounts at year end as it was deemed that all carrying stock was likely to result in a sale.

Accrued and Deferred income

A review of Revenue is undertaken monthly and values are accrued/deferred in line with costs, and based on the timing of when the related projects are undertaken. There was no accrued income at year end as invoicing for all jobs undertaken in the year had been raised by year end. Revenue of £183,000 was deferred. This largely related to bulk stock purchased and released over a period of time to client locations; and deposit invoices raised in advance of completion or commencement of work. Income was deferred in line with deferred costs. Of this deferred income total, £161,000 related to maintenance and service contracts which will be released across the period of the contracts.

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 Company 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 24 (Share based payments).

3. SEGMENTAL INFORMATION

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

	2017 £'000	2016 £'000
UK and Channel Islands	2,884	3,001
Rest of Europe	55	112
North America	74	31
	3,013	3,144

3. SEGMENTAL INFORMATION (CONTINUED)

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

	2017 £'000	2016 £'000
Goods and services	2,418	2,851
Service and maintenance	595	293
	3,013	3,144

4. OPERATING PROFIT

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

5. AUDITORS REMUNERATION

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
- Audit services	16	6

6. STAFF COSTS

	2017 £'000	2016 £'000
Staff costs during the year		
Wages and salaries	655	665
Social security costs	73	71
Share based payment charge	-	83
Pension	4	5
	732	824

6. STAFF COSTS (CONTINUED)

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

Directors' emoluments	2017 £'000	2016 £'000
Executive directors	158	234

One director is accruing benefits under money purchase pension schemes (2016: one).

As noted in the Directors' Report, Geoffrey Robertson, director of the Company during the year, split their time between the Company and the parent company, MediaZest plc. His associated costs have been allocated on a 50% / 50% basis to the Company / Group respectively. The cost recharged to the Company was £57,763.

7. FINANCE COSTS

	2017 £'000	2016 £'000
Bank interest and charges	25	32

8. TAXATION

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

The difference between the total tax expenses shown above and the amount calculated by applying that standard rate of UK corporation tax to the profit / (loss) before tax is as follows:

	2017 £'000	2016 £'000
Profit / (loss) before taxation	114	61
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	23	12
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	-	14
Total tax expense / (credit) for the year	-	1

8. TAXATION (Continued)

Future tax developments

The main rate of corporation tax decreased to 20% on 1 April 2015.

The Finance Act 2016 further reduced the mainstream rate of corporation tax to 18% in April 2020. In September 2016 the government enacted legislation to further reduce the main rate of corporation tax to 17% for tax years from April 2020 onwards.

A deferred tax asset of £1,760,000 (2016: £1,885,000) is not provided on the following (calculated at the corporate tax rate of 17% (2016: 18%) timing differences as there is uncertainty over the future reversal of the asset:

	2017 £'000	2016 £'000
Losses carried forward	10,227	10,350
Net fixed asset timing differences (ACA)	118	117
Short term timing differences	8	5
	10,353	10,472

9. 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 31March 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

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold Improvements £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 April 2015	50	272	322
Additions	-	26	26
Disposals	(43)	(58)	(101)
At 31 March 2016	7	240	247
Depreciation			
At 1 April 2015	45	155	200
Provided during the year	2	53	55
Disposals	(43)	(43)	(86)
At 31 March 2016	4	165	169
Net Book Value			
At 31 March 2016	3	75	78

10. INTANGIBLE FIXED ASSETS

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

10. INTANGIBLE FIXED ASSETS (Continued)

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

11. 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 Company made a provision against slow moving stock of £nil (2016: £6,000).

12. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade receivables	148	301
Amounts due from other group companies	198	198
Corporation tax repayable	4	8
Prepayments and accrued income	87	40
	437	547

12. TRADE AND OTHER RECEIVABLES (Continued)

The Company's credit risk is primarily attributable to its trade and other debtors. 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 £'000	2016 £'000
31 – 60 days	28	30
61 – 90 days	2	-
91 + days	-	2
	30	32

13. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	268	336
Amounts due to other group companies	-	-
Invoicing discounting facility	68	232
Other taxes and social security payables	98	50
Other creditors and accruals	375	278
	810	896

The directors consider that the carrying amount of trade and other payables approximates to their fair value and the Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

The invoice discounting facility is secured over book debts.

14. FINANCIAL LIABILITIES

	2017	2016
Current	**£'000**	**£'000**
Hire purchase liabilities	18	22
Bank loan	21	20
	39	42

	2017	2016
Non-current	**£'000**	**£'000**
Hire purchase liabilities	12	30
Bank loan	6	27
	18	57

Amounts payable under hire purchase contracts are secured against the individual assets financed.

The bank loan is secured against all assets of the Company except in favour of RBSIF releasing book debts from ambit of Natwest security.

15. SHARE CAPITAL

	2017		2016	
	Number of shares	£'000	Number of shares	£'000
Allotted, called up and fully paid				
Ordinary shares of 25p each	685,143	171	685,143	171

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.

16. CAPITAL COMMITMENTS

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

17. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2017 (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS

18. ULTIMATE PARENT COMPANY

The results of MediaZest International Ltd are consolidated in the financial statements of MediaZest plc, being the Company's immediate and ultimate parent and controlling Company, which is incorporated in England and Wales. The financial statements of MediaZest plc can be obtained from that company's registered office, which is Unit 9, Woking Business Park, Albert Drive, Woking, Surrey, GU21 5JY.

19. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash and cash equivalents, invoice discounting facility, bank loan, shareholder loans 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 Company's operations.

The Company'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 Company, 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 Company's finance department.

Market risk and sensitivity analysis

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The Company 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 as disclosed in Note 12 was:

	2017	**2016**
	£'000	**£'000**
Trade receivables	148	301
Cash and cash equivalents	-	-

These are the only amounts classified as loans and receivables under IAS 39.

19. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Company is 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 balance is immaterial therefore no sensitivity analysis is required under IFRS 7.

The Company is exposed to interest rate risk as a result of its invoice discounting facility and bank overdraft, denominated in sterling, which accrue interest at a variable rate, however the interest balance is immaterial and therefore no sensitivity analysis is required under IFRS 7.

The Company has not entered into any derivative transactions during the year under review.

Foreign currency exchange rate risk

The Company 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.

Liquidity risk

The Company 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 Company's financial liabilities, all of which are measured at amortised cost:

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

19. FINANCIAL INSTRUMENTS (Continued)

At 31 March 2016	Trade payables £'000	Invoice discounting facility £'000	Total £'000
6 months or less	310	232	542
6 - 12 months	5	-	5
More than 12 months	21	-	21
Total contractual cash flows	336	232	568
Carrying amount of financial liabilities measured at amortised cost	336	232	568

Capital Risk Management

The Company defines capital as being share capital plus reserves.

The Company's objectives when managing capital are to safeguard the Company's 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.

20. RELATED PARTY TRANSACTIONS

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. Information regarding their compensation, including employer's national insurance contributions is given below in aggregate per IAS 24 Related Party Disclosures.

	2017 £'000	2016 £'000
Short term benefits	158	234
Social security costs	18	26
Share based payment charge	-	72
Pension contributions	5	5
	181	337

There were no sales to other group companies during the year ended 31 March 2017 (2016: £nil). At the balance sheet date the company was owed £198,000 by MediaZest plc (2016: £198,000 owed by). Balances between group companies arise as a result of loans undertaken in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS (Continued)

The Company owed £nil (2016: £21,000) to EP&F Capital Plc at 31 March 2017. Lance O'Neill, Mediazest plc Group chairman, is a director of EP&F Capital Plc.

The spouse of a director, is an employee of the company who received salaried remuneration of £42,000 in the year. She also loaned the company £10,000 during the year, which was repaid in full by year end. The son of a director, provides consulting services through his company, Technivents, and received invoiced remuneration of £13,000 in the year.

21. CASH USED IN OPERATIONS

	2017	2016
	£'000	£'000
Profit after tax	118	60
Tax charge	(4)	1
Finance costs	25	32
Depreciation charge	52	55
(Profit)/Loss on sale of tangible assets	(9)	-
Amortisation charge	25	24
(Increase)/Decrease in inventory	(1)	19
Increase/(Decrease) in payables	79	(235)
(Increase)/Decrease in receivables	104	119
Share based payment charge	-	83
Net cash inflow / (outflow) from operating activities	389	158

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017	2016
	£'000	£'000
Cash held at bank and in hand	160	9
Invoice discount facility	(68)	(232)
	92	(223)

The directors consider that the carrying amounts approximate to their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

23. LIST OF PUBLISHED IFRS THAT ARE NOT EFFECTIVE FOR THE FINANCIAL STATEMENTS FOR YEAR TO 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 2015 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 Company.

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.

24. SHARE BASED PAYMENTS

During 2006 the Board adopted a share option scheme and the Company issued share options in the parent company 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.

24. SHARE BASED PAYMENTS (Continued)

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	0.35p
Granted during the year	-	
Forfeited during the year	-	
Exercised during the year	-	
Expired during the year	-	
Outstanding at the end of the year	129,130,000	0.35p
Exercisable at the end of the year	129,130,000	

	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 Company recognised total expenses of £nil (2016: £83,000) related to equity-settled share-based payment transactions.

25. LEASING COMMITMENTS

The Company 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	-	-	-	-
	72	1	31	5

26. 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.

Capital redemption reserve

The reserve records the nominal value of shares repurchased by the company.

Capital contribution reserve

The reserve is for long-term capital investment projects that will be incurred in the future.

Retained earnings

Retained earnings relates to accumulated profits less distributions to shareholders.