

29 June 2010

**Zest Group plc**  
(“Zest” or “the Group”)

**Interim Results**  
for the six months ended 31 March 2010

Zest Group plc (AIM:ZEST), announces its interim results for the six months ended 31 March 2010.

During the period the Group made a loss before taxation of £194,000 (2009: loss £113,000). There was a loss per share from continuing operations of 0.05p (2009: loss per share 0.07p).

**Current trading**

During the period under review the Group has continued to make progress on several fronts.

Tony Fennell has been writing in Los Angeles both for a new artist and a new television show. In addition one of his songs has been recorded by Warner Bros artist " Fabio" and will be released throughout the world this year.

The Group is negotiating the release of Tara Chinn's Album with a major European based label.

We have suffered delays on the sales of Nasio Fontaine's catalogue with the current distributor and publishing administrator. Although we expect this issue to be resolved in the final quarter of this year, we have been in negotiations to secure a new worldwide distribution deal. In addition one of Nasio's songs has been placed in a movie which is due to be released during the first quarter of 2011.

In 2006 Zest signed songwriter Ben Langmaid. In 2008 we released him from his agreement but put in place a settlement agreement. This agreement called for two payments which for legal reasons cannot be listed. We received the first one in 2009 and the second payment is due in the third quarter of 2010. Ben has recently had worldwide success writing with the artist La Roux.

The Group has also begun to provide consultancy services drawing on the experience of its executives which has provided us with a new revenue stream.

**Outlook**

The Group has continued to incur losses to date and is reliant on external funding. In November 2009 the Company raised £300,000 through a placing of new shares to fund its working capital requirements. The Group is actively managing its cost base and has reduced its overheads but will need to raise further funds for working capital by the end

of its financial year. The Group is in discussions with potential funders and will provide an update in due course

The Group is continuing to develop its current roster of artists and in line with its strategy will continue to look for potential acquisition opportunities.

**Richard Griffiths**

Chairman

29 June 2010

**ZEST GROUP PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE PERIOD ENDED 31 MARCH 2010

	No te	Unaudited Six months ended 31 March 2010 £'000	Unaudited Six months ended 31 March 2009 £'000	Audited Year ended 30 September 2009 £'000
Administrative expenses				
- reversal of impairment/(impairment) of advance payments to artists		-	-	60
- other administrative expenses		(194)	(117)	(347)
Total administrative expenses		<u>(194)</u>	<u>(117)</u>	<u>(287)</u>
<b>Loss from operations</b>		<b>(194)</b>	<b>(117)</b>	<b>(287)</b>
Finance income		-	4	4
<b>Loss for the period before taxation</b>		<b>(194)</b>	<b>(113)</b>	<b>(283)</b>
Taxation expense		-	-	-
<b>Loss for the period after taxation and loss attributable to the equity holders of the company</b>		<b>(194)</b>	<b>(113)</b>	<b>(283)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive expenditure for the period</b>		<b>(194)</b>	<b>(113)</b>	<b>(283)</b>
<b>Basic and diluted loss per ordinary share (pence)</b>	4	<b>(0.05)p</b>	<b>(0.07)p</b>	<b>(0.16)p</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE PERIOD ENDED 31 MARCH 2010

	<b>Share capital</b>	<b>Share premium</b>	<b>Share based payment reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October 2008	434	3,598	166	(4,059)	139
Loss for the year	-	-	-	(283)	(283)
Employee share based compensation	-	-	11	-	11
At 30 September 2009 (audited)	434	3,598	177	(4,342)	(133)
Loss for the period	-	-	-	(194)	(194)
Issue of share capital	30	270	-	-	300
Employee share based compensation	-	-	13	-	13
<b>At 31 March 2010 (unaudited)</b>	<b>464</b>	<b>3,868</b>	<b>190</b>	<b>(4,536)</b>	<b>(14)</b>

**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 MARCH 2010

	Note	Unaudited 31 March 2010 £'000	Unaudited 31 March 2009 £'000	Audited 30 September 2009 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		-	-	-
Property, plant and equipment		-	1	1
		<u>-</u>	<u>1</u>	<u>1</u>
<b>Current assets</b>				
Trade and other receivables		47	76	12
Cash and cash equivalents		30	53	5
<b>Total current assets</b>		<u>77</u>	<u>129</u>	<u>17</u>
<b>Total assets</b>		<u>77</u>	<u>130</u>	<u>18</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		91	93	151
<b>Total current liabilities and total liabilities</b>		<u>91</u>	<u>93</u>	<u>151</u>
<b>Equity</b>				
Share capital	5	464	434	434
Share premium		3,868	3,598	3,598
Share based payment reserve		190	177	177
Retained earnings		(4,536)	(4,172)	(4,342)
<b>Total equity attributable to equity holders</b>		<u>(14)</u>	<u>37</u>	<u>(133)</u>
<b>Total equity and liabilities</b>		<u>77</u>	<u>130</u>	<u>18</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE PERIOD 31 MARCH 2010

	<b>Unaudited Six months ended 31 March 2010 £'000</b>	Unaudited Six months ended 31 March 2009 £'000	Audited Year to 30 September 2009 £'000
<b>Operating activities</b>			
Loss after taxation	(194)	(113)	(283)
Finance costs	-	-	-
Finance income	-	(4)	(4)
Amortisation of intangibles	-	-	-
Depreciation	1	-	-
Impairment of intangible fixed assets	-	-	-
Increase in inventories	-	-	-
Decrease/(increase) in trade and other receivables	(35)	57	121
(Decrease)/increase in trade and other payables	(60)	36	94
Equity settled share based payments	13	11	11
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(275)</b>	<b>(13)</b>	<b>(61)</b>
<b>Investing activities</b>			
Finance income	-	4	4
Adjustment to purchase price of subsidiary undertakings	-	-	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>-</b>	<b>4</b>	<b>4</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital	300	-	-
Share issue costs	-	-	-
<b>Net change in cash and cash equivalents</b>	<b>25</b>	<b>(9)</b>	<b>(57)</b>
Cash and cash equivalents at beginning of period	5	62	62
<b>Cash and cash equivalents at end of period</b>	<b>30</b>	<b>53</b>	<b>5</b>

## **NOTES TO THE INTERIM REPORT**

### **FOR THE PERIOD ENDED 31 MARCH 2010**

#### **1 GENERAL INFORMATION**

The financial information for the period ended 31 March 2010 does not constitute statutory accounts as defined in Section 240 of the Companies Act 2006. The figures for the year ended 30 September 2009 have been extracted from the 2009 statutory financial statements. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) of the Companies Act 2006.

#### **2 BASIS OF PREPARATION**

The Company's shares are listed on the AIM market of the London Stock Exchange and apply the Companies Act 2006 when preparing its annual financial statements.

The principal accounting policies of the Group remain unchanged from those set out in the Group's 2009 financial statements except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however, some items that were recognised directly in equity are now recognised in other comprehensive income, for example gains/losses on available for sale financial assets. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

The adoption of IFRS 8 has not changed the segments that are disclosed in the interim financial statements.

Interim financial information in this report has been neither audited nor reviewed by the Group's auditors.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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 circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results

#### **3. SEGMENTAL REPORTING**

##### **(a) By business segment (Primary segment)**

As defined under International Financial Reporting Standard 8 (IFRS 8) the only material business segment the Group has is that of music publishing and distribution.

##### **(b) By Geographical Segment (Secondary segment)**

Under the definitions contained in IFRS 8 the only material geographic segment the Group operates in is the United Kingdom.

#### 4 LOSS PER SHARE

The calculation of the loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	<b>Six months ended 31 March 2010</b>	Six months ended 31 March 2009	Year ended 30 September 2009
Loss for the period from total operations (£'000)	<u>(194)</u>	<u>(113)</u>	<u>(283)</u>
Weighted average number of 0.25p ordinary shares	<u>412,630,039</u>	<u>173,619,050</u>	<u>173,619,050</u>
Loss per share from total operations	<u>(0.05)p</u>	<u>(0.07)p</u>	<u>(0.16)p</u>

The share options are anti-dilutive.

#### 5 SHARE CAPITAL

	<b>Unaudited 31 March 2010 £'000</b>	Unaudited 31 March 2009 £'000	Audited 30 September 2009 £'000
Authorised			
4,000,000,000 ordinary shares of 0.01p	400	400	
4,000,000,000 deferred shares of 0.24p	9,600	9,600	
4,000,000,000 ordinary shares of 0.25p			10,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Allotted, issued and fully paid			
173,619,050 deferred shares of 0.24p	417	-	417
473,619,050 ordinary shares of 0.01p (31 March 2009: 173,619,050 ordinary shares of 0.25p and 30 September 2009: 173,619,050 ordinary shares of 0.01p)	47	434	17
	<u>464</u>	<u>434</u>	<u>434</u>

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