

Interim Report

2000



Motion Media

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Chairman's Statement

I have pleasure in presenting the report of Motion Media PLC for the half-year ended 30 June 2000.

The first six months of this year has been an eventful period for your Company. In May we raised £17 million of new finance and moved to the Official List of the London Stock Exchange.

The new investment is already being used to expand and develop Motion Media to address the extensive new opportunities which are presenting themselves at an unprecedented rate. As we said at the time of the fundraising, we will be using the proceeds to expand our sales support worldwide, develop targeted market sectors, increase advertising and focus on new core technology and product development.

Significant progress has been made in recruiting new staff to build up our sales, marketing and technical departments. Business managers are now in place to cover each of our key market sectors of Video Conferencing, Surveillance and Telehealth and the process to recruit a senior manager to run the US activity is now well advanced. The total number of staff has already grown from 50 at flotation to 67 at the time of this report.

To accommodate this and further planned growth in staff, we have acquired a short lease on an additional site near our existing headquarters and have invested £1.25 million in a unique freehold site near Bristol to be re-developed for intended occupation in the middle of 2001.

Motion Media has started a programme of advertising campaigns both in the UK and the US. Advertisements have appeared on railway stations, in major newspapers and in-flight magazines. These campaigns have been supported by the distribution of videos and CDs which demonstrate the benefits and performance of our products.

Chairman's Statement *continued*

Major progress is being made in the Telehealth sector where many key relationships have been formed and a high profile has been achieved both in the UK and overseas. Motion Media is part of a successful consortium, lead by Tunstall Telecom, Europe's leading supplier of social alarm and emergency communication equipment, which is deploying video telecare facilities within homes covered by West Lothian's Social Services. This £1 million telehealth project is believed to be the largest of its kind in the UK, uses state-of-the-art technology and is due to be extended to 169 homes under a project funded by the Scottish Parliament.

Telecare is set to become a key strategic element of healthcare throughout the developed world over the course of the next decade as governments seek to provide high quality care provision at a reduced cost.

Our surveillance products took a major step forward in the security market in May with the signing of Norbain as a master distributor for our Eyesite range. Norbain will market the range through its nationwide customer base of security product installers and end-users and an advertising campaign promoting the Eyesite products is planned later in the year.

Sales and forward order levels for Motion Media's technology embedded in board products supplied to original equipment manufacturers are showing strong growth. This technology is being applied in surveillance end points, PC based video call centres and video servers providing video on demand functionality.

In video conferencing, there is an increasing level of interest in two way video communications from telecommunications companies as they search for applications which use high bandwidths and provide services from which they can derive a sustainable income stream. We were particularly pleased to

receive an order from BT for 360 mm225 videophones for use in a trial within people's homes. The aim of the trial is to assess usage patterns within families and groups of individuals and a successful outcome could pave the way for widespread promotion and high volume deployment of videophones in the consumer market next year.

Development work has continued on the Orange Mobile Videophone enabling Orange to conduct live demonstrations at a number of recent events. As this GSM product moves from development into its marketing phase, we are looking at opportunities to develop a new generation of mobile videophones and other wireless products as well as the service infrastructure needed to maximise their potential.

Work is now well underway on the next generation of core technology, which will be used in our future products. These will include IP videophones and video terminals with larger screens, capable of delivering high quality two way video calls as well as one way video-on-demand functionality. The same technology will be applied to next generation mobile video products and to future products in order to address our existing and new market sectors.

Sales during the first six months amounted to £1.4 million, a similar figure to last year. The start of the year was quiet, partly due to the diversion of management time on the flotation and partly due to our lack of financial resources to support sales and marketing, a situation which has now changed. Our advertising campaigns started in May and therefore had minimal impact upon these figures, but should begin to have an effect in the second half of the year. Our order book is significantly stronger now and your board is confident that the remaining part of the year will see a resumption of growth in sales.

Chairman's Statement *continued*

Finally I would like to express the appreciation of the directors for the support of our shareholders and employees during the period. Motion Media now has significant financial resources at its disposal and these are being applied to building a strong technological, sales and marketing base for the future.

Rex Thorne OBE *Chairman*

4 September 2000

Consolidated Profit and Loss Account

FOR THE SIX MONTHS ENDED 30 JUNE 2000		Six months ended 30 June 2000 (Unaudited) £	Six months ended 30 June 1999 (Unaudited) £	Year ended 31 December 1999 (Audited) £
	Note			
Turnover		1,411,211	1,463,979	2,718,967
Cost of sales		(469,509)	(661,762)	(1,099,868)
Gross profit		941,702	802,217	1,619,099
Administrative expenses		(1,705,359)	(1,103,227)	(2,235,741)
Other operating income		34,598	59,365	91,813
Operating loss		(729,059)	(241,645)	(524,829)
Interest receivable		156,381	278	371
Interest payable		(1,804)	(329)	(1,077)
Loss for the period	5	(574,482)	(241,696)	(525,535)

All of the above results relate to continuing activities.

Loss per share - basic	4	0.63p	0.28p	0.61p
Loss per share - diluted	4	0.62p	0.28p	0.60p

Consolidated Statement of Total Recognised Gains and Losses

FOR THE SIX MONTHS ENDED 30 JUNE 2000		Six months ended 30 June 2000 (Unaudited) £	Six months ended 30 June 1999 (Unaudited) £	Year ended 31 December 1999 (Audited) £
Loss for the period		(574,482)	(241,696)	(525,535)
Lapsed share option - advance payment		-	120,000	120,000
Total recognised gains and loss relating to the period		(574,482)	(121, 696)	(405,535)

Consolidated Balance Sheet

AT 30 JUNE 2000	AT 30 JUNE 2000 (Unaudited) £	AT 30 JUNE 1999 (Unaudited) £	AT 31 DECEMBER 1999 (Audited) £
Note			
Fixed assets			
Intangible assets	13,222	-	-
Tangible assets	220,366	187,376	165,550
	233,588	187,376	165,550
Current assets			
Stocks	566,298	235,142	532,671
Debtors due within one year	729,595	619,067	577,307
Cash at bank and in hand	17,593,670	231,214	20,956
	18,889,563	1,085,423	1,130,934
Creditors: amounts falling due within one year			
	(561,036)	(350,542)	(651,917)
Net current assets	18,328,527	734,881	479,017
Total assets less current liabilities			
	18,562,115	922,257	644,567
Creditors: amounts falling due within one year			
	(1,947)	(1,406)	(4,555)
Net assets	18,560,168	920,851	640,012
Capital and reserves			
Called up share capital	5 1,011,155	1,049,143	1,052,143
Share premium account	5 21,948,714	3,595,770	3,595,770
Capital redemption reserve	5 182,682	-	-
Profit and loss account	5 (4,582,383)	(3,724,062)	(4,007,901)
Shareholders' funds (including non-equity)			
	18,560,168	920,851	640,012

Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2000	Note	SIX MONTHS ENDED 30 JUNE 2000 (Unaudited) £	SIX MONTHS ENDED 30 JUNE 1999 (Unaudited) £	YEAR ENDED 31 DECEMBER 1999 (Audited) £
Net cash (outflow)/inflow from operating activities	6	(831,583)	110,215	(204,552)
Returns on investments and servicing of finance				
Interest received		156,381	278	371
Interest paid		(1,129)	-	-
Interest element of hire purchase rental payments		(675)	(329)	(1,077)
		154,577	(51)	(706)
Capital expenditure and financial investment				
Purchase of intangible fixed assets		(22,306)	-	-
Purchase of tangible fixed assets		(119,964)	(25,618)	(61,423)
Sales of tangible fixed assets		19,444	-	19,098
		(122,826)	(25,618)	(42,325)
Management of liquid resources				
Increase in short term deposits		(17,000,000)	-	-
		(17,000,000)	-	-
Cash (outflow)/inflow before financing				
		(17,799,832)	84,546	(247,583)
Financing				
Issue of ordinary shares capital	5	19,368,321	6,500	9,500
Share issue costs	5	(873,683)	-	-
Repayment of capital element of hire purchase contracts		(2,092)	(1,560)	(2,689)
		18,492,546	4,940	6,811
Increase/(Decrease) in cash in the period				
	7	692,714	89,486	(240,772)

Notes to the Interim Financial Statements

1 BASIS OF PREPARATION

These interim financial statements, which are unaudited and have not been reviewed, have been prepared on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 December 1999.

The figures for the year ended 31 December 1999 are an abridged version of the Group's published financial statements which have been reported on by the Group's auditor and filed with the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The financial information in this statement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2 TAXATION

The Group has tax losses of approximately £3,111,000 brought forward at 1 January 2000 available for offset against future trading profits arising from the same trade. No provision for taxation has been provided at 30 June 2000.

3 DIVIDENDS

The Directors do not recommend the payment of a dividend at this stage in the Company's development.

4 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue during the period of 90,758,515.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares in accordance with FRS 14. Dilutive potential ordinary shares are share options granted to employees where the exercise price is below the average market price of the Company's ordinary shares during the period and any related performance targets had been satisfied at the end of the period. The diluted weighted average number of ordinary shares for the period was 92,692,736.

The losses per share for the comparative periods have been adjusted to reflect the share sub-division on 5 May 2000 (note 5).

5 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Share premium	Capital redemption Reserve	Profit & loss Account	30 June 2000 (Unaudited)
	£	£	£	£	£
At 1 January 2000	1,052,143	3,595,770	-	(4,007,901)	640,012
Other reserve transfer	(182,682)	-	182,682	-	-
Shares issued	141,694	19,226,627	-	-	19,368,321
Share issue costs	-	(873,683)	-	-	(873,683)
Loss for the period	-	-	-	(574,482)	(574,482)
At 30 June 2000	1,011,155	21,948,714	182,682	(4,582,383)	18,560,168

On 7 April 2000 1,826,820 Deferred shares of 10p each were redeemed for nil consideration. The nominal value has been transferred to a capital redemption reserve.

On 24 January 2000, 125,000 new ordinary shares of 10p each were issued to institutional shareholders at £13.50 per share.

On 5 May 2000, each issued and authorised but unissued ordinary share of 10p each was subdivided into 10 ordinary shares of 1p each.

On 8 May 12,599,444 new ordinary shares of 1p each were issued at £1.40 per share pursuant to the Placing and Open Offer on terms and conditions and on the basis set out in the Prospectus of the Company dated 11 April 2000.

On 8 May employee options over 320,000 new ordinary shares of 1p each were exercised at 13p per share.

6 RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Six months ended 30 June 2000 (Unaudited) £	Six months ended 30 June 1999 (Unaudited) £	Year ended 31 December 1999 (Audited) £
Operating loss	(729,059)	(241,645)	(524,829)
Depreciation of tangible fixed assets	54,599	52,295	106,665
Amortisation of intangible fixed asset	9,084	-	-
Profit on disposal of tangible fixed assets	(8,895)	-	(9,494)
(Increase)/Decrease in stock	(33,627)	100,644	(196,885)
(Increase)/Decrease in debtors	(152,288)	143,091	184,851
Increase in creditors	28,603	55,830	235,140
Net cash (outflow)/inflow from operating activities	(831,583)	110,215	(204,552)

7 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months ended 30 June 2000 (Unaudited) £	Six months ended 30 June 1999 (Unaudited) £	Year ended 31 December 1999 (Audited) £
(Decrease)/Increase in cash in the period	692,714	89,486	(240,772)
Cash outflow on liquid resources	17,000,000	-	-
Cash outflow from hire purchase	2,092	1,560	2,689
Movement in net funds arising from cash flows	17,694,806	91,046	(238,083)
New hire purchase contract	-	-	(6,343)
Net (debt)/funds at start of period	(107,069)	137,357	137,357
Net funds/(debt) at end of period	17,587,737	228,403	(107,069)

8 ANALYSIS OF NET FUNDS

	At 1 January 2000 £	Cash flow £	At 30 June 2000 (Unaudited) £
Cash at bank	20,956	572,714	593,670
Bank overdraft	(120,000)	120,000	-
Short term deposits	-	17,000,000	17,000,000
Hire purchase contracts	(8,025)	2,092	(5,933)
	(107,069)	17,694,806	17,587,737

9 DISTRIBUTION

Copies of the interim financial statement are being sent to shareholders. Further copies of the interim financial statement and the Annual Report and Accounts may be obtained from the Company's Registered Office, Horton Hall, Horton, Bristol, BS37 6QN.

Directors, Officers and Advisers

DIRECTORS

Rex Francis Thorne OBE, BSc, FIM, MCIM

Non-executive Chairman

Kenneth Neville Burgin BSc

Managing Director

Iain Charles Silvester BSc, ACA

Finance Director

John Duncan Martin B Eng

Technical Director

Nicholas Graham Sturge B Eng, AMIEE

IT and Quality Director

David Edward Sykes BSc, MSc

Sales and Marketing Director

Alan Richard MacKenzie BSc (Econ), MSI Dip

Non-executive Director

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