23 April 2021

Zinc Media Group plc ("Zinc Media" or the "Group")

Results for the 18 months ended 31 December 2020 and notice of AGM

Zinc Media Group plc today announces its results for the 18 months ended 31 December 2020.
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Headlines

With the actions it has taken the Group has successfully navigated the challenges presented by Covid-19.

- H2 2020 revenues increased by 33% to £9.7m and adjusted EBITDA losses reduced by 40% to £0.5m compared to H1 2020
- Gross cash increased to £6.8m at 31 December 2020 (30 June 2019: £3.2m) and was £6.6m at 13 April 2021
- Net cash increased to £3.4m at 31 December 2020 (30 June 2019: Net debt of £0.5m) with net cash at 13 April 2021 of £3.2m
- The Group has booked £12.2m of revenue which is forecast to deliver in 2021, an increase of £2.9m since January. This includes a significant commission from a new customer, commissioned from new label Supercollider
- TV gross margins have increased by almost 5% to 29.6% in the 18 months to December 2020. They are currently tracking at 6% higher than FY 19 which equates to a £0.8m improvement in profitability based on FY 19 pre-Covid-19 revenues
- The Group has a healthy pipeline of new business totalling £39m for 2021 and £21m for 2022. For 2021 £6m is highly advanced, £17m in engaged conversation, and £16m in early discussion
- All elements of the transformation plan laid out in September 2019 have now been activated
- With all critical elements of the transformation plan activated, the Group is now confident it can be profitable and cash generative when revenues recover to pre-Covid levels

Financial Headlines

During the period, the Group's accounting reference date was changed from 30 June to 31 December and, as a result, this report contains the Group's results for the eighteen months to 31 December 2020. The prior year comparative figures relate to the 12 month period ended 30 June 2019.

Financial performance in the period was materially affected by Covid-19 restrictions which began halfway through the period and resulted in delayed productions and commissioning.

- For the 18 months to December 2020 the Group generated revenue of £30.6m (FY 19: £23.2m) and a loss of £0.8m at Adjusted EBITDA* level (FY 19: profit of £0.2m) from continuing operations.
- The Group has closed or significantly restructured two loss-making businesses, the Zinc Communicate CSR (Corporate Social Responsibility) division and the Manchester based TV business Blakeway North, which in total accounted for £0.5m or 40% of the total Adjusted EBITDA losses in the 18 month reporting period. The CSR business, which has been closed, accounted for £0.4m of this.
- To help mitigate the impact of Covid-19 the Group immediately implemented a short-term cost reduction plan. Between April and June 2020 £0.7m of savings were generated from a combination of furloughing staff, staff being on reduced hours, non-executive Directors taking no pay and senior management, including the CEO and CFO, taking pay cuts of up to 40%. As a result of these savings the Covid-driven Adjusted EBITDA loss in the 18 month period was almost halved.

- The Group has made significant structural changes to promote the long-term financial stability of the business. Between February and November 2020, the Company completed a balance sheet restructure that included:
    - £7.5m of new capital raised;
    - Conversion of all preference shares to ordinary shares;
    - Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022;
    - A share consolidation at a ratio of 500:1; and
    - A court approved reduction of part of its share capital and share premium account and merger reserve which has resulted in the Group having positive distributable reserves at 31 December 2020.
- The move to new headquarters in March 2020 aided cashflow due to the initial rent free period.

* Adjusted EBITDA defined as EBITDA before share based payment charge, loss on disposal of fixed assets and exceptional items.

Operational Headlines

- Programmes delivered or transmitted in the period include:
    - *Fighter Pilots: The Real Top Gun* and *The Station: Trouble on the Tracks* both transmitted to great acclaim and ratings on ITV in their 9pm slot
    - *King Tutankhamun in Colour* was a three-way co-production between National Geographic, BBC and France TV
    - *Emergency Helicopter Medics,* More 4's successful documentary series
    - *Critical Incident*, a co-production between two Group companies, was produced during the period and illustrates the wider opportunity the Group has in aligning its geographical labels to win new commissions
    - *Being Gail,* BBC ONE and BBC Scotland's documentary series
    - *The Curious Life and Death Of…* is a six-part series for a new customer, the Smithsonian Channel in the USA
- Titles transmitted since year end include:
    - *The Blitz with Lucy Worsley*, a follow-up to the BAFTA Award winning *Suffragettes with Lucy Worsley*, transmitted on BBC ONE in February 2021
    - Norma Percy's latest series *Trump Takes on the World*, a three-part series for the BBC and ARTE France and other international broadcasters, transmitted on BBC ONE to great acclaim
    - *The Hunt for Gaddafi's Billions*, a feature-length documentary for BBC, VPRO, ZDF/Arte, SVT, DR, TSR and several other broadcasters transmitted on BBC FOUR
- The Group has been nominated for a BAFTA (following its BAFTA win in 2019) for *Psychosis and Me*, with Hollywood actor David Harewood for BBC TWO, and won multiple RTS awards, a Venice TV award and two Scottish BAFTAs
- Made outside London (MoL) revenues increased to 58% of turnover
- 152 hours of TV were transmitted in the 12 months of 2020

Mark Browning, CEO of Zinc Media Group, said:

"The Group has successfully navigated the worst of the Covid crisis, which negatively impacted the whole television production market. The bounce back in revenues in H2 2020 demonstrates the resilience of the Group and margins continue to improve. We are winning new business and have a strong pipeline for 2021 and 2022. Our hardworking teams throughout the UK deserve huge credit for their creativity and perseverance, and we look forward to steadier times ahead."

Copies of the annual report and accounts

The annual report and accounts is available on the company's website at www.zincmedia.com and a hard copy will be posted to those shareholders registered to receive one.

Notice of annual general meeting

Accompanying the accounts is notice of the Company's 2021 annual general meeting, which will take place at 10:00a.m. on Friday 28 May 2021 at the company's offices, 17 Dominion Street, London EC2M 2EF.

Please note that, to the extent there remain government measures in place as a result of Covid-19, shareholders, their proxies and corporate representatives may not be permitted to attend the AGM in person if those government measures prohibit it. The Company will continue to update shareholders on arrangements for the AGM through a regulatory information service and the Company's website at www.zincmedia.com/investors. Shareholders are advised to check the Company's website regularly for updates. Accordingly, given the uncertainty, we strongly encourage shareholders to complete and return their proxy votes by the time required appointing the Chairman of the meeting as your proxy.

For further information, please contact:

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About Zinc Media Group

Zinc Media Group plc is a leading television and content creation group.

The award-winning and critically acclaimed television labels comprise Blakeway, Brook Lapping, Films of Record, Red Sauce, Supercollider and Tern Television and produce programmes across a wide range of factual genres for UK and international channels.

Zinc Communicate specialises in developing cross-platform content for brands, businesses and partners.

For further information on Zinc Media please visit www.zincmedia.com

CHAIRMAN'S STATEMENT

The new management and Board embarked on a transformation plan for the Group announced in September 2019. This plan contained four priorities, detailed in the last annual report and reviewed in this year's CEO report. Despite the significant challenges presented by Covid-19 in 2020 the key elements of this transformation plan were completed by September 2020, four months earlier than anticipated. These will enable the Group to deliver profitability and cash generation on the return to pre-Covid-19 revenue levels.

As we have seen from Broadcaster statements and production house announcements recently, the postponement of production and the delivery of shows has presented significant headwinds to an industry that is dependent upon human interaction. Covid-19 significantly impacted the Group in 2020 with revenues in H1 2020 down almost 50% to £7.3m (H2 2019: £14.2m), due to the nationwide lockdown which halted television production. The encouraging news is that the Group saw revenues recover in the second half of 2020 to £9.7m.

The Group has made substantial changes to deliver profitability and cash generation when revenues recover to pre-pandemic levels. The timing of this recovery remains difficult to forecast with the result that the Group is unable to release forecasts into the market at this time. However, and in keeping with comments made by the Chief Executive, we are making all efforts to keep both our current shareholders, and future shareholders, as informed as possible via a number of different platforms. The Group will continue with ambitious change as it explores new revenue opportunities, brings new talent to the Group and explores opportunities to scale the Group in the near term.

The Board would like to thank the management team for successfully navigating the Group through the most difficult year in its 20-year history, the employees and freelancers for their professional and dedicated work, and our shareholders for their support.

CEO'S REPORT

Strategy and Outlook

The Group laid out a clear 4-point strategic plan in September 2019. It has reported on the progress of this plan in a number of announcements through the Regulatory Information Services since then. Despite the enormous challenges caused by Covid-19 it rigorously pursued the plan which aims to transform the Group to a position of profitability and cash generation.

The Group has activated all critical elements of this plan with the following results:

1. Improvement in London and Manchester TV gross margins

Gross margins of television production in London and Manchester TV increased from 24.7% in FY 19 to 29.6% in the 18 months to December 2020. This equates to a £0.6m improvement based on FY 19 pre-Covid-19 revenues.

Gross margins on the new workflow, underpinned by investment in new technology, changes in production management and improvements in financial reporting, are currently tracking at 6% higher than FY 19, which equates to a £0.8m improvement based on FY 19 pre-Covid-19 revenues.

2. Revenue Growth and Diversification

Despite Covid-19, the planned revenue diversification has progressed well: the Group won three new clients - UKTV, A&E networks and Smithsonian - and earned £0.8m of new revenue from new commissioning departments in the BBC and Channel Four. Further revenue diversification has followed in 2021.

Despite revenues declining in the period due to the Covid-19 pandemic which caused substantial delays to television production in 2020 and market uncertainty, the Group is well positioned for future revenue growth having repositioned itself in the market with new labels, divisions and senior hires. A new popular factual TV label, Red Sauce, was launched in 2020 based in London and Manchester, and a new TV and branded content label, Supercollider, was launched in Q2 2021. Two new Zinc Communicate production divisions have been created to produce content for new buyers. They are synergistic with the television businesses and will benefit from sharing workflows and infrastructure.

3. Cultural and Creative Renewal

The Group has undergone significant change in order to make it easier for clients and customers to engage with the Group, for duplication to be removed, and for creativity and communication to flourish. The Group is now organised in two business units: Zinc Television and Zinc Communicate.

Significant changes include:

a) The creation of one single, collaborative television team in London and Manchester, operating under one Managing Director, where previously there were four.

b) The creation of a single, collaborative Zinc Communicate division, operating under one Managing Director, where previously there were two.

c) The creation of a single unified workflow for creative development, financial reporting and forecasting.

d) The closure or significant restructuring of two previously loss-making businesses which accounted for £0.5m or 40% of the Group's total Adjusted EBITDA losses in the 18 months to December 2020. The CSR business, which has been closed, accounted for £0.4m of this.

e) The implementation of a performance management regime that rewards profitability and margin management.

4. Investment in operational excellence

The Group invested in improving operational excellence in a number of areas including:

a) Investment of £0.5m in post-production facilities, enabling audio finishing and 4k production along with improved gross TV margins

b) The relocation of the London businesses into a new creative HQ, saving the Group £0.1m per annum

c) Investment in HR to drive continual improvements in performance, retain high performing talent, and deliver the required change management programme; this was a very timely investment given the hugely complex and demanding challenges associated with Covid-19

d) Investment in improved financial practices, including the delivery of in-house payroll, new pipeline management and better management information to improve decision making.

With all critical elements of the transformation plan implemented, the Group is now confident it can be profitable and cash generative when revenues recover to pre-Covid-19 levels. In the 12 months ending December 2019, the Group reported revenues of £28.9m and Adjusted EBITDA of £0.1m. Following the changes made above, when the Group returns to revenues of this level, management believe that the Group will be able to generate significant profitability.

Five strategic priorities for 2021

The Group has five strategic priorities for 2021, which will form the basis of future reporting. These are:

1. Revenue growth and diversification

Rebuilding revenues to pre-Covid-19 levels is now the Group's primary priority. Much of this will be market dependent. The third lockdown at the start of 2021 has further delayed existing production and the speed of new commissions but this is expected to strengthen in H2 2021. To maximise the probability of revenue

recovery, and in anticipation of accelerated opportunity towards the end of 2021 and into 2022, the Group will continue to pursue new business winning hires as opportunities arise in the year ahead.

2. Gross margin growth

Margin management and further improvement to TV gross margins remains a strategic priority. The Group aims to improve margins through further investment and improvements to production management, and through the recent appointment of a Group CTO who joins in the summer of 2021. It is anticipated that this post will also create new revenue opportunities.

3. Cash generation and cash management

Having improved television gross margins, closed loss making businesses and restructured divisions, the Group is better positioned to turn revenue growth into cash generation. The group will continue to explore investments in new talent and business winning personnel to maximise the opportunity for future cash generation, while remaining focused on short term cash management.

4. Performance culture

A considerable amount of work has been completed in creating a new high-performance culture in the Group. Strategic objectives are set for all employees for 2021 aligned to the overall Group strategy. All senior business generating roles and cost management roles are aligned to, and rewarded by, the delivery of the strategic priorities of revenue generation, diversification and margin growth. Performance management is now operating in every division in the Group to drive continued improvement and retain the best talent.

5. Shareholder engagement and communication

The Group is committed to regular engagement and dialogue with all investors. There is increasing confidence in the market opportunity for Zinc Media Group to become a vehicle for accelerated growth and value creation in the years ahead and it is now working with Western Advisors to assist with investor relations and communication, and has begun holding events for investors on the Investor Meet Company platform.

Zinc is privileged to have long term and supportive shareholders, and the company would like to thank them for their support and guidance during the reporting period.

Market and Outlook

The Group has currently booked £12.2m of revenue which is forecast to deliver in 2021. While this is not yet back to pre-Covid-19 levels, it continues to build.

In television this includes a new returning series of *Emergency Helicopter Medics* for Channel 4, a new series for W, a UKTV channel, which is a new buyer for Zinc, and a significant production for another new customer. Zinc's radio businesses continue to win new business and the Group has won its first ever commission for a brand new original series for Amazon Audible. The new Zinc Communicate business is booking in line with 2021 targets in its digital publishing business and has secured three partnerships for 2021 in its new video marketing business.

The Group has a healthy pipeline of new business for delivery in 2021 totalling £39m. £6m is highly advanced, £17m in engaged conversation, and £16m in early discussion.

A simpler and better structured Group

The Group has undergone significant change in order to make it easier for clients and customers to engage with the business, removing duplication and allowing for improved creativity and communication. The Group is now organised in two business units: Zinc Television and Zinc Communicate.

Zinc Television produces television programmes for the UK and international markets. These markets broadly fall in to three types of buyer:

- **Public Service Broadcasters (PSBs):** These channels are publicly funded as in the case of the BBC in the UK, or commercial PSBs which are predominantly funded by advertisers, as in the case of ITV, Channel 4 and Channel 5. The majority of original commissioned hours come from this market.

- **Multi-channel networks:** These channels sit on a variety of platforms including satellite and cable networks and are often owned and managed by large international broadcasters. These channels include those owned by large global media owners including Sky, Comcast and Viacom, and includes channels such as Sky One, Smithsonian, Discovery and A+E. These channels increasingly commission original content from the production sector.

- **Subscription Video on Demand (SVoD):** SVoD channels are primarily on demand channels rather than scheduled linear channels and are primarily funded by subscription rather than advertising. These channels include Netflix, Disney+, Discovery+, Amazon and Apple TV alongside an increasing number of others. These channels are increasingly commissioning original content from the production sector.

Zinc Communicate produces content for the commercial market driven by brands, advertisers, media owners and rights holders, currently delivered via three products:

- **Brand and advertiser funded content:** Channel 4 and Sky are both examples of channels which commission content for television from the production sector in partnership with brands and advertisers, but many more clients commission content for distribution via digital and social channels or for their own platforms.

- **Corporate video:** This is video content for use by business and industry to promote products and services through business to business distribution or to engage the end consumer.

- **Digital publishing:** Brands, businesses, public bodies and institutions commission production services for digital and print solutions.

Demand for new content

As the vaccine rollout enables the UK and other geographies to put the Covid-19 pandemic behind them, there is pent up demand for original content in all the markets that Zinc targets. The lingering concerns surrounding the pandemic and the lockdown at the start of 2021 have impacted market confidence and the speed of decision making from content buyers has remained slower than we would like. In time, as the economy recovers and market confidence returns, Zinc is well placed for revenues to return and grow.

In the reporting period, 79% of Group TV production revenues came from the UK TV market and 21% came from international TV buyers. Most UK revenues came from the UK PSBs, who were all impacted by Covid-19 with the subsequent knock-on to the independent production community.

The main UK commercial PSBs all saw their advertising revenues decline significantly in the first half of 2020 but recovered somewhat in the second half of the year, and Zinc's performance followed the same trend. The BBC, which accounted for 36% of Zinc's TV production revenues in the reporting period, is undergoing further significant change in 2021. These changes are likely to present new opportunities for Zinc, and it anticipates healthy revenues will be maintained from the BBC in the year ahead. The commercial PSBs suffered substantially from reduced advertising revenues in 2020. Zinc generated 41% of production revenue from the commercial PSBs in the period ending December 2020. The UK PSBs remain the largest market for Zinc and present continued opportunity for growth in 2021.

The SVoDs and multi-channel networks showed more resilience to the Covid-19 crisis. SVoDs saw their subscriber base increase during the lockdowns of 2020. 19% of Zinc's TV production revenues came from these buyers in the period, with the majority of this from the Group's London TV labels. This market presents a growing opportunity for Zinc.

Factual television remains a growing market for channels. UK PSBs are facing increasing competition from the multi-channel networks and SVoDs, while at the same time seeing their advertising revenues decline. Factual television provides them with high rating programmes with which to compete, but which are cheaper to commission than large scale dramas or sport. SVoDs and multi-channels are increasingly looking to invest

in original content to differentiate in a crowded market and factual television provides them with a more cost-effective way of doing this alongside expensive original dramas or sports rights.

Zinc Television is now positioned to serve all markets and price points in factual television. It continues to pitch and win premium content with both UK PSBs and international broadcasters, as evidenced by the recent series for BBC1 on *The Blitz with Lucy Worsley*, and the recent series for Smithsonian titled *The Curious Life and Death Of ….* At the lower price point the Group continues to win returning series for programmes including *The Beechgrove Garden* and *Inside Edinburgh Zoo* for the BBC and *Bargain Loving Brits in the Sun* for Channel 5.

The new Zinc Communicate is well positioned to benefit from economic recovery post Covid-19 and the Group anticipates steady growth from this division in the second half of 2021. The digital publishing business rebounded well in the second half of 2020 and is on track to grow revenues in 2021. The video marketing business has secured three partnerships for 2021.

Divisional performance in the 18 months ending December 2020

London & Manchester Television

London & Manchester Television was restructured in the period into a single division, developing, pitching and delivering television programmes for the UK and international market. It now operates under one Managing Director, where previously there were four, supported by development and production management teams.

Programmes are pitched and delivered through four distinct labels. The labels serve two primary purposes. They define the product proposition, and they bring credibility, familiarity and trust to their genre.

The new single organisational structure within London & Manchester Television has seen a renewed creative purpose, a clear sense of commercial rigour, improved communication, improved financial forecasting and analysis and increased opportunity for cross company collaboration, as evidenced by the recent Amazon Audible commission, which was an idea generated for television but pitched and commissioned as audio.

Brook Lapping – Current Affairs and Investigations

This label is highly trusted and respected by channels for its work in current affairs and investigations in both the UK and international market.

This period has seen the completion of a major political series for the BBC, ARTE and a variety of co-producers. Produced in the style of *Inside Europe: Ten Years of Turmoil* and *Inside Obama's White House*, *Trump Takes on the World* explored the major foreign policy decisions during Donald Trump's term as US President. The programme secured access to the major political names from the world stage including presidents, prime ministers and ambassadors. Discussions are already underway about the next series from this production team for 2021/22.

Another major stand out programme produced in the period was *The Hunt for Gaddafi's Billions*. This is a feature length documentary for the BBC, VPRO and international broadcasters and premiered to exceptional press and ratings in the Netherlands (the primary funding territory) and subsequently on the BBC.

The label has continued to work with both the UK's leading Current Affairs brands: Dispatches and Panorama. A one-off special for Panorama titled *Is your online habit killing the planet?* aired on BBC ONE in November 2020.

Blakeway – Specialist Factual Television

Blakeway underwent significant change in the reporting period following the departure of the former Managing Director and the wider restructure. This label is focused on premium specialist factual programming in the areas of History, Music, Science, Arts and Ancient History.

Strong relationships with UK terrestrial broadcasters have continued to bear fruit with programmes like *The Sound of Music TV with Neil Brand* transmitting on the BBC to both critical acclaim ("exactly what television

should be" – Grayson Perry) and high ratings. A second series of *Tony Robinson's History of Britain* was produced in 2020 for transmission in 2021, and *Barenboim in his Own Words* was produced for the BBC.

The follow-up to the 2018/19 BAFTA winning series *Suffragettes* was produced in 2020. *Blitz Spirit with Lucy Worsley* is a factual drama, produced during the height of the Covid-19 pandemic, and transmitted in February 2021 on BBC ONE. Further Lucy Worsley programmes are in discussion for 2021/22.

Revenue diversification into the SVoD and US markets has been gaining pace. *The Curious Life and Death Of…* transmitted to an excellent response on Smithsonian Channel. Two major commissioned developments have been delivered to Disney+ through the Group's relationship with National Geographic. A new feature is in final negotiations with Sky Documentaries and marks the Company's move into the growth area of high value feature documentaries, which is a marked industry trend.

Films of Record – Access and Observational Documentaries

This label lay dormant until 2020 when, following the restructure of the London TV business, which brought greater clarity and purpose to the London labels, Films of Record saw a return to the market with its renewed focus on high quality documentaries. This is a strategic growth area in the current market environment.

Building on the success of *Fighter Pilot: The Real Top Gun* for ITV, the label produced another high-profile access-based series for ITV titled *The Station: Trouble on the Tracks*. This programme beat slot averages for factual on ITV. More developments are in discussion with ITV as follow-ups to these two successful series.

A number of observational or access documentaries are in discussion with UK and international broadcasters, but these were hampered by Covid-19 in 2020 due to the challenges of gaining access to big companies and institutions under lockdown and social distancing restrictions. It is likely that these programmes will return in 2021/22 as Covid-19 restrictions ease.

Red Sauce – Popular Factual

Red Sauce launched in September 2020 following the restructure of Reef TV in London and Blakeway North in Manchester. Blakeway North accounted for 8% of Group revenues in the year ending June 2020 and 35% of the Group's losses. With both Reef and Blakeway North serving similar markets in UK popular factual and Blakeway in London focusing on specialist factual, the creation of Red Sauce allowed for a repositioning of the Group's popular factual offering, under one label, from a new team and with a clear position in the market.

A new Creative Director was hired to lead this new label, along with a new Executive Producer based in Manchester. A new bespoke development team was also recruited to drive creative renewal in this area of factual television.

Red Sauce has inherited a slate of programmes which have performed strongly in this period. *Police Code Zero* transmitted on Channel Five in Autumn 2020, and comfortably exceeded its previous slot average. The programme was delayed due to Covid-19 as access to the emergency services were restricted during 2020, but conversations are ongoing about a returning series. *Critical Incident* played on BBC ONE Daytime in November/December 2020 and was the highest rating show for that slot in the year. It has since been recommissioned for a third series to be produced in 2021. *Bargain Loving Brits in the Sun*, which is a regular returning series, transmitted in early 2021 and performed above slot average, whilst *Bargain Loving Brits by the Sea* is scheduled for transmission later in 2021.

Red Sauce has been pushing to diversify its programme and client base. Close work with the branded content team in Zinc Communicate has borne fruit, with one series in advanced discussions with both a broadcaster and a brand funder. Ideas are also in play with all of the UK terrestrial broadcasters.

Tern – Nations factual television, from Scotland and Northern Ireland

Operating from three sites in Glasgow, Belfast and Aberdeen, Tern continues to perform well for the Group. It transmitted nearly 90 hours of television in the 12 months of 2020, much of this from a strong pipeline of high performing returning series. The division is delivering well on its brief to be a first-choice factual producer for UK Nations and Regions' public service broadcasting (PSB) commissioning.

Highlights from the period include the BBC ONE series *A Very Country Christmas*, *Inside the Museums: Ulster Museum* for BBC Four and *Emergency Helicopter Medics*, *Britain's Wildest Weather* and *Britain's Best-Selling Toys* for Channel 4.

Perhaps the most notable achievement is the number of returning series which include: *David Wilson's Crime Files, Inside the Zoo, Emergency Helicopter Medics* and *Darren McGarvey's Class Wars* from Tern Glasgow; *Beechgrove, The Children's Hospital* and *Reflections at the Quay* from Tern Aberdeen and *Britain's Lost Masterpieces* from Tern Belfast.

Tern was nominated for a record seven Scottish BAFTA nominations and won awards for *Being Gail Porter* (Best Documentary) and *The War Next Door: Scotland and The Troubles* (Best News & Current Affairs).

Tern remains in a strong position to benefit from the BBC and Channel 4's out of London commissioning, offering good opportunities for co-productions across the Group. The Company is also expanding its portfolio of advertiser funded programming (AFP) and brand funded content alongside the new Zinc Communicate.

Zinc Communicate – televisual and digital production for brands, agencies, media owners and publishers

2020 was a year of significant change for Zinc Communicate. In April 2020 the Group announced the closure of its loss-making CSR business, which accounted for approximately 35% of the Group's losses in the 18 months to December 2020. The business closed in the summer of 2020 but the Group retains the IP in *The Children's Traffic Club*.

The Group launched its new Branded Content business in the summer of 2020 and its Video Marketing business in the autumn. The Publishing business, which was moved under the management of the new Zinc Communicate in 2020, was significantly impacted during the lockdown between March and June 2020 when the construction and home building sector, which it relies on for a large proportion of its revenues, was shut down. However, it was the fastest division in the Group to recover revenues in the second half of 2020.

The new Zinc Communicate has three businesses supported by an in-house commercial team which includes a 30-strong classified ads sales team based in Macclesfield.

Zinc Communicate – Branded Content

This is a new division within Zinc Communicate headed up by a new business winning team. This team sells long form and short form televisual production alongside audio podcasts to brands, agencies, media owners and rights holders. This may include AFP (Advertiser Funded Programmes), where a brand or advertiser creates television programmes for UK PSB channels. Channel 4 does the largest amount of AFP work in the UK, and Zinc Communicate currently has two opportunities residing with buyers for AFP. It may include deficit funded programming, where a brand or advertiser contributes part of the budget for a television show, where the channel is unable or unwilling to support the full production budget. It may include digital short form production, where a brand or media owner commissions original content for distribution on their channels or via social networks, and it may include commercial podcasting where brands or agencies commission audio production as part of their media spend. The branded content team works closely with the Group's television teams, and all production sits on the same workflow as television which helps drive higher margins through utilisation of existing Group infrastructure.

Zinc Communicate – Video Marketing

This is another new venture for Zinc Communicate similarly headed up by a new business winning team. This team sells televisual content supported by digital distribution to businesses in the B2B market. The Group has won three partnerships with B2B associations to produce films for clients in sectors including renewable energy and transport.

Zinc Communicate – Publishing

This business formerly reported as Ten Alps Communications and traded profitably in the year 2018/19. At the end of 2019 the division faced the possibility of closure as its largest partnership with the LABC terminated,

and its second largest contract with the RIBA was put out to tender. The Group won the RIBA tender on a new multi-year contract and developed its own product and commercial proposition to replace the LABC partnership.

It faced significant challenges in early 2020 when the construction sector was closed in the first lockdown but bounced back to pre-Covid-19 levels of revenue in the summer of 2020. It underwent a significant restructure and was assimilated into the new Zinc Communicate under one management team. This division has been transformed to become a digital first publishing business and sales house. This division is expected to increase its revenues in 2021.

CFO'S REPORT

Income statement

During the period, the Group's accounting reference date was changed from 30 June to 31 December. The change was undertaken to ensure consistency with generally accepted industry and sector practice. As a result this report contains the Group's results for the eighteen months to 31 December 2020, and all comparatives (FY 19) relate to the 12 month period. Financial performance in the period was materially affected by Covid-19 restrictions which began halfway through the period and resulted in delays to productions and commissioning.

Revenue from continuing operations for the period was £30.6m (FY 19: £23.2m).

Comparing calendar years, Group revenue from all operations reduced by 41% between 2019 and 2020. This was mainly driven by the Covid-19 pandemic, but also a result of refreshing new business winning roles across the Group: new hires were made in London and Manchester TV and Zinc Communicate in particular, with three new businesses being launched.

It is encouraging that, in the second half of 2020, revenues from all operations increased by 33% and losses reduced by 40% compared to the first half of the year as Covid-19 production protocols were established and lockdown restrictions eased.

In the 18 month period, 91% of Group revenues came from television and 9% from Zinc Communicate. The latter is expected to grow significantly in 2021.

Despite the significant downturn in revenues caused by Covid-19, Tern Television continued to perform well, booking £10.6m of revenue. Its resilient performance is rooted in well established relationships with the BBC network, BBC Scotland, Channel 4 and More 4, and in long running returning series.

London and Manchester's television labels generated £17.2m of revenue but were hit harder by the pandemic than other parts of the Group due to their dependence on more expensive programmes and the international market. The new label Red Sauce was launched in September 2020 and is expected to deliver lower cost television with returnable series in the years ahead.

Total gross margin percentage increased during the period from 25.5% to 30.1%. The increase in margin was driven by the increase in London and Manchester TV production gross margins, which increased from 24.7% to 29.6% as a result of the investment made in post-production equipment, changes in production management and improvements in financial management. We expect a further increase in gross margins in 2021 as we get a full year's benefit from the changes made during the last eighteen months.

Adjusted EBITDA (being earnings before interest, tax, depreciation, amortisation, share based payment charges, loss on disposal of fixed assets and exceptional items) from continuing operations was a £0.8m loss in the 18 month period (2019: £0.2m profit), driven by the reduction in revenues.

To help mitigate the impact of Covid-19 when it first hit in March 2020 the Group immediately implemented a short-term cost reduction plan. Between April and June 2020 £0.7m of savings were generated from a combination of furloughing staff, staff being on reduced hours, non-executive Directors taking no pay and senior management, including the CEO and CFO, taking monthly pay cuts of up to 40%. As a result of these savings the Adjusted EBITDA loss in the 18 month period was almost halved.

The Group also restructured two loss-making divisions: the Zinc Communicate CSR division and the Manchester based TV business Blakeway North. The CSR division was closed in 2020 following the discontinuation of the high value TFL sponsorship of *The Children's Traffic Club* in December 2019. The division's £0.6m loss in the 18 month period is disclosed within discontinued operations.

The operating loss from continuing operations of £3.7m (2019: £1.4m) includes £0.6m of exceptional items. £0.4m of these relate to reorganisation and restructuring costs, driven by personnel changes in London and Manchester TV. The taxation charge includes a £0.3m deferred tax asset write off made due to uncertainties as to when income will arise against which tax losses will be utilised.

The Board does not recommend the payment of a final dividend (2019: £nil).

Earnings per share

Basic and diluted loss per share from continuing operations in the period was 66.38p (2019: loss per share of 53.55p). These measures were calculated on the losses for the period from continuing operations attributable to Zinc Media Group shareholders of £4.3m (2019: loss of £1.5m) divided by the weighted average number of shares in issue during the period being 6,507,620 (2019: 2,799,182).

Statement of Financial Position

Assets

Cash at the end of December 2020 was £6.8m, having increased £3.6m during the period as a result of £7.5m of new capital raised (before costs), partially offset by cash outflows from operating activities, payment of deferred consideration to former Tern Television shareholders and capital purchases relating to the investments in post-production equipment and the new Group headquarters.

Property, plant and equipment assets have increased to £0.9m (2019: £0.4m) as a result of investments in post-production equipment and the new Group headquarters. The reduction in goodwill and intangibles to £4.5m (2019: £5.4m) reflects the amortisation of intangibles during the period.

Prior to the current period, property leases were classified as operating leases, whereas in the current period, because of the adoption of IFRS 16, they are recognised as a right – of - use asset with a corresponding liability. The right-of-use asset at the end of the period was £1.3m (2019: £0).

Trade and other receivables have reduced by £2.6m to £4.3m (2019: £6.9m), due to a lower level of production activity at the year-end resulting from Covid-19.

Equity and Liabilities

The Group has made significant structural changes to ensure the long-term financial stability of the business. Between February and November 2020, the Company completed a balance sheet restructure that included:

- £7.5m of new capital raised before costs;
- Conversion of all preference shares to ordinary shares;
- Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022;
- A share consolidation at a ratio of 500:1; and
- A court approved reduction of part of its share capital and share premium account and merger reserve, which has resulted in the Group having positive distributable reserves at period end.

As a result of these changes called up share capital has reduced from £5.9m to £0.02m, the share premium account has reduced from £30.5m to £4.7m, the merger reserve has reduced from £0.9m to £0.03m, preference shares have reduced from £0.8m to zero and retained earnings have risen significantly from a £35.6m deficit to £1.2m credit.

Current liabilities have reduced to £7.1m (2019: £9.0m), reflecting a lower level of production activity at the year end, the creation of IFRS 16 lease liabilities and payment of the prior year earnout consideration payable to the former Tern Television shareholders.

Non-current liabilities mainly consist of the Group's long-term debt obligations and lease liabilities on properties. The Group had an outstanding balance on long-term debt of £3.4m at the year end (2019: £3.7m), held by two of the Company's shareholders and with no financial covenants relating to the debt. The debt has been reduced via converting some of it to equity during the period. The repayment date on all the Group's long-term debt obligations is 31 December 2022.

Cash Flows

The Group experienced a cash outflow of £0.7m (2019: £0.5m inflow) in its operations during the period due to a decrease in working capital offsetting a cash outflow of £1.7m. Other outflows include £0.8m paid to the former Tern Television shareholders as part of the earnout agreement and £1.0m invested in the fit out of the new London HQ and production equipment to drive increased gross margins in TV. The move to new headquarters in March 2020 aided cashflow due to the initial rent-free period.

The cash outflows were more than offset by a £7.1m cash inflow from two equity fund raises (net of expenses), resulting in a net increase in cash of £3.5m in the period (2019: increase of £0.3m).

An overdraft facility of £0.6m was put in place during the period.

Post Balance Sheet Events

There are no post balance sheet events to disclose.

Key Performance Indicators (KPIs)

In monitoring the performance of the business, the executive management team uses a number of KPIs including:

- TV production gross margins
- Revenue growth
- Revenue diversification
- Pipeline and order book growth
- Adjusted EBITDA
- Cash generation
- Audience and market response to programming content (viewing ratings, industry awards etc.)

These KPIs have been reported within the CEO's Report and CFO's Report.

Non-statutory Accounts

The financial information set out below does not constitute the Company's statutory accounts for the 18 months ended 31 December 2020 or 30 June 2019 but is derived from those accounts. Statutory accounts for the year ended 30 June 2019 have been delivered to the Registrar of Companies and statutory accounts for the 18 months ended 31 December 2020 will be delivered to the Registrar of Companies in due course.

The Auditor has reported on those accounts and the text of the Auditor's reports can be found in the Company's full Annual Report and Accounts at www.zincmedia.com.

Consolidated income statement

	Notes	18 months ended 31 December 2020 £'000	Year to 30 June 2019 £'000
Continuing operations			
Revenue	4	**30,552**	23,170
Cost of sales	5	**(21,359)**	(17,267)
Gross profit		**9,193**	5,903
Operating expenses	5	**(9,986)**	(5,728)
Adjusted EBITDA		**(793)**	175
Depreciation & amortisation	11, 13, 14	**(2,246)**	(824)
Share based payment charge	7	**(22)**	(27)
Loss on disposal of fixed assets		**(22)**	-
Exceptional items	8	**(589)**	(718)
Operating loss		**(3,672)**	(1,394)
Finance costs	9	**(460)**	(327)
Finance income	9	**2**	1
Loss before tax		**(4,130)**	(1,720)
Taxation (charge)/credit	10	**(157)**	229
Loss for the period from continuing operations		**(4,287)**	(1,491)
Loss from discontinued operations	11	**(624)**	(1,241)
Loss for the period		**(4,911)**	(2,732)
Attributable to:			
Equity holders		**(4,944)**	(2,740)
Non-controlling interest		**33**	8
Retained loss for the period		**(4,911)**	(2,732)
Earnings per share			
From continuing operations:			
Basic	12	**(66.38)p**	(53.55)p
Diluted	12	**(66.38)p**	(53.55)p
From discontinued operations:			
Basic	12	**(9.59)p**	(44.33)p
Diluted	12	**(9.59)p**	(44.33)p

Adjusted EBITDA is defined as EBITDA before share based payment charge, loss on disposal of fixed assets and exceptional items. The loss for the period attributable to equity holders from continued operations is £4,254k (2019: £1,483k) and the loss to equity holders from discontinued operations is £624k (2019: £1,241k).

The accompanying principal accounting policies and notes form part of these consolidated financial statements.

Consolidated statement of comprehensive income

	18 months ended 31 December 2020 £'000	Year to 30 June 2019 £'000
Loss for the year and total comprehensive income for the period	**(4,911)**	(2,732)
Attributable to:		
Equity holders	**(4,944)**	(2,740)
Non-controlling interest	**33**	8
	(4,911)	(2,732)

Consolidated statement of financial position

	Note	**As at 31 December 2020 £'000**	As at 30 June 2019 £'000
Assets			
Non-current			
Goodwill and intangible assets	13	**4,505**	5,436
Property, plant and equipment	14	**934**	369
Right-of-use assets	19	**1,277**	-
		6,716	5,805
Current assets			
Inventories	15	**184**	236
Trade and other receivables	16	**4,279**	6,858
Cash and cash equivalents	17	**6,805**	3,213
		11,268	10,307
Total assets		**17,984**	16,112
Equity			
Called up share capital	25	**20**	5,928
Share premium account	25	**4,654**	30,509
Share based payment reserve	25	**155**	133
Merger reserve	25	**27**	875
Preference shares	25	**-**	839
Retained earnings	25	**1,158**	(35,625)
Total equity attributable to equity holders of the parent		**6,014**	2,659
Non-controlling interests		**12**	8
Total equity		**6,026**	2,667
Liabilities			
Non-current			
Borrowings	20	**3,426**	3,743
Lease liabilities	19	**1,066**	20
Deferred tax	23	**277**	128
Provisions	24	**75**	-
Contingent consideration	22	**-**	595
		4,844	4,486
Current			
Trade and other payables	18	**6,771**	8,423
Current tax liabilities		**6**	4
Lease liabilities	19	**337**	32
Contingent consideration	22	**-**	500
		7,114	8,959
Total equity and liabilities		**17,984**	16,112

The consolidated financial statements were authorised for issue and approved by the Board on 23 April 2021 and are signed on its behalf by Will Sawyer.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Company registration number: SC075133

Consolidated statement of cash flows

	Note	18 months ended 31 December 2020 £'000	Year ended 30 June 2019 £'000
Cash flows from operating activities			
Loss for the year before tax from continuing operations		**(4,130)**	(1,720)
Loss for the year before tax from discontinued operations		**(624)**	(1,139)
		(4,754)	(2,859)
Adjustments for:			
Depreciation	14,16	**1,278**	178
Amortisation and impairment of intangibles	13	**1,039**	1,696
Finance costs	9	**460**	327
Finance income	9	**(2)**	(1)
Share based payment charge	7	**22**	27
Loss on remeasurement of deferred contingent consideration	8	**41**	138
Contingent consideration deemed remuneration	8	**160**	286
Loss on disposal of assets		**22**	-
		(1,734)	(208)
Decrease in inventories		**52**	97
Decrease / (increase) in trade and other receivables		**2,579**	(1,634)
(Decrease) / increase in trade and other payables		**(1,565)**	2,275
Cash (used) / generated in operations		**(668)**	530
Finance costs paid		**(69)**	(4)
Finance income		**2**	1
Interest on lease		**(89)**	
Tax paid		**-**	(87)
Net cash flows (used) / generated in operating activities		**(824)**	440
Investing activities			
Payment of contingent consideration on acquisition of subsidiary	22	**(750)**	(563)
Purchase of property, plant and equipment	14	**(988)**	(192)
Purchase of intangible assets		**(108)**	-
Net cash flows used in investing activities		**(1,846)**	(755)
Financing activities			
Issue of ordinary share capital (net of issue costs)		**7,094**	-
Principal elements of lease payments		**(698)**	(4)
Borrowings repaid		**(172)**	-
Net cash flows generated / (used) from financing activities		**6,224**	(4)
Net increase / (decrease) in cash and cash equivalents		**3,554**	(319)
Translation differences		**38**	(13)
Cash and cash equivalents at beginning of year	17	**3,213**	3,545
Cash and cash equivalents at period end	17	**6,805**	3,213

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Preference shares £'000	Retained earnings £'000	Total equity attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,974)**	**5,185**	**-**	**5,185**
Loss and total comprehensive income for the year	-	-	-	-		(2,740)	(2,740)	8	(2,732)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,740)**	**(2,740)**	**8**	**(2,732)**
Equity-settled share-based payments	-	-	27	-	-	-	27	-	27
Issue of shares on acquisition	-	-	-	98	-	89	187	-	187
Conversion of preference shares	-	95	-	-	(95)	-	-	-	-
Total transactions with owners of the Company	**-**	**95**	**27**	**98**	**(95)**	**(2,651)**	**(2,526)**	**8**	**(2,518)**
Balance at 30 June 2019	**5,928**	**30,509**	**133**	**875**	**839**	**(35,625)**	**2,659**	**8**	**2,667**
Balance at 1 July 2019	**5,928**	**30,509**	**133**	**875**	**839**	**(35,625)**	**2,659**	**8**	**2,667**
Loss and total comprehensive income for the period	-	-	-	-	-	(4,944)	(4,944)	33	(4,911)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(4,944)**	**(4,944)**	**33**	**(4,911)**
Equity-settled share-based payments	-	-	22	-	-	-	22	-	22
Shares issued in placing	13	7,487	-	-	-	-	7,500	-	7,500
Consideration paid in shares	1	489	-	65	-	60	615	-	615
Shares issued in lieu of fees	-	48	-	-	-	-	48	-	48
Shares issued in debt conversion	1	427	-	-	-	-	428	-	428
Conversion of preference shares	8	923	-	-	(839)	-	92	-	92
Expenses of issue of shares	-	(406)	-	-	-	-	(406)	-	(406)
Capital reduction	(5,931)	(34,823)	-	(913)	-	41,667	-	-	-
Dividends paid	-	-	-	-	-	-	-	(29)	(29)
Total transactions with owners of the Company	(5,908)	(25,855)	22	(848)	(839)	36,783	3,355	4	3,359
Balance at 31 December 2020	**20**	**4,654**	**155**	**27**	**-**	**1,158**	**6,014**	**12**	**6,026**

Notes to the consolidated financial statements

1. General information

Zinc Media Group plc and its subsidiaries (the Group) produce high quality television and cross-platform content.

Zinc Media Group plc is the Group's ultimate parent and is a public listed company incorporated in Scotland. The address of its registered office is 7 Exchange Crescent, Conference Square, Edinburgh EH3 8AN. Its shares are traded on the AIM Market of the London Stock Exchange plc (LSE:ZIN).

The financial statements are presented in Sterling (£), rounded to the nearest thousand.

2. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared primarily under the historical cost convention, with the exception of contingent consideration measured at fair value. Areas where other bases are applied are identified in the accounting policies below.

The Group's accounting policies have been applied consistently throughout the Group to all the periods presented, unless otherwise stated.

The preliminary financial information for the period ended 31 December 2020 and 30 June 2019 has been extracted from the audited statutory accounts for the period ended 31 December 2020 and prepared on the same basis as the accounting policies adopted in those accounts. The statutory accounts for the period ended 31 December 2020 have yet to be delivered to the Registrar of Companies and have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The preliminary financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Statutory accounts for the period ended 31 December 2020 will be delivered to the Registrar of Companies and sent to Shareholders shortly.

The audit report on the statutory financial statements for the period ended 31 December 2020 is unqualified and does not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and does not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

Statutory accounts for the year ended 30 June 2019 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) and (3) of the Companies Act 2006.

2.1) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for a period of 12 months from the date of signing of the financial statements. The Group is dependent for its working capital requirements on cash generated from operations, cash holdings and from equity markets.

Since the beginning of 2020 management have done several things to reduce the going concern risk, including:

- Raising new equity funding of £7.5m (before costs)
- Making significant structural changes to ensure the long-term financial stability of the business. Between February and September 2020, the Company completed a balance sheet restructure that included:
    - Conversion of all preference shares to ordinary shares
    - Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022
    - A share consolidation at a ratio of 500:1

    - A capital reduction which means the Group had positive distributable reserves at 31 December 2020
- Putting in place an overdraft facility of £0.6m
- Delivering a programme of permanent cost reductions which will generate annualised savings of £0.7m per annum compared to pre-Covid levels. This includes closure of the CSR business and restructure of Blakeway North, both of which have been loss making.

As a result of these actions the Group has a much more robust balance sheet. The Group has turned a net debt of £0.5m at 30 June 2019 to a net cash position of £3.4m as at 31 December 2020.

The cash holdings of the Group at 31 December 2020 were £6.8m, which is more than double the cash held at 30 June 2019. The Directors believe the Group has strong shareholder support, evidenced by shareholders investing £7.5m in new equity and the long-term debt holders, who are also major shareholders, helping to reduce the long-term debt from £3.7m to £3.4m during the period. The Directors' are confident the Group will receive continued support from the loan providers.

Management have prepared forecasts and scenarios under which cashflows may vary and believe there are sufficient mitigating actions that can be employed to enable the Group to operate within its current level of financing for a period of 12 months from the date of signing of the financial statements.

There are several factors which could materially affect the Group's cashflows, particularly the impact of any further Covid-19 related restrictions, the underlying performance of the business and uncertainty regarding the timing of receipts from customers. The Directors' have reviewed management's forecasts and scenarios under which cashflows may vary and believe there are sufficient mitigating actions that can be employed if necessary to enable the Group to operate within its current level of financing.

The Directors have looked at the potential impact of the Covid pandemic and have prepared scenario plans. The main impact is on the run rate of new business, particularly in relation to commissions of television programmes. Whilst the sales pipeline is healthy, decision-making has been protracted and the timing of new sales is hard to predict. The scenarios include a recovery starting mid-2021 and a recovery pushed until early 2022, and when the recovery comes that revenues are 10% down on pre-Covid levels of 2019. The Directors remain confident that the Group will have sufficient cash resources for a period of at least 12 months from issuing the financial statements in these scenarios. The Directors have already taken mitigating actions with a program of cost reductions and putting in place an overdraft, and are confident that they have identified cost saving actions to mitigate reductions in revenue.

In light of the forecasts, the expectation of support from the loan providers, along with mitigating measures available to be used if needed, the Directors believe that the going concern basis upon which the financial statements have been prepared is reasonable. Whilst it is acknowledged that there is continued uncertainty surrounding the future impacts of Covid-19 the Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3) Adoption of new and revised standards

The only new and amended standard issued in the period that had a significant impact on the financial statements is IFRS 16 'Leases'. At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB and adopted by the EU but are not yet effective and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 16 - Leases

IFRS 16 provides guidance on accounting for leases and became effective from 1 January 2019.

IFRS 16 addresses the definition of a lease, recognition and measurement of leases, and it establishes principles of reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, "Leases" and related interpretations.

The group has adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date, together with the practical expedients to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. Under the modified retrospective transition approach, the comparative information is not restated.

The financial impact, applying the modified retrospective method on opening balances at 1 July 2019, was as follows:

	At 1 July 2019 (under IAS 17)	IFRS 16 Adjustment	At 1 July 2019 (Adjusted)
	£'000	£'000	£'000
Non-current assets			
Right-of use assets	-	448	448
Current liabilities			
Lease liability	(32)	(318)	(425)
Non-current liabilities			
Lease liability	(20)	(80)	(23)

The weighted average incremental borrowing rate applied to leases under IFRS 16 is 4.2%. Under previous accounting standards, the Group would have recognised lease rental charge of £799k in the income statement. The Group has instead recognised a depreciation charge of £795k and finance charge of £58k.

At the date of authorisation of these financial statements there were standards and amendments which were in issue but which were not yet effective and which have not been applied. The principal ones were:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendment to IFRS 3 Business Combinations (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)
- Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020)
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 1 June 2020)

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021, endorsed 13 January 2021)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021, endorsed 15 December 2020)
- Amendments to, IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (effective 1 January 2022)
- IFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective 1 January 2023)

3) Accounting policies

3.1) Revenue

The Group recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group follow these steps:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met.

Where productions are in progress at the year end and where the sales invoiced exceed the value of work done the excess is shown as contract liabilities; where the sales recognised exceed sales invoiced the amounts are classified as contract assets. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. Where it is anticipated that a production will make a loss, the anticipated loss is provided for in full.

The accounting policies specific to the Group's key operating revenue categories are outlined below:

TV – production revenue

Production revenue from contracts with broadcasters comprises work carried out to produce and deliver television programmes and broadcaster licence fees. These are combined performance obligations because the production and licence are indistinct, and the licence is not the primary or dominant component of the combined performance obligation. The Group considers the combined performance obligation to be satisfied over time as it does not create an asset with an alternative use at contract inception and the Group has an enforceable right to payment for performance completed to date.

The Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation, in line with transferring control of goods or services promised to a customer. The Group transfers control of the programme over time, and costs are incurred in line with performance completed. The

percentage of completion is calculated as the ratio of the contract costs incurred up until the end of the period to the total estimated programme cost.

TV – distribution revenue

Distribution revenue comprises sums receivable from the exploitation of programmes in which the company owns rights and is received as advances and royalties.

Advances are fixed sums receivable at the beginning of exploitation that are not dependent on the sales performance of the programme. They are recognised when all the following criteria have been met:

i) an agreement has been executed by both parties; and
ii) the programme has been delivered; and
iii) the licence period has begun.

Royalty revenue is dependent on the sales performance of the programme and is recognised when royalty amounts are confirmed.

Zinc Communicate

The three types of revenue, which comprise distinct performance obligations, are:

1. Publishing: advertising revenue is recognised on the date publications are dispatched to customers which is when control transfers.

2. Online: revenue is recognised at the point of delivery or fulfilment for single/discrete services which is when control transfers.

3. Content production: recognition of revenue is by reference to stage of completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided, which is done on the same basis as TV production revenue.

3.2) Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold premises	over the term of the lease
Office equipment	10%-20% on cost
Computer equipment	20%-33% on cost
Motor vehicles	25% on cost

Useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal. Any impairment in values is charged to the income statement.

3.3) Intangible assets

Business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Goodwill arising on acquisitions is attributable to operational synergies and earnings potential expected to be realised over the longer term.

The intangible assets other than goodwill are in respect of the customer relationships, brand and distribution catalogue acquired in respect of the acquisition of Reef Television and Tern Television Productions and in each case, are amortised over the expected life of the earnings associated with the asset acquired.

Brands, Customer relationships, Distribution catalogue	Over 7 years
Software	Over 2 years

The distribution catalogue intangible asset arises on the acquisition of Tern Television Productions. It is amortised over 7 years and as at 31 December 2020 the remaining useful life was 3.5 years.

Brands and customer relationships relate to the acquisition of Reef Television and Tern Television Productions. They are amortised over a period of 7 years and as at 31 December 2020 there were 1.5 more years of useful life remaining for Reef Television and 3.5 years remaining for Tern Television Productions.

In the prior year software related to the development of applications and websites within the CSR division. These were fully amortised during the period to 31 December 2020. The addition in the period relates to a new finance system across the Group.

3.4) Leased assets

As described in Note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is reported under IAS 17 and IFRIC 4.

For any new contracts the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group; and
- The Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or income statement if the right-of-use is already reduced to zero. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the income statement on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

3.5) Inventories

Inventories in TV comprise of costs on productions that are incomplete at the year-end less any amounts recognised as cost of sales.

Inventories in Zinc Communicate comprise:

- Cumulative costs incurred in relation to unpublished titles or events, less provision for future losses, and are valued based on direct costs plus attributable overheads based on a normal level of activity. No element of profit is included in the valuation of inventories.
- Inventories comprise costs of unsold publishing stock and costs on projects that are incomplete at the year-end less any amounts recognised as cost of sales.

3.6) Impairment of assets

For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Goodwill is allocated to those cash generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. Goodwill and other individual assets or cash-generating units are tested for impairment annually or whenever events / changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

3.7) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than three months.

3.8) Current and deferred taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax is not recognised in respect of:

- the initial recognition of goodwill that is not tax deductible; and
- the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future

taxable income. Current and deferred tax assets and liabilities are calculated at tax rates and laws that are expected to apply to their respective year of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

3.9) Financial instruments

Recognition of financial instruments

Financial assets and liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Initial and subsequent measurement of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the company with maturities of less than three months.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. Receivables are subsequently measured at amortised cost using the effective interest rate method.

Impairment of trade receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Loan notes

Loan notes are initially recognised at fair value, adjusted for transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Finance charges, including premiums payable on settlement and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Contingent consideration

The acquisition-date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Other changes resulting from events after the acquisition date are recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off').

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised, and the consideration paid is recognised in profit or loss.

3.10) Employee benefits

Equity settled share-based payments

Where employees are rewarded using equity settled share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves.

If vesting years apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current year. No adjustment is made to any expense recognised in prior years if share options that have vested are not exercised.

Retirement benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

3.11) Provisions

Provisions are recognised when: the group has a present legal or constructive obligation as result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as interest expense.

3.12) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

3.13) Significant judgements and estimates

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. 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. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Revenue recognition

The main judgements regarding revenue recognition relate to TV production revenue. The Group considers the production and licence elements to be a combined performance obligation to be satisfied and recognised over time. This is explained in note 3.1.

The other key judgement in relation to revenue is in measuring the recovery percentage of the production at each period end.

Impairment of goodwill and intangible assets

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate to calculate the present value of these cash flows. Actual outcomes could vary. See note 14 for details of how these judgements are made.

Deferred tax asset on losses

Significant estimates are made to determine deferred tax assets on losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date. See note 23 for details of the deferred tax asset recognised at 31 December 2020.

3.14) Segmental reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products and services provided by the Group. The activities undertaken by the TV segment include the production of television and radio content. The Zinc Communicate unit includes publishing and content production.

Each of these operating segments is managed separately as each service line requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

4) SEGMENTAL INFORMATION AND REVENUE

Segmental information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who categorise the Group's two service lines as two operating segments: Television and Zinc Communicate. These operating segments are monitored, and strategic decisions are made on the basis of adjusted segment operating results.

	Television		Zinc Communicate[1]		Central and plc		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Continuing Operations	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**27,790**	21,230	**2,759**	1,858	**3**	82	**30,552**	23,170
Adjusted EBITDA	**1,633**	394	**(287)**	177	**(2,139)**	(396)	**(793)**	175
Depreciation	**(1,107)**	(89)	**(7)**	(12)	**(158)**	(12)	**(1,272)**	(113)
Amortisation	**(974)**	(711)	**-**	-	**-**	-	**(974)**	(711)
Share based payment charge	**-**	-	**-**	-	**(22)**	(27)	**(22)**	(27)
Loss on disposal of fixed assets	**(22)**	-	**-**	-	**-**	-	**(22)**	-
Exceptional items	**(176)**	(236)	**(19)**	(36)	**(394)**	(446)	**(589)**	(718)
Operating (loss) / profit	**(646)**	(703)	**(313)**	129	**(2,713)**	(881)	**(3,672)**	(1,394)
Segment Assets	**11,872**	13,770	**1,109**	1,234	**4,946**	667	17,927	15,671
Segment Liabilities	**(6,432)**	(7,063)	**(839)**	(706)	**(4,658)**	(5,584)	(11,929)	(13,353)
Other Segment Items:								
Expenditure on intangible assets	**-**	-	**-**	-	**108**	-	**108**	-
Expenditure on tangible assets	**126**	147	**-**	-	**862**	45	**988**	192

1 In the prior year Annual report this division was called Publishing

Items included under 'Central and Plc' do not constitute an operating segment and relate mainly to Group activities based in the United Kingdom. Central and plc costs relate to Directors, support functions and costs resulting from being listed.

The internal reporting of the Group's performance does not require that costs and/or Statement of Financial Position information is gathered based on the geographical streams and does not require that interest and tax payable by segment is reported.

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom was £23.32m (2019: £19.67m), and the total revenue from external customers in other countries was £7.23m (2019: £4.97m). There was only one customer that accounted for more than 10% of Group revenue in the year, and that customer accounted for £8.81m (2019: one customer accounted for £2.91m revenue) or 28.8% of Group revenue.

Non-current assets are all located in the Group's country of domicile.

Revenue

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2020	**30 June 2019**
	£'000	**£'000**
Receivables, which are included in 'Trade and other receivables'	**2,160**	3,502
Contract assets	**1,755**	2,329
Contract liabilities	**(1,275)**	(1,810)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on contracts with customers. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for TV production related contracts, for which revenue is recognised on the percentage stage of completion of the production.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	2020	
	Contract assets	**Contract liabilities**
	£'000	**£'000**
Opening balance 1 July 2019	2,329	(1,810)
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	1,810
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(1,275)
Transfers from contract assets recognised at the beginning of the period to receivables	(2,329)	-
Increases as a result of changes in the measure of progress	1,755	-
Closing balance 31 December 2020	**1,755**	**(1,275)**

Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and chosen to not disclose information relating to performance obligations for contracts that had an original expected duration of one year or less, or where the right to consideration from a customer is an amount that corresponds directly with the value of the completed performance obligations.

Contract costs

The Group has applied the practical expedient available in paragraph 94 of IFRS 15 to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

5) EXPENSES BY NATURE

Costs from continuing operations consist of:

	2020 £'000	2019 £'000
Cost of sales		
Production costs	**15,541**	12,194
Salary costs	**4,828**	4,626
Royalties and distribution costs	**990**	447
Total cost of sales	**21,359**	17,267
Operating expenses		
Salary costs	**6,927**	3,039
Leases on premises	**-**	522
Other administrative expenses	**3,021**	2,180
Foreign exchange loss / (gain)	**38**	(13)
Total operating expenses	**9,986**	5,728

Directors have reconsidered the allocation of costs and updated for the current year and comparative year. Royalty and distribution costs have increased in the period due to the re-licensing of programmes previously broadcasted. This increase in re-licensing in turn increased the royalty share to re-distribute to broadcasters.

Furlough income in the period totalled £396k (2019: Nil).

Included in other administrative expenses is the auditor and tax advisors' remuneration, including expenses for audit and non-audit services, as follows:

	2020 £'000	2019 £'000
Statutory audit services		
Annual audit of the company and the consolidated accounts	**123**	83
Other services		
Tax advisory services	**20**	17
Audit-related assurance services	**-**	9
Payroll services	**4**	12
Other services	**4**	-
Total	**151**	121

6) STAFF COSTS

Staff costs from continuing operations, including directors, consist of:

	2020 £'000	2019 £'000
Wages & salaries	**10,117**	6,707
Social security & other costs	**1,142**	719
Pension costs	**496**	239
Share based payment charge	**22**	27
Total	**11,777**	7,692

The average number of employees (including directors) employed by the Group for continuing operations during the year was:

	2020	**2019**
Zinc Television	**121**	129
Zinc Communicate	**39**	44
Central and Plc	**8**	5
Total	**168**	178

The directors consider that the key management comprises the directors of the company, and their emoluments are set out below:

Directors' emoluments

						2020	2019
	Salaries and fees £'000	Benefits in kind £'000	Bonus £'000	Shares £'000	Pension £'000	**Total £'000**	Total £'000
Executive Directors							
Mark Browning	389	63	135	72	29	**688**	51
Will Sawyer	200	28	51	30	19	**328**	121
Harry Bell (resigned 6.12.19)	61	9	-	-	10	**80**	103
David Galan (resigned 2.9.19)	13	-	-	-	-	**13**	121
Non-Executive Directors							
Christopher Satterthwaite (Chairman)	63	-	-	45	-	**108**	-
Nicholas Taylor	23	-	-	-	18	**41**	30
Andrew Garard (appointed 2.9.19)	33	-	-	-	-	**33**	-
Peter Bertram (resigned 31.7.19)	4	-	-	-	-	**4**	50
	786	100	186	147	76	**1,295**	476

The shares element for the executive directors relate to a bonus plan for H2 2020 that was set after the first Covid-19 lockdown, whose targets were achieved and triggered cash bonuses, but the directors elected to be paid in shares to preserve the Group's cash reserves. The Company will retain 47% of the bonus and pay the tax and NICs due, which is disclosed as a benefit in kind. The shares will be allotted, and the price used for allotment determined, following publication of the annual report.

The cash bonuses that were paid in the period relate to performance prior to the Covid-19 pandemic.

During the period the current directors took a voluntary salary reduction of £50k in total. This was during the first lockdown when television production was severely reduced due to Covid, and it equates to an almost 40% reduction in salary between the five directors.

The directors also invested £130k in cash in the Company in the equity fundraises during the period. This is the equivalent of almost £290k in gross pay.

Taken together these total £340k of salary reductions and investment from directors in the period, which compares to cash bonuses of £186k that were paid out in the period. The CEO and CFO re-invested almost 80% of their cash bonuses back into the Company via voluntary salary reductions and investment in equity.

Key management personnel compensation

	2020	**2019**
	£'000	£'000
Short term employee benefits (includes employers NICs)	1,229	520
Post-employment benefits	76	72
Shares (includes employers NICs)	147	-
Share-based payments charge	118	20
Total	1,570	612

The amount for share based payments charge (see note 7) which relates to the Directors was £118k (2019: £20k).

7) SHARE BASED PAYMENTS

The charge for share based payments arises from the following schemes:

	2020	2019
	£'000	£'000
EMI share option scheme	**(8)**	30
Unapproved share option scheme	**30**	(3)
Total	**22**	27

The share based payment charge for new options granted in the year are calculated using a Stochastic model, options previously granted have been valued using the Black Scholes model.

Share options held by directors are disclosed in the Directors' Report.

Share Option Schemes

Under the terms of the EMI and unapproved share option schemes, the Board may offer options to purchase ordinary share options to employees and other individuals. Share options granted under the Group's schemes are normally exercisable for a ten-year period. The vesting period is from the date of grant up to three years. Some of the EMI share options and unapproved share options have performance criteria that mean they only vest if the share price is at a minimum level at that point.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

Unapproved share option scheme

	2020		2019	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**28,000**	**3.800**	10,000	3.90
Transferred from EMI scheme	**171,201**	**0.001**	24,000	3.75
Lapsed during the year	**(26,000)**	**3.781**	(6,000)	3.75
Outstanding at the end of the year	**173,201**	**2.527**	28,000	3.80
Exercisable at the end of the year	**-**	**-**	-	-

EMI Share option scheme

	2020 Number	**WAEP £**	2019 Number	WAEP £
Outstanding at the beginning of the year	**259,233**	**2.350**	148,000	3.850
Granted during the year	**540,144**	**0.001**	179,233	1.650
Lapsed during the year	**(233,233)**	**2.196**	(44,000)	3.850
Transferred to unapproved scheme	**-**	**-**	(24,000)	3.750
Outstanding at the end of the year	**566,144**	**0.784**	259,233	2.350
Exercisable at the end of the year	**-**	-	-	-

The options outstanding as at 31 December 2020 have the following exercise prices and expire in the following financial years:

Expiry	**Exercise Price £**	**2020 No.**	2019 No.
December 2026	**3.75**	**10,000**	70,000
June 2027	**4.25**	**-**	6,000
November 2027	**4.15**	**12,000**	30,000
April 2028	**3.75**	**2,000**	2,000
November 2028	**2.00**	**4,000**	4,000
November 2028	**2.15**	**-**	18,000
May 2029	**1.60**	**-**	157,233
February 2030	**0.00125**	**711,345**	-
		739,345	287,233

No options were exercised during the year (2019: Nil).

Options are forfeited at the discretion of the Board if the employee leaves the Group before the options vest. The Share Option Plan provides for the grant of both tax-approved Enterprise Management Incentives (EMI) options and unapproved options. The model used to calculate a share option charge involves using several estimates and judgements to establish the appropriate inputs, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

Options issued in February 2020

The Group issued 474,230 share options to the Chief Executive Officer, Mark Browning, and 237,115 to the Chief Financial Officer, Will Sawyer, on the 14 February 2020. Mark Browning's awards have been made under the Company's EMI Share Option Scheme (303,029 Ordinary Shares) and an Unapproved Share Option Scheme (171,201 Ordinary Shares). Will Sawyer's awards have been made under the Company's EMI Share Option Plan only.

The options are exercisable at 0.125 pence per share on the third anniversary of their grant. All options were granted under the condition that half of the Options granted to each director will vest if the Share price is at least £0.90 for a period of 30 consecutive Dealing Days ending on or after 14th February 2023, and the other half will vest if the share price is at least £1.35 for a period of 30 consecutive Dealing Days ending on or after 14th February 2023.

The inputs into the option pricing model for the options granted in February 2020 are as follows:

Scheme	EMI
Weighted average share exercise price	**0.125 pence**
Weighted average expected volatility	**74.02%**
Average expected life (years) – tranche 1	**3.87 years**
Average expected life (years) – tranche 2	**4.10 years**
Weighted average risk-free interest rate	**0.48%**
Expected dividend yield	**0%**

The expected volatility was calculated over a period of five years immediately prior to the date of the grant.

Risk-free interest rate has been calculated using the gilt rates over a period of five years from the date of grant. The expected life of the options in tranche 1 is 3.87 years and tranche 2 is 4.10 years.

The inputs into the option pricing model for the options previously granted are as follows:

Weighted average share exercise price	**3.67 pence**
Weighted average expected volatility	**75.29%**
Average expected life (years)	**1 year**
Weighted average risk-free interest rate	**1.3%**
Expected dividend yield	**0%**

The expected volatility was calculated using the historic volatility of the company's share price over the last year since listing. The weighted average risk-free rate has been calculated using the gilt rates on the date of grant. The expected life of the options assumes that on average, the options will be exercised evenly over their life.

8) EXCEPTIONAL ITEMS

Exceptional items are presented separately as, due to their nature or for the infrequency of the events giving rise to them, this allows shareholders to understand better the elements of financial performance for the year, to facilitate comparison with prior years and to assess better the trends of financial performance.

	2020 **£'000**	2019 £'000
Change in fair value of contingent consideration in respect of Tern Television	**(41)**	(138)
Reorganisation and restructuring costs	**(388)**	(272)
Contingent consideration treated as remuneration	**(160)**	(286)
Other exceptional items	**-**	(22)
Total	**(589)**	(718)

Reorganisation and restructuring costs

As part of management's transformation plan the Group restructured Reef TV in London and Blakeway North in Manchester and made changes to operational roles across the Group to improve efficiency and decision making. The non-recurring element of the costs has been presented as exceptional to enable a more refined evaluation of financial performance.

Tern Television contingent consideration: change in fair value and treatment as remuneration

In relation to the acquisition of Tern Television Productions in November 2017, the Directors note that where selling shareholders are also post-acquisition employees and contingent consideration is conditional on continuing employment during the earnout period, contingent consideration is treated as remuneration for the purposes of post-acquisition accounting under IFRS 3 and is expensed to the income statement over the earnout period.

In the period ended 31 December 2020, the minimum earnout target was exceeded, resulting in an overachievement amount being paid of £0.37m, an increase of £0.10m during the period. Of this £0.10m increase, £0.04m has been booked as a change in fair value of contingent consideration in the period, £0.02m as interest on the unwinding of the present value of contingent consideration and £0.04m is recognised as remuneration.

A total of £0.16m has been expensed to the income statement in the third year of acquisition in relation to earnout consideration linked to remuneration. As this is a non-operational expense item, it has been presented as exceptional for the purposes of an accurate evaluation of financial performance for the year.

9) FINANCE COSTS

Finance Costs	2020 £'000	2019 £'000
Interest payable on borrowings	**(303)**	(235)
Interest payable on lease liabilities	**(88)**	(4)
Interest on unwinding of present value of contingent consideration	**(69)**	(88)
Finance Costs	**(460)**	(327)
Finance Income		
Interest received	**2**	1
Net finance costs	**(458)**	(326)

10) INCOME TAX EXPENSE

Taxation Charge

	2020 £'000	2019 £'000
Current tax expense:		
Current tax expense	**8**	-
Charge in respect of prior periods	**-**	45
	8	45
Deferred tax		
Deferred tax asset write-off	**265**	-
Origination and reversal of temporary differences (note 23)	**(183)**	(172)
Effect of change in UK corporation tax rate	**46**	-
Adjustments in respect of prior periods	**21**	-
	149	(172)
Total income tax charge / (credit)	**157**	(127)

In light of uncertainty over the timing and amount of future profits the decision has been made to write-off the brought forward deferred tax asset of £265,000.

Reconciliation of taxation expense:

	2020 £'000	2019 £'000
Loss before tax from continuing operations	**(4,447)**	(1,622)
Loss before tax from discontinued operations	**(624)**	(1,237)
Loss before tax	**(5,071)**	(2,859)
Taxation expense at UK corporation tax rate of 19% (2019: 19%)	**(964)**	(543)
Other non-taxable income/non-deductible expenses	**216**	243
Tax losses not recognised	**573**	123
Temporary timing differences	**-**	5
Effect of changes in UK corporation tax rates	**46**	-
Deferred tax asset write-off	**265**	-
Charge in respect of prior periods	**21**	45
Total income tax expense	**157**	(127)

11) DISCONTINUED OPERATIONS

The CSR division has had a negative impact on the Group's overall profitability since the loss of the TFL sponsorship contract for The Children's Traffic Club. Following a strategic and market review of the highly specialised niche market of CSR and STEM education the Group decided to withdraw from this market in early 2020 and wind down all the loss-making contracts in the CSR business.

The CSR division accounted for 2% of Group revenue in the period to 31 December 2020, but accounted for 35% of losses at adjusted EBITDA level of continued and discontinued operations. This followed losses in year ended 30 June 2019 on revenues of £1.5m.

A small number of profitable contracts have been retained or moved elsewhere in the Group. The Group will retain the brand label Zinc Communicate which now accommodates all the Group's non-TV commissioned production.

	Period ended 31 Dec 2020	Year ended 30 Jun 2019
	£'000	£'000
Revenue	**628**	1,463
Expenses	**(1,061)**	(1,511)
Adjusted EBITDA loss	**(433)**	(48)
Exceptional items	**(119)**	(1,026)
Amortisation and depreciation	**(72)**	(65)
Loss before tax from discontinued operations	**(624)**	(1,139)
Income tax	**-**	(102)
Loss after tax from discontinued operations	**(624)**	(1,241)

The CSR business was closed in the period and the associated close down costs are disclosed as exceptional items.

The cash flows relating to discontinued operations have all been included within 'Net cash flows used in operating activities' as amounts related to other activities are not material to the financial statements.

12) EARNINGS PER SHARE

Basic loss per share (EPS) for the period is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

When the Group makes a profit from continuing operations, diluted EPS equals the profit attributable to the Company's ordinary shareholders divided by the diluted weighted average number of issued ordinary shares. When the Group makes a loss from continuing operations, diluted EPS equals the loss attributable to the Company's ordinary shareholders divided by the basic (undiluted) weighted average number of issued ordinary shares. This ensures that EPS on losses is shown in full and not diluted by unexercised share options or awards.

	2020	2019
	Number of Shares	Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**6,507,620**	2,799,182
Potentially dilutive effect of share options	**416,485**	4,028
	£'000	£'000
Loss for the year from continuing operations attributable to shareholders	**(4,320)**	(1,499)
Loss for the year from discontinued operations attributable to shareholders	**(624)**	(1,241)
Continuing operations		
Basic Loss per share (pence)	(66.38)p	(53.55)p
Diluted Loss per share (pence)	(66.38)p	(53.55)p
Discontinued operations		
Basic Loss per share (pence)	(9.59)p	(44.33)p
Diluted Loss per share (pence)	(9.59)p	(44.33)p

13) INTANGIBLE ASSETS

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Software £'000	Distribution Catalogue £'000	Total £000
Cost						
At 1 July 2018	29,394	4,497	3,419	122	443	37,875
At 30 June 2019	29,394	4,497	3,419	122	443	37,875
Additions	-	-	-	108	-	108
At 31 December 2020	**29,394**	**4,497**	**3,419**	**230**	**443**	**37,983**
Amortisation and impairment						
At 1 July 2018	(25,354)	(4,046)	(1,284)	-	(59)	(30,743)
Charge for the year	-	(97)	(464)	(61)	(89)	(711)
Impairment charge	(985)	-	-	-	-	(985)
At 30 June 2019	(26,339)	(4,143)	(1,748)	(61)	(148)	(32,439)
Charge for the period	-	(145)	(696)	(65)	(133)	(1,039)
At 31 December 2020	**(26,339)**	**(4,288)**	**(2,444)**	**(126)**	**(281)**	**(33,478)**
Net Book Value						
At 31 December 2020	**3,055**	**209**	**975**	**104**	**162**	**4,505**
At 30 June 2019	3,055	354	1,671	61	295	5,436

The current period amortisation charge includes £61,000 (2019: £61,000) from the Group's discontinued operations which is disclosed in note 11.

The prior year impairment charge of £985,000 relates to the Group's discontinued operations, which is disclosed as an exceptional item in note 8.

Impairment Tests for Goodwill

Goodwill by cash generating unit is:

	31 Dec 2020 £'000	30 Jun 2019 £'000
London & Manchester TV CGU	**1,444**	1,444
Tern TV CGU	**1,611**	1,611
Total	**3,055**	3,055

Goodwill is not amortised but tested annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and forecasts in new business.

The Group assessed whether the carrying value of goodwill was supported by the discounted cash flow forecasts of each operating segment based on financial forecasts approved by management, taking into account both past performance and expectations for future market developments. Management has used a perpetuity model (5-year Group forecast and GDP growth rate in perpetuity). Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to media businesses.

The 2021 business unit forecasts are based on the budget set for the year. In TV expected revenue and net margin improvements have been forecast in 2022 and in the following years a growth rate of 2 per cent has been used. In Tern Television a 2 per cent growth rate has been used from 2022 onwards. Management believe the 2 per cent growth rate does not exceed the growth rate of the industry and is a cautious assumption, which may be significantly lower than the growth rate management would expect to achieve.

In evaluating the recoverable amount, we employ the discounted cash flow methodology, which is based on making assumptions and judgements on forecasts, margins, discount rates and working capital needs. These estimates will differ from actuals in the future and could therefore lead to material changes to the recoverable amounts. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to EBITDA growth, which take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

The two cash generating units operate in a similar media landscape and the pre-tax discount rate applied across to the segments for period ended 31 December 2020 was 9.3 per cent (2019: 11.6 per cent). A sensitivity analysis of an increase in the discount rate by 2.3 per cent is shown below.

London & Manchester TV and Tern TV CGUs

Changes in assumptions can have a significant effect on the recoverable amount and therefore the value of the impairment recognised.

Assumption	Judgement	Sensitivity
Discount Rate	As indicated above the rate used is 9.3 per cent.	An increase in the discount rate to 11.6 per cent (prior year rate) will result in no impairment charge.
Growth Rate	An average rate of 2 per cent has been used for financial year 2022 onwards for Tern TV and financial year 2023 onwards for London TV.	If a zero per cent average growth rate was applied for 2023 onwards there would be no impairment in either CGU.
New Business	London & Manchester TV's CGU revenue recovers post Covid such that by 2022 it is back to just below 2019's levels.	If there is a shortfall in revenue of 20%, there would be no impairment charge.

14) PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 July 2018	291	111	2,495	2,897
Additions	21	-	171	192
At 30 June 2019	312	111	2,666	3,089
Additions	365	-	623	988
Disposals	(13)	(76)	(32)	(121)
Transfers	-	-	(23)	(23)
At 31 December 2020	**664**	**35**	**3,234**	**3,933**
Depreciation				
At 1 July 2018	(271)	(52)	(2,219)	(2,542)
Charge for the year	(20)	(18)	(140)	(178)
At 30 June 2019	(291)	(70)	(2,359)	(2,720)
Charge for the period	(67)	(19)	(247)	(333)
Disposals	-	54	-	54
At 31 December 2020	**(358)**	**(35)**	**(2,606)**	**(2,999)**
Net Book Value				
At 31 December 2020	**306**	**-**	**628**	**934**
At 30 June 2019	21	41	307	369

The depreciation charge in the current period and prior year includes depreciation from discontinued operations of £11,000 (2019: £4,000), and is disclosed in note 11.

15) INVENTORIES

	31 Dec 2020	30 Jun 2019
	£'000	£'000
Work in progress - Zinc Communicate	**67**	66
Work in progress - TV	**117**	96
Stock – CSR	**-**	74
Total Inventories	**184**	236

16) TRADE AND OTHER RECEIVABLES

	31 Dec 2020 £'000	30 Jun 2019 £'000
Current		
Trade receivables	**2,628**	3,628
Less provision for impairment	**(468)**	(126)
Net trade receivables	**2,160**	3,502
Other receivables	**-**	136
Prepayments	**364**	891
Contract assets	**1,755**	2,329
Total	**4,279**	6,858

The carrying amount of trade and other receivables approximates to their fair value. The creation and release of provision for impaired receivables have been included in administration expenses in the income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset above. The Group does not hold any collateral as security for trade receivables. The Group is not subject to any significant concentrations of credit risk.

There is no expected credit loss in relation to contract assets recognised because the measure of expected credit losses was not material to the financial statements.

Impairment of financial assets

The group's credit risk management practices and how they relate to the recognition and measurement of expected credit losses are set out below.

Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is significantly more than the associated credit terms past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Determination of credit-impaired financial assets

The group considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year-end:

- Significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;

- A breach of contract, including receipts being more than materially past due;
- It becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy

Receivables are written off by the group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration.

Impairment of trade receivables and contract assets

The group calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year-end based on the aging of the receivables, historical data about default rates on the same basis. That data is adjusted if the group determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

As noted below, a loss allowance of £320,000 (2019: £126,000) has been recognised for trade receivables in the Zinc Communicate division based on the expected credit loss percentages for trade receivables that are aged more than 30 days to over a year past due.

The loss allowance provision has been calculated based on historical loss rates. Zinc Communicate debt collection rates reduced during the Covid period in its Publishing unit, and consequently the directors have recognised an additional loss provision of £148,000, bringing the total provision to £468,000.

In relation to the Television division, the directors do not believe there are any other forward-looking factors to consider in calculating the loss allowance provision as at 31 December 2020. No expected loss provision has been recognised as the directors expect any loss to be immaterial.

No expected credit loss is expected for contract assets.

Television

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2020
Expected loss rate (%)	0%	0%	0%	0%	0%	0%	0%	**0%**
Gross carrying amount (£'000)	459	290	67	83	437	-	-	**1,336**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

CSR (discontinued)

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2020
Expected loss rate (%)	0%	0%	0%	0%	0%	0%	0%	**0%**
Gross carrying amount (£'000)	11	16	15	-	-	-	-	**42**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

Zinc Communicate

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2020
Expected loss rate (%)	12%	12%	16%	19%	23%	27%	57%	**26%**
Gross carrying amount (£'000)	194	319	76	85	91	187	289	**1,241**
Loss allowance provision (£'000)	17	39	12	16	21	51	164	**320**

17) CASH AND CASH EQUIVALENTS

	31 Dec 2020 £'000	30 Jun 2019 £'000
Total Cash and cash equivalents	**6,805**	3,213

The Group's credit risk exposure in connection with the cash and cash equivalents held with financial institutions is managed by holding funds in a high credit worthy financial institution (Moody's A2- stable).

18) TRADE AND OTHER PAYABLES

	31 Dec 2020 £'000	30 Jun 2019 £'000
Current		
Trade payables	**568**	1,997
Other payables	**58**	83
Other taxes and social security	**985**	1,010
Accruals	**3,885**	3,523
Contract liabilities	**1,275**	1,810
Total	**6,771**	8,423

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. The Group's payables are unsecured.

19) LEASES UNDER IFRS 16

This note reconciles the Group's previously disclosed operating lease commitments as at 30 June 2019 to the lease liability recognised on 1 July 2019 on adoption of IFRS 16:

	1 Jul 2019 £'000
Operating lease commitments as at 30 June 2019	427
Operating lease commitments that existed at 30 June 2019, not included in the amount above	78
Discounted using the incremental borrowing rate	(57)
Discounted leases using the group borrowing rate as at 1 July 2019	448

Operating lease commitments that existed at 30 June 2019, not included in amount above, relate to short term leases previously not classified as operating leases. These leases relate to editing suite equipment and photocopiers.

	1 Jul 2019 £'000
Current lease liabilities	425
Non-current lease liabilities	23
Total lease liabilities	448

The change in accounting policy altered specific items in the balance sheet on 1 July 2019 as shown below:

- Right of use asset – increased by £448k
- Lease liabilities – increased by £448k

Prior to the current period, leases were classified as either operating or finance leases. From 1 July 2019, leases are recognised as a right to use asset with a corresponding liability. Assets and liabilities are initially measured at the present value at the initial date using the implied company discount rate.

Right-of-use assets

	Short leasehold land and buildings £'000	Office and computer equipment £'000	Total £'000
Balance as at 1 July 2019	399	49	448
Additions	1,469	305	1,774
Depreciation	(795)	(150)	(945)
Balance as at 31 December 2020	**1,073**	**204**	**1,277**

Lease liabilities

	Short leasehold land and buildings £'000	Office and computer equipment £'000	Total £'000
Balance as at 1 July 2019	399	49	448
Additions	1,348	305	1,653
Interest expense	58	31	89
Lease payments	(613)	(174)	(787)
Balance as at 31 December 2020	**1,192**	**211**	**1,403**

Lease liabilities are presented in the statement of financial position as follows:

	31 Dec 2020 £'000	30 Jun 2019 £'000
Current	**337**	32
Non-current	**1,066**	20
Total lease liabilities	**1,403**	52

	Number of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term (years)
Short leasehold land and buildings	7	<1 to 4	2
Office and computer equipment	8	<1 to 3	2

20) BORROWINGS AND OTHER FINANCIAL LIABILITIES

	31 Dec 2020 £'000	30 Jun 2019 £'000
Current		
Contingent consideration payable	**-**	500
Lease liabilities	**337**	32
Sub total	**337**	532
Non-current		
Debt facility – unsecured borrowings	**2,455**	2,759
Loan notes – unsecured borrowings	**971**	984
Lease liabilities	**1,066**	20
Contingent consideration payable	**-**	595
Sub total	**4,492**	4,358
Total	**4,829**	4,890

Maturity of Financial Liabilities

The maturity of borrowings (analysed by remaining contractual maturity) is as follows:

	31 Dec 2020 £'000	30 Jun 2019 £'000
Repayable within one year and on demand:		
Lease liabilities	**337**	32
Trade and other payables	**616**	2,080
Accrued expenses	**3,885**	3,523
	4,838	5,635
Repayable between one and two years:		
Debt facility - unsecured	**2,646**	2,932
Loan notes - unsecured	**1,124**	1,074
	3,770	4,006
Repayable between two and five years:		
Lease liabilities	**1,066**	20
Total	**9,674**	9,661

Debt Facility

Loans totalling £2.46m (2019: £2.76m) are held by Herald Investment Trust Plc, John Booth and The John Booth Charitable Foundation ("JBCF"), all of whom are a related party through shareholding. The interest on the facility is based on monthly LIBOR plus a margin of 4%. The debt facility is unsecured and is repayable in full on 31 December 2022. There are no financial covenants in force in respect of this debt facility.

Loan notes – unsecured

The unsecured loan notes of £0.97m (2019: £0.98m) relates to short-term loan notes issued to Herald Investment Trust plc, a related party through shareholding. Interest is at a fixed rate of 8%. The interest is accrued and is repayable along with the principal on 31 December 2022. There are no financial covenants in place in respect of this debt.

Finance leases

Net obligations under finance leases are secured on related property, plant and equipment and are included within lease liabilities.

Overdraft

During the period the Group obtained an overdraft facility of £600k, the overdraft is secured over the assets of subsidiary companies. As at the period end the Group has now drawn upon the overdraft facility in place. The interest rate on the overdraft is 5.3% per annum over the Bank of England rate.

Change in liabilities arising from financing activities

	30 Jun 2019 £'000	**Cash flows £'000**	**Non-cash changes £'000**	**31 Dec 2020 £'000**
Borrowings – debt facility	2,759	172	(476)	**2,455**
Borrowings – loan notes	984	-	(13)	**971**
Finance leases	52	786	565	**1,403**
Total liabilities from financing activities	3,795	958	76	**4,829**

21) FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings, cash and liquid resources and various items, such as trade and other receivables and trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The principal financial risk faced by the Group is liquidity/funding. The policies and strategies for managing this risk is summarised as follows:

Risk	Potential impact	How it is managed
Liquidity	The Group's debt servicing requirements and investment strategies, along with the diverse nature of the Group's operations, means that liquidity management is recognised as an important area of focus. Liquidity issues could have a negative reputational impact, particularly with suppliers.	The Group's treasury function is principally concerned with internal funding requirements, debt servicing requirements and funding of new investment strategies. Internal funding and debt servicing requirements are monitored on a continuing basis through the Group's management reporting and forecasting. The Group also maintains a continuing dialogue with the Group's lenders as part of its information covenants. The requirements are maintained through a combination of retained earnings, asset sales or capital markets. An overdraft of £0.6m was put in place during the period to help fund potential working capital fluctuations. New investment strategies are to be funded through existing working capital or where possible capital markets.

Capital management policy and risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed

in note 20, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group's Board reviews the capital structure on an on-going basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio considering the above. The Board is currently satisfied with the Group's gearing ratio.

The gearing ratio at the year-end is as follows:

	31 Dec 2020 £'000	30 Jun 2019 £'000
Borrowings (debt facility and loan notes)	**(3,426)**	(3,743)
Cash and cash equivalents	**6,805**	3,213
Net Cash/(Debt)	**3,379**	(530)
Total equity	**6,114**	2,667
Net (cash)/debt to equity ratio	-55%	20%

The decrease in the Group's gearing ratio is mainly driven by the increased cash balance as a result of fundraises during the period, as well as the reduction in debt agreed with the debt holders as part of the balance sheet restructure.

Financial instruments by category

	31 Dec 2020 £'000	30 Jun 2019 £'000
Categories of financial assets and liabilities		
Financial assets – measured at amortised cost		
Trade and other receivables	**3,904**	5,967
Cash and cash equivalents	**6,805**	3,213
Financial liabilities - other financial liabilities at amortised cost		
Trade and other payables	**(4,501)**	(5,603)
Borrowings	**(3,426)**	(3,743)
Lease liabilities	**(1,403)**	(52)
Financial liabilities - other financial liabilities at fair value		
Contingent consideration payable	**-**	(1,095)

The fair values of the Group's cash and short-term deposits and those of other financial assets equate to their carrying amounts. The Group's receivables and cash and cash equivalents are all classified as financial assets and carried at amortised cost. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables and loan borrowings are all classified as financial liabilities measured at amortised cost.

22) BUSINESS COMBINATIONS

Issue of consideration shares

Following a strong trading performance by Tern Television Productions Limited ("Tern Television") the second and third-year earnings targets were achieved in the years to June 2019 and June 2020 respectively.

The second and third-year earnout payments, payable to the vendors of Tern Television in accordance with the terms of the share purchase agreement, were £0.5m each, which were satisfied partially in cash and partially in new Zinc Media Group shares.

Over the three year earnout period the minimum earnout targets were exceeded, resulting in an overachievement amount payable of £365,000, which was settled in shares.

In relation to the acquisition of Tern Television in November 2017, the Directors note that where selling shareholders are also post-acquisition employees and contingent consideration is conditional on continuing employment during the earnout period, contingent consideration is treated as remuneration for the purposes of post-acquisition accounting under IFRS 3 and is expensed to the income statement over the earnout period.

23) DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019:17%) for UK differences. The movements in deferred tax assets and liabilities during the year are shown below.

	Losses carried forward £'000	**Intangible assets £'000**	**Total £'000**
At 30 June 2018	203	(503)	(300)
Recognised in the income statement	62	110	172
At 30 June 2019	265	(393)	(128)
Recognised in the income statement	(265)	116	(149)
At 31 December 2020	**-**	**(277)**	**(277)**

Deferred tax assets estimated at £4.5 million (2019: £3.5 million) in respect of losses carried forward have not been recognised due to uncertainties as to when income will arise against which such losses will be utilised. Due to these uncertainties the deferred tax asset of £0.3m that was held at 30 June 2019 has been written off in the period.

24) Provisions

	31 Dec 2020 £'000	30 Jun 2019 £'000
Provisions	**75**	-

A dilapidation provision has been recognised in the period in relation to the costs associated with restoring a rented property back to its previous condition.

25) SHARE CAPITAL AND RESERVES

	31 Dec 20	30 Jun 19
Ordinary shares with a nominal value of:	**0.125p**	0.00025p
Authorised:		
Number	**Unlimited**	Unlimited
Issued and fully paid:		
Number	**15,963,039**	1,419,113,435
Nominal value (£'000)	**20.0**	3.5
Deferred shares with a nominal value of 1.99p		
Authorised, issued and fully paid:		
Number	**-**	276,666,012
Nominal value (£'000)	**-**	5,506
D Deferred shares with a nominal value of 0.09975p		
Authorised, issued and fully paid:		
Number	**-**	419,397,339
Nominal value (£'000)	**-**	418
Preference shares with a nominal value of 0.01p		
Authorised, issued and fully paid:		
Number	**-**	838,633
Paid up value (£'000)	**-**	839

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

The movements in share capital and reserves in the year are made up as follows:

Ordinary shares	31 Dec 2020 Number of Shares	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	30 Jun 2019 Number of Shares	Share Capital £'000	Share Premium £'000	Merger Reserve £'000
At start of year	**1,419,113,435**	**5,928**	**30,509**	**875**	1,359,586,281	3.4	30,414	777
Share placing and subscription for cash	**10,555,555**	**13**	**7,487**	**-**	-	-	-	-
Consideration paid in shares	**42,385,832**	**1**	**489**	**65**	39,473,685	0.09	-	98
Shares issued in lieu of fees	**5,176,190**	**-**	**48**	**-**	-	-	-	-
Expenses of issue of shares	**-**	**-**	**(406)**	**-**	-	-	-	-
Shares issued in debt conversion	**651,054**	**1**	**427**	**-**	-	-	-	-
Shares issued in preference share conversion	**24,675,435**	**8**	**923**	**-**	20,053,469	0.05	95	-
Capital Reduction	**-**	**(5,931)**	**(34,823)**	**(913)**	-	-	-	-
Share consolidation	**(1,486,594,462)**	**-**	**-**	**-**	-	-	-	-
At end of year	**15,963,039**	**20**	**4,654**	**27**	1,419,113,435	3.5	30,509	875

November 2019

Tern Television Earnout

On the 1 November 2019 the Company issued 41,597,336 new ordinary shares at a price of 0.3005p per share as part of the consideration for the acquisition of Tern Television, to the Tern Television selling shareholders.

Issue of shares

On the 1 November 2019 the Company also converted £71,279 of preference shares into 23,719,981 new ordinary shares at a price of 0.3005p per share to Herald Investment Trust plc ("Herald"). Herald converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that their holding of issued ordinary share capital in the Company was maintained.

To a supplier in lieu of fees, the Company issued 5,142,857 new ordinary shares at a price of 0.35p per share.

February 2020

Capital fundraise and balance sheet restructure

On 12 February 2020 the Company announced that it had raised £3.5 million (before expenses) by way of a placing of 3,888,889 New Ordinary Shares (the "Placing Shares").

Additionally, in order to simplify the Group's capital structure, the Company carried out the following:

(i) The Company consolidated its ordinary share capital such that each 500 Ordinary Shares of 0.00025p were consolidated into one New Ordinary Share of 0.125p (the "Share Consolidation"); and

(ii) Converted all remaining preference shares and accrued dividends held by Herald, amounting to £852,000, into New Ordinary Shares. As a result no preference shares remain on the Company's balance sheet; and

(iii) Converted £77,000 of long-term debt owing to John Booth into New Ordinary Shares; and

(iv) Extended the long-term debt held with the Herald and the John Booth Charitable Foundation and the term of the unsecured loan notes held with Herald from December 2020 to December 2022.

Issue of shares

On the 19 February 2020 the Group issued 33,333 new ordinary shares at a price 0.90p per share to a Director in lieu of payment of director fees.

September 2020

Balance sheet restructure

The Company received shareholder approval on the 12th February 2020 to carry out a capital reduction which was completed on the 2nd September 2020 as follows:

(i) The amount standing to the credit of the Company's share premium account, the Deferred Shares and D Deferred Shares have been cancelled; and

(ii) The amount of £0.9m, being the entire amount standing to the credit of the Company's merger reserve, has been capitalised by issuing capital reduction shares and thereafter such capital reduction shares were immediately cancelled.

The capital reduction created realised profits which eliminated the deficit on the Company's retained loss account.

November 2020

Capital fundraise

On 16th November 2020 the Company announced that it had raised £4 million (before expenses) by way of a placing of 6,666,666 New Ordinary Shares.

Tern Television Earnout

On the 17 November 2020 following a strong trading performance by Tern Television Productions Limited ("Tern Television") in the year ended 30 June 2020, the third-year earnings target was achieved. The third-year earnout payment, payable to the vendors of Tern Television in accordance with the terms of the share purchase agreement, was £0.5m, of which £375,000 was settled in cash and £125,000 settled in shares. Over the three year earnout period the minimum earnout targets were exceeded, resulting in an overachievement amount payable of £364,500, which was settled in new ordinary shares. In total £489,500 was settled through the issue to the vendors of 788,496 new ordinary shares at a price of 62.08p per share.

Issue of shares

On the 17 November 2020 the Company converted £337,212 of debt held with Herald Investment Trust plc ("Herald") into 543,188 new ordinary shares at a price of 62.08p per share, such that their holding of ordinary shares was maintained, which is approximately 40.13% of the issued ordinary share capital.

Also on the 17 November 2020 the Company converted £13,517 of debt held with John Booth Charitable Trust ("JBCF") into 21,774 new ordinary shares at a price of 62.08p per share, such that their current holding of ordinary shares is maintained, which is approximately 1.61% of the issued ordinary share capital.

Nature and purpose of the individual reserves

Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued;
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account;

- Merger reserve is used where more than 90 per cent of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006;

- Share based payment reserve arises on recognition of the share-based payment charge in accordance with IFRS2 'Share Based Payment Transactions';

- Retained earnings include the realised gains and losses made by the Group and the Company; and

- Preference shares represents the proceeds of preference shares issued, being nominal value plus any premium on issue.

26) COMMITMENTS

Capital commitments

The Group had no capital commitments in relation to leasehold improvements to its premises as at 31 December 2020 (2019: £nil).

27) RELATED PARTY TRANSACTIONS

Herald Investment Trust plc and John Booth Charitable Foundation

The Company is the borrower of unsecured debt and loan notes with Herald Investment Trust plc and John Booth Charitable Foundation requiring a bullet repayment on 31 December 2022. The total amount outstanding at 31 December 2020 including accrued interest is £3.43m (2019: £3.74m). Interest accrued on the debt amounted to £0.04m (2019: £0.56m).

28) POST BALANCE SHEET EVENTS

There are no post balance sheet events to disclose.

29) GUARANTEE IN RELATION TO SUBSIDIARY AUDIT EXEMPTION

On 19 April 2021, the Directors of the Company provided guarantees in respect of its trading subsidiary companies in accordance with section 479C of the Companies Act 2006. As a result, the following subsidiary entities of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006:

Blakeway Productions Limited (02908076)
Zinc Television London Limited (formerly Brook Lapping Productions Limited) (02800925)
Zinc Communicate CSR Limited (formerly Zinc Communicate Limited) (06271341)
Films of Record Limited (01446899)
Reef Television Limited (03500852)
Zinc Television Regions Limited (formerly Ten Alps TV Limited) (02888301)
Zinc Communicate Productions Limited (formerly Ten Alps Communications Limited) (03136090)
Tern Television Productions Limited (SC109131)

Cautionary note regarding forward-looking statements

This press release may contain certain forward-looking information. The words "expect", "anticipate", believe", "estimate", "may", "will", "should", "intend", "forecast", "plan", and similar expressions are used to identify forward looking information.

The forward-looking statements contained in this press release are based on management's beliefs, estimates and opinions on the date the statements are made in light of management's experience, current conditions and expected future development in the areas in which the Company is currently active and other factors management believes are appropriate in the circumstances. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable law.

Readers are cautioned not to place undue reliance on forward-looking information. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties that contribute to the possibility that the predicted outcome will not occur, including some of which are beyond the Company’s control. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements.

Inside Information

The information contained within this announcement constitutes inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) no. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR") and is disclosed in accordance with the Company’s obligations under Article 17 of MAR. On the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.