26 April 2023

Zinc Media Group plc
(“Zinc” or the “Group”)

Results for the year ended 31 December 2022
and
Notice of Annual General Meeting

Zinc Media Group plc (AIM: ZIN), the award-winning television, brand and audio production group, is pleased to announce its audited results for the year ended 31 December 2022 (“FY22”).

The Group is pleased to report excellent progress for FY22, including the following highlights:

Financial highlights

- Revenue and Adjusted EBITDA[1] ahead of market expectations, with the Group profitable at Adjusted EBITDA level
- Revenue increased 72% to £30.1m (FY21: £17.5m) and marks the highest revenue the Group has generated in the last ten years
    - Organic revenue growth of £6.8m or 39% year-on-year, reflecting the investment in new businesses and contracts
    - H2 revenues increased 83% to £19.2m (H2 2021: £10.5m)
    - Approximately 80% of revenue was delivered from existing customers, up from 69% in FY21
- Adjusted EBITDA of £0.1m, compared to a loss of £0.6m in FY21
    - Strong H2 2022 performance with Adjusted EBITDA of £0.7m
- £3.6m of cash at 31 December 2022 and £4.6m as at 19th April 2023
- Loss before tax of £3.3m (FY21: £2.6m) is largely driven by acquisition costs related to The Edge acquisition in the year and amortisation related to previous acquisitions

Operational highlights

- The successful acquisition of The Edge in August 2022 has brought a quality, high margin business with significant repeat revenue
- The Edge is performing ahead of acquisition expectations, having achieved its best ever trading performance last year, generating £13m of revenue and £1.3m of profit before tax (of which £5.8m of revenue and £0.7m of profit before tax has been included in the Group’s consolidated results)
- The acquisition of The Edge has added considerable scale to the Group, with pro-forma revenues for the enlarged group of £37m in FY22[2]
- The Group has been awarded “Production Company of the Year” at the prestigious New York Festival Film and Television Awards

Delivering a number of significant programme successes during the year

- Highly acclaimed documentaries that led the news agenda and got the nation talking include *Putin vs The West*, *Tom Daley: Illegal to be me* and *Afghanistan: Getting out* for the BBC

---

[1] Adjusted EBITDA is defined as EBITDA before Adjusting Items (see Note 8) comprising share based payment charges, loss on disposal of fixed assets, reorganisation and restructuring costs, acquisition costs and contingent consideration treated as remuneration

[2] Pro-forma revenues demonstrate performance had The Edge been owned by the Group for the whole of FY22

- Zinc's largest ever volume commission, *Bargain Loving Brits* for Channel 5
- Programming with fresh talent and from new buyers such as *Unprecedented* for Discovery+, *Space Jump* for Red Bull, *Martin Compston's Scottish Fling* for BBC, *Spooked Ireland* for Really, *Naughty Tories* for Channel 5 and *Sunday Morning Live* for the BBC

Current trading and outlook

- The Group is trading strongly with £26m of revenue already booked and expected to be recognised in FY23 (7 February 2023: £15m)
- In addition the Group's pipeline remains strong with a further £6m of revenue at a highly advanced stage
- Together this provides the Board with confidence in delivering FY23 market expectations
- Integration of The Edge is progressing well: cross-divisional business development opportunities have been identified and the planned co-location with Zinc's other London businesses later this year will enable cost savings and further synergies

Mark Browning, CEO of Zinc Media Group, commented:

"We are delighted to report a strong set of results for FY22: exceeding market expectations and revenues at a 10-year high. This is a great achievement and has been testament to the breadth and depth of our creative output. Performance in FY23 is very encouraging and there is a feeling of momentum and optimism around the Group. Zinc has a considerable pipeline of business and has already booked £26m of revenue to be recognised this year. As a result, the Board is positive for the outlook of the business and views the remainder of the year with confidence."

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 annual report and accounts is notice of the Group's 2023 annual general meeting (the "AGM"), which will take place at 10.00am on 25 May 2023 at Singer Capital Markets' offices at 1 Bartholomew Lane, London, EC2N 2AX.

This announcement contains inside information for the purposes of the UK Market Abuse Regulation. The Directors of the Company take responsibility for this announcement.

For further information, please contact:

Zinc Media Group plc **+44 (0) 20 7878 2311**

Mark Browning, CEO / Will Sawyer, CFO

www.zincmedia.com

Singer Capital Markets (Nominated Adviser and Broker) **+44 (0) 20 7496 3000**

James Moat / George Tzimas / Alex Emslie

IFC Advisory Ltd (Financial PR) **+44 (0) 20 3934 6630**

Graham Herring / Zach Cohen

About Zinc Media Group

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

The award-winning and critically acclaimed television labels comprise Brook Lapping, Red Sauce, Supercollider, Tern Television, Rex and Atomic, along with Bumblebee Post Production, and produce programmes across a wide range of factual genres for UK and international broadcasters.

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

The Edge Picture Company produces film content for brands and corporates in the UK, Qatar and other international markets.

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

Chairman’s Statement

2022’s results reflect a transformational year for the Group. The Board is delighted to see revenue grew 72% overall to a ten-year high, powered by excellent organic growth of 39% and a strong Adjusted EBITDA performance of £0.7m during the second half, plus the successful acquisition of The Edge Picture Company ("The Edge”). This follows huge amounts of hard work and is a much improved performance on the prior year.

The strong growth delivered by the Company and the high level of revenues delivered from repeat customers provides the Board with confidence of sustained Adjusted EBITDA profitability. The Board is pursuing a strategy built on strong organic growth, supplemented by selective acquisitions, to deliver long term profitable growth. The Group has continued to invest in talent and new business opportunities that are resulting in numerous contracts and should lead to growth and profitability in 2023 and beyond.

The acquisition of The Edge in August 2022 has been a strong addition to the Group. It has delivered record financial results in its fourth quarter, helping the Group to report strong H2 profitability. The Edge entered 2023 in a good position with record pre-booked revenue. Cross-selling opportunities and integration into the wider Group is progressing well and cost benefits will be realised with the planned move of The Edge from its current premises in Covent Garden into Zinc’s London headquarters in H2 2023.

The Group continues to deliver world class television and brand content. *Putin vs The West* grabbed the news headlines across the world when it was first broadcast in early 2023. *Afghanistan: Getting Out* gave the inside track on the chaotic withdrawal of western forces from Afghanistan and *Bowelbabe In Her Own Words* provided exclusive access to the final days of Dame Deborah James’ battle with bowel cancer. In addition, Zinc has produced hundreds of hours of television for all the main UK and many international broadcasters including Zinc’s largest ever volume commission for *Bargain Loving Brits*, and brand content produced for companies including Red Bull, EasyJet and Lego alongside large multi-nationals in the FTSE100, government departments and NGOs. The Company continues to receive notable endorsements for its quality of production and programming, most recently winning “Production Company of the Year” at the New York Festival Awards.

The Board would like to thank the management team, the employees and freelancers for their professional and dedicated work, as well as our shareholders for their support in what has been a year of strong progress.

CEO’s Review

The strategic priorities for 2022 were to deliver good organic growth, supported by high quality acquisitions, with the ambition to build a strong core business by the end of 2022 that would deliver long term sustainable profitability. All these were delivered in the year.

Revenue growth

The Group grew strongly in 2022 with total revenue up 72% on FY21 to £30.1m. This growth was achieved as a result of investments made in London Television and Zinc Communicate during the previous two financial years and the acquisition of The Edge in August 2022. Following the easing of Covid-19 restrictions in H1, revenue growth in H2 was even stronger, increasing 83% year-on-year to £19.2m, and delivering an H2 Adjusted EBITDA of £0.7m, in part driven by the acquisition of The Edge in August, which has performed ahead of our expectations.

Organic revenue growth powered Zinc’s top line performance and grew £6.8m or 39% in FY22, driven by a very strong performance from the Group’s new businesses which were up 97% (£4.2m) as well as excellent growth from the Group’s established businesses, which grew 20% (£2.6m).

The Group comprises twelve businesses that operate in two areas: television production (Tern TV, Brook Lapping, Red Sauce, Supercollider, Rex, Bumblebee and Atomic TV) and content production for brands and businesses (The Edge and the Zinc Communicate businesses in Brand Entertainment, Audio, Corporate Film and Publishing).

Four of these businesses, Tern TV, Brook Lapping, Zinc Communicate Publishing and The Edge have been established for many years. Seven are new businesses that have been launched in the last three years as part of the Group's transformation plan and are growing at an accelerated rate. These comprise the London TV labels Red Sauce, Supercollider and Rex, alongside Zinc Communicate businesses in branded entertainment, corporate film and podcasting, and the post-production business Bumblebee. Together the new businesses contributed £9m of revenue in FY22, almost doubling year-on-year. A new Bristol based TV label, Atomic TV, was launched in January 2023.

The Edge has helped add scale to the Group, as well as an increasing proportion of revenue from repeat customers. Zinc's pro-forma group revenue for FY22 was over £37m (on the basis of The Edge having been acquired at the start of FY22).

Strong customer base built on high levels of repeat customers

The Group has a solid and growing base of existing business with 79% of revenue in FY22 from repeat customers, up from 69% in the prior year, delivering a high level of earnings predictability. This is particularly pleasing when taking into account that the Group has a large number of new businesses that are still establishing their client base. The revenue delivered from the repeat customer base within the Group's established businesses is 90% of their revenue.

Continued revenue diversification delivering a more robust Group

The Group's revenue and customer diversification was enhanced with the acquisition of The Edge in August 2022. The Edge is one of the world's leading producers of corporate and brand films, producing work of a consistently high quality for a stable base of long-term returning clients. It achieved healthy gross margins of around 50% and had its best ever year in 2022. It started 2023 with record levels of pre-booked revenue.

The addition of The Edge creates a more balanced Group where television now accounts for around 60% of Group revenue and Zinc Communicate and The Edge representing the remaining 40%. This revenue mix and diversified portfolio has created a strong platform on which to build future growth and de-risks the Group's previous dependency on high value but binary TV commissions.

Path to sustainable profitable growth

The Group is pleased to report a profit at Adjusted EBITDA level for FY22 of £0.1m, including a profit of £0.7m in the second half, and we will look to accelerate growth in profitability in the coming years.

Five of the eight new businesses launched in the last three years are in the investment and early growth phase, and we expect them to start contributing positively to Adjusted EBITDA in FY23 and beyond. Similarly, the Group has added some strategic high volume, lower margin TV revenue in FY22 that is supporting the Group's expansion into new TV markets. We believe these contracts will provide long-term benefits by bringing new capabilities to the Group, establishing Zinc in new markets and driving profitability in the future. These contracts include a seven-figure development funding from a global streaming service for an access documentary, securing the Group's first weekly live television series for the BBC and the commission of a high-volume daytime commission for Channel 5, which have provided a foothold in the previously untapped global streaming, live television and daytime markets.

Shareholder engagement

The Group conducted many engagements with shareholders during the year. Alongside regular trading updates, the CEO and CFO presented to all shareholders and interested parties three times during the year using the Investor Meets Company platform and investors can follow the Group via the DirectorsTalk platform. In addition, the Group held a capital markets day at the Zinc headquarters in London. This provided the opportunity for investors to meet the executive team and Chairman along with members of the senior management team, and the CEO presented market insights and showcased the creative work from around the Group. Following its success, the Company intends to present another capital markets day this year and further details will be announced via RNS in due course. Investor Focus Communications (IFC) is the Group's investor relations and financial PR advisor. News is regularly posted on the Group's website and on the Group's social media feeds. Links to these can be found at www.zincmedia.com.

Looking forward in FY23 with confidence

The Group entered 2023 with the highest amount of pre-booked revenue since the new management team took over in 2019. As at 18 April 2023, revenue booked and expected to deliver and be recognised in FY23 stands at £26m, with a further £6m on the pipeline at a highly advanced stage. Last year £18m of revenue was booked between May and December and recognised in FY22. Taken together, these underpin the Board's confidence in comfortably achieving market expectations for the year ahead.

Zinc's programmes have led the national conversation so far this year and include *Putin vs The West* and *Bowelbabe: In her Own Words* which received 5-star reviews with The Times calling the film "a masterclass in how to make life and death meaningful". Channel 4 has announced a high profile commission titled *Gender Wars* which will explore one of the most polarised issues of our time, the meaning of sex and gender. BBC One has broadcast *Dr Xand: Con or Cure* and also recently announced their first commission from Rex TV called *Get your Eurovision on!*.

The size of the opportunity ahead is significant. H2 2022 results provide evidence that the Group can generate healthy Adjusted EBITDA and cash as it scales. Growth will come organically and from pursuing selected earnings accretive acquisitive opportunities. We are optimistic that growth will accelerate in 2023 and beyond.

Programme highlights

2022 was packed with programme and editorial highlights.

Putin vs The West was produced in 2022 for the BBC and aired in Q1 2023. This programme secured exclusive access to world leaders including former UK Prime Ministers Theresa May, David Cameron and Boris Johnson, along with former French President François Hollande and current Ukrainian President Volodymyr Zelenskyy, in addition to the Director of the CIA. This three-part series told the story of how through the decades of clashes, the West has struggled to deal with President Putin.

Bargain Loving Brits: the long running series was super-sized in 2022 with Channel 5 commissioning over 50 episodes of fun-loving ex-pats in Spain setting up businesses, enjoying retirement and always searching for a bargain on the Costa del Sol.

Tom Daley: Illegal to be me: As thousands of athletes prepared to compete on the global stage at the 2022 Commonwealth Games in Birmingham gold medallist and double world champion diver Tom Daley exposed the brutality faced by gay athletes in many competing countries where it remains illegal to be gay, including 56 member states of the Commonwealth.

Space Jump: This special feature documentary for Red Bull was released to mark the tenth anniversary of Felix Baumgartner's 2012 record-breaking sound barrier bursting, mega jump from space. Baumgartner broke the speed of sound in freefall reaching a speed of 843mph, and also broke all records for live streaming, a record that still stands today.

Afghanistan: Getting Out was a two part documentary for the BBC in partnership with numerous other global broadcasters telling the twenty year story of the West's conflict with Afghanistan culminating in the chaotic withdrawal of Western forces in 2021.

Martin Compston's Scottish Fling: Tern TV secured The Line of Duty star to present this factual entertainment series for the BBC, showcasing the spirit of Scotland through its people and places.

Sunday Morning Live: Tern TV secured this live weekly programme for BBC ONE in an open competitive tender, in a production partnership with Green Inc Film and Television. *Sunday Morning Live* is an ethical discussion programme picking up on the week's topical news and events.

Productions made outside London ("MoL") are important for the UK's Public Service Broadcasters ("PSBs") and Zinc is well placed to address this need, with substantive long term production centres in Manchester, Glasgow, Belfast and Aberdeen. At the beginning of 2023 the Group opened a new TV label in Bristol, a city world renowned for producing specialist factual programmes including natural history, travel and adventure and history. Over two thirds of Zinc's production revenues in 2022 were MoL, driven by the success of Red Sauce in Manchester and Tern TV in Scotland and Northern Ireland.

Supercollider, Zinc Communicate and The Edge produced hundreds of brand and corporate films in 2022 for many of the world's largest and most recognisable brands including Red Bull, EasyJet and Lego alongside multi-national FTSE100 organisations as well as NGOs and government organisations.

There were dozens of other programmes produced by Zinc Media Group in 2022, which can be seen on www.zincmedia.com. Zinc's group of companies produces content watched by tens of millions of people across the world every year, and its programmes have led the news and the national conversation across the United Kingdom.

Market and outlook

In television the PSBs (comprising the BBC, ITV, Channel 4 and Channel 5) represent the largest market for Zinc and the Group produces for all these channels.

The total TV commissioning market in 2022 for UK producers still remained below pre-Covid levels at £4.3bn (£4.7bn in 2019) but the factual television spend in 2022 remained consistent at £1bn, of which c. £850m was spent with independent production companies, not owned by the main broadcasters or channels (Source: Ofcom 2022). PSB's account for just over 50% of this commissioning market and Channel 4 is the single largest commissioning channel from the independent production sector. Zinc has made specific investments in Tern TV and Rex TV to grow the number of programmes it makes for Channel 4. Subscription Video on Demand (SVoD) spending on UK factual programming by the likes of Netflix and Disney+ has risen significantly, although the number of hours commissioned remains far lower than the PSBs, and UK multi-channels have also increased their spend from the independent production sector.

Zinc is well placed to continue to grow from this large factual commissioning market. Approximately £200m of the UK PSB spend on television commissions is spent outside of London, which validates Zinc's continued investment in Tern TV (Glasgow and Belfast), Red Sauce TV (Manchester) and the launch in 2023 of the new Atomic TV (Bristol).

While premium documentary programmes such as *Putin vs The West* and *Tom Daley: Illegal to be me* have generated both recognition and awards for Zinc, it is the factual entertainment market which offers the greatest potential for accelerated growth. This genre represents the largest proportion of PSB commissioning spend in non-scripted television and Zinc has diversified into this market in recent years with the launch of Red Sauce TV and Rex TV as well as new investment in factual entertainment within Tern TV. While this is the largest addressable factual market for Zinc, it is dominated by a large number of returning series. This makes it initially hard to penetrate but provides lucrative and long running returning revenues once business is secured. The super-sized Red Sauce commission from Channel 5 is testament to this, and Rex TV has a growing pipeline in this market. Factual entertainment also offers the opportunity for increased international distribution and format sales.

In addition to broadcast television production, the Group's commercial content production division Zinc Communicate continues to grow at pace, with CAGR of 22% over the last three years. If these high levels of organic growth can be sustained in the years ahead, the Group will have developed a prominent position in this large, and higher margin, market for corporate and brand films. The addition of The Edge accelerates the Group's presence in this market.

We are very encouraged by the high rate of new business wins in recent months, including high profile television programmes, large volume series and the new businesses gaining excellent traction in the market:

- The Group's newest TV labels, Red Sauce, Rex and Supercollider, have booked £9m of revenue into FY23; Bristol based Atomic TV was launched in January this year
- The Edge has booked £8m that is expected to be recognised in FY23, which is the highest amount of pre-booked revenue it has had at this stage of a financial year
- Red Sauce has won the Group's largest ever commission worth £7.3m, to be recognised over FY23 and FY24, and is in production for two new series which are yet to be announced

CFO's Report

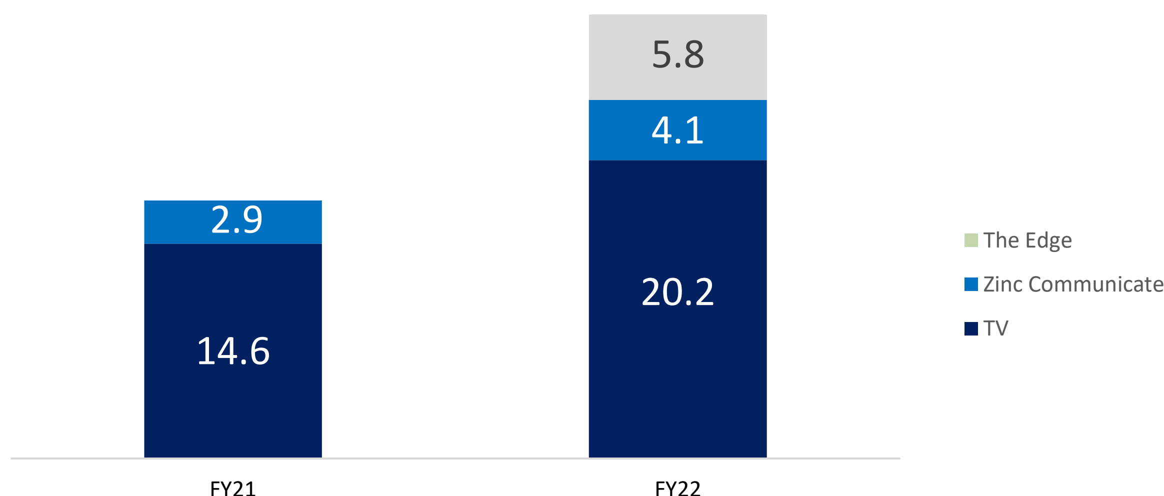
£m	2022	2021	Movement
Income Statement			
Revenue	30.1	17.5	12.6
Gross Profit	10.2	6.7	3.5
Gross Margin	34.0%	38.5%	(4.5%)
Loss before tax	(3.3)	(2.6)	(0.7)
Adjusted EBITDA	0.1	(0.6)	0.7
Statement of financial position			
Cash	3.6	5.6	(2.0)
Long-term debt	(3.5)	(3.4)	(0.1)
Net cash	0.1	2.2	(2.1)

Income statement

Revenue

The key drivers for the increase in revenue from £17.5m to £30.1m are organic growth of £6.8m from the TV and Zinc Communicate divisions and the acquisition of The Edge, which contributed £5.8m of revenue since its acquisition. The organic growth was driven by an increase of £5.6m, or 39%, year-on-year from the TV business via its new labels and a £1.2m increase from Zinc Communicate, a 40% increase year-on-year, which has grown its brand and corporate film offering.

Revenue (£m)

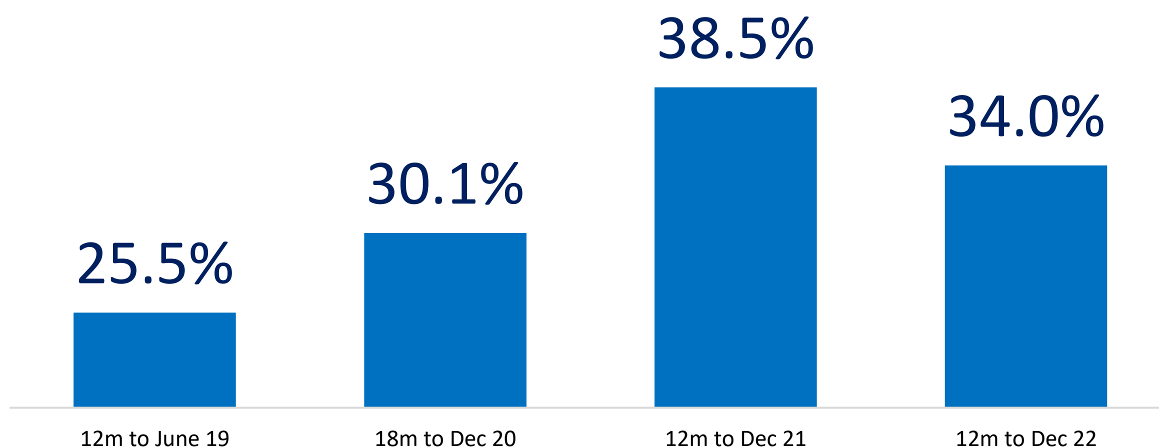


Gross margin and operating expenses

The Group's gross margin decreased during the period from 38.5% to 34.0% due to a strategic increase in the volume of lower margin TV revenue that is supporting the Group's expansion into new TV markets and accounted for £7m of revenue in FY22. Gross margins excluding this lower margin TV revenue have risen to 40.5% from 38.5% in FY21. This was mainly driven by the acquisition of The Edge which delivers higher margins.

Whilst Group gross margin decreased in FY22, it remains notably ahead of the performance achieved in previous years, as demonstrated in the graph below.

Group gross margins (%)



Adjusting items incurred during the year amounted to £1.3m (FY21: £0.3m), which mainly comprised the costs relating to the acquisition of The Edge which were £0.95m, in addition to restructuring and share based payment costs of £0.3m (FY21: £0.2m).

Operating expenses have risen by £4.0m to £13.1m, and whilst this represents a 44% increase on the prior year, the rate of growth has been significantly outpaced by the 72% increase in revenue due to the Group's relatively high operating leverage. As a result, operating costs as a percentage of revenue have fallen from 52% to 44%.

Finance costs, which mainly relate to interest on the Group's long-term debt, have risen from £0.2m to £0.4m as the relevant interest rate is based on the Bank of England base rate, and also subject to a floor of RPI, both of which increased during the year.

Earnings per share

Basic and diluted loss per share from continuing operations in FY22 was 12.43p (FY21: loss per share of 15.80p). These measures were calculated on the losses for the period from continuing operations attributable to Zinc Media shareholders of £2.3m (FY21: loss of £2.5m) divided by the weighted average number of shares in issue during the period being 18,480,039 (FY21: 16,095,991).

Dividend

The Board has not recommended a dividend in respect of the year ended 31 December 2022 (FY21: £nil).

Statement of Financial Position

Net assets have increased by £3.2m to £7.0m at the end of December 2022, driven by the acquisition of The Edge which added £1.9m of net assets at year end.

Assets

Cash balance at the end of December 2022 was £3.6m. This represents a decrease of £2.0m during the year, as the cash consideration paid for The Edge, outflows from operating activities, capital expenditure, property leases and the servicing of the long-term debt offset the net proceeds from the equity fundraise in August 2022.

Trade and other receivables have increased by £6.7m to £10.6m, driven by The Edge's receivables of £4.9m.

Equity and Liabilities

Total equity has increased from £3.7m to £7.0m as the issue of new equity more than offset the loss in the year.

Total liabilities have increased by £5.3m due The Edge's liabilities being consolidated into the Group and contingent consideration payable as part of the acquisition. The Group had an outstanding balance on long-term debt of £3.5m at year-end (FY21: £3.4m). The Directors believe the Group has strong shareholder support, evidenced by shareholders investing £5.0m in new equity in the year. The long-term debt holders are also major shareholders who own 42% of the Group's shares.

Cash Flows

The Group used cash of £4.6m in the year (FY21: £0.2m) in its operations mainly due to an increase in working capital from a high receivable position in the last year and as a result of The Edge acquisition. The net movement in the year was a decrease in cash of £2.0m (FY21: decrease of £1.2m) after financing activity cash inflow of £3.9m (FY21: outflow of £0.6m) and cash used in investing activities of £1.2m (FY21: £0.3m), driven respectively by the £4.8m equity fundraise (net of costs) and associated acquisition of The Edge which contributed a net cash outflow of £0.3m (£1.2m consideration paid less £0.9m of cash acquired).

Key Performance Indicators (KPIs)

In monitoring the performance of the business, the executive management team uses the following KPIs:

- Revenue growth, including revenue from repeat customers and new business pipeline strength
- Profitability assessed by key measures including gross margins and Adjusted EBITDA
- Cash generation and cash management
- Performance and integration of acquisitions

These KPIs have been reported on within the Strategic Report.

Consolidated income statement for the year ended 31 December 2022

	Notes	**12 months ended 31 December 2022 £'000**	12 months ended 31 December 2021 £'000
Continuing operations			
Revenue	4	**30,083**	17,491
Cost of sales	5	**(19,880)**	(10,759)
Gross profit		**10,203**	6,732
Operating expenses	5	**(13,083)**	(9,097)
Operating loss		**(2,880)**	(2,365)
Analysed as:			
Adjusted EBITDA		**75**	**(612)**
Depreciation	5	(947)	(782)
Amortisation	5	(715)	(704)
Adjusting items	8	(1,293)	(267)
Operating loss		**(2,880)**	**(2,365)**
Finance costs	9	**(390)**	(241)
Finance income	9	**1**	-
Loss before tax		**(3,269)**	(2,606)
Taxation credit/(charge)	10	**987**	86
Loss for the period		**(2,282)**	(2,520)
Attributable to:			
Equity holders		**(2,297)**	(2,544)
Non-controlling interest		**15**	24
Retained loss for the period		**(2,282)**	(2,520)
Earnings per share			
Basic	11	**(12.43)p**	(15.80)p
Diluted	11	**(12.43)p**	(15.80)p

The loss for the period attributable to equity holders from continuing operations is £2,297k (31 December 2021: £2,544k).

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

Consolidated statement of comprehensive income for the year ended 31 December 2022

	12 months ended 31 December 2022 £'000	12 months ended 31 December 2021 £'000
Loss for the year and total comprehensive expense for the period	**(2,282)**	(2,520)
Attributable to:		
Equity holders	**(2,297)**	(2,544)
Non-controlling interest	**15**	24
	(2,282)	(2,520)

Consolidated statement of financial position as at 31 December 2022

	Note	**2022 £'000**	2021 £'000
Assets			
Non-current			
Goodwill and intangible assets	12	**7,671**	3,800
Property, plant and equipment	13	**1,056**	904
Right-of-use assets	18	**1,084**	1,159
		9,811	5,863
Current assets			
Inventories	14	**73**	226
Trade and other receivables	15	**10,591**	3,887
Cash and cash equivalents	16	**3,632**	5,608
		14,296	9,721
Total assets		**24,107**	15,584
Equity			
Called up share capital	24	**27**	20
Share premium account	24	**9,546**	4,785
Share based payment reserve		**457**	277
Merger reserve	24	**566**	27
Retained losses	24	**(3,653)**	(1,386)
Total equity attributable to equity holders of the parent		**6,943**	3,723
Non-controlling interests		**16**	24
Total equity		**6,959**	3,747
Liabilities			
Non-current			
Borrowings	19	**3,490**	-
Lease liabilities	18	**352**	735
Deferred tax	21	**-**	190
Provisions	22	**242**	250
Trade and other payables	17	**2,476**	-
		6,560	1,175
Current			
Trade and other payables	17	**9,753**	6,799
Current tax liabilities		**160**	4
Borrowings	19	**-**	3,428
Lease liabilities	18	**675**	431
		10,588	10,662
Total liabilities		**17,148**	11,837
Total equity and liabilities		**24,107**	15,584

The consolidated financial statements were authorised for issue and approved by the Board on 25 April 2023 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 for the year ended 31 December 2022

	Note	**12 months ended 31 December 2022 £'000**	12 months ended 31 December 2021 £'000
Cash flows from operating activities			
Loss for the year before tax from continuing operations		**(3,269)**	(2,606)
		(3,269)	(2,606)
Adjustments for:			
Depreciation	5	**947**	782
Amortisation and impairment of intangibles	5	**715**	704
Finance costs	9	**390**	241
Finance income	9	**(1)**	-
Share based payment charge	7	**180**	122
Contingent consideration deemed remuneration	8	**-**	-
Consideration paid in shares		**30**	131
Loss on disposal of assets	8	**-**	4
		(1,008)	(623)
Decrease/(increase) in inventories		**191**	(42)
(Increase)/decrease in trade and other receivables		**(2,841)**	392
(Decrease)/increase in trade and other payables		**(975)**	28
Cash used in operations		**(4,633)**	(245)
Finance income		**1**	-
Finance costs		**(57)**	(65)
Net cash flows used in operating activities		**(4,689)**	(310)
Investing activities			
Payment of contingent consideration on acquisition of subsidiary		**-**	-
Purchase of property, plant and equipment	13	**(831)**	(273)
Purchase of intangible assets	12	**(50)**	-
Acquisition of subsidiary net of cash acquired	23	**(324)**	-
Net cash flows used in investing activities		**(1,205)**	(273)
Financing activities			
Issue of ordinary share capital (net of issue costs)	24	**4,767**	-
Principal elements of lease payments	18	**(555)**	(432)
Borrowings repaid	19	**(265)**	(176)
Dividends paid to NCI		**(23)**	
Net cash flows generated from / (used in) from financing activities		**3,924**	(608)
Net decrease in cash and cash equivalents		**(1,970)**	(1,191)
Translation differences		**(6)**	(6)
Cash and cash equivalents at beginning of year/period	16	**5,608**	6,805
Cash and cash equivalents at year/period end	16	**3,632**	5,608

Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2021	**20**	**4,654**	**155**	**27**	**1,158**	**6,014**	**12**	**6,026**
Loss and total comprehensive expense for the period	-	-	-	-	(2,544)	(2,544)	24	(2,520)
Equity-settled share-based payments	-	-	122	-	-	122	-	122
Consideration paid in shares	-	131	-	-	-	131	-	131
Dividends paid	-	-	-	-	-	-	(12)	(12)
Total transactions with owners of the Company	-	131	122	-	(2,544)	(2,291)	12	(2,279)
Balance at 31 December 2021	**20**	**4,785**	**277**	**27**	**(1,386)**	**3,723**	**24**	**3,747**
Balance at 1 January 2022	**20**	**4,785**	**277**	**27**	**(1,386)**	**3,723**	**24**	**3,747**
Loss and total comprehensive expense for the period	-	-	-	-	(2,297)	(2,297)	15	(2,282)
Equity-settled share-based payments	-	-	180	-	-	180	-	180
Shares issued in placing net of expenses	6	4,761	-	-	-	4,767	-	4,767
Consideration paid in shares	1	-	-	539	-	540	-	540
Shares issued in lieu of fees/Directors remuneration paid in shares	-	-	-	-	30	30	-	30
Dividends paid	-	-	-	-	-	-	(23)	(23)
Total transactions with owners of the Company	7	4,761	180	539	(2,267)	3,220	(8)	3,212
Balance at 31 December 2022	**27**	**9,546**	**457**	**566**	**(3,653)**	**6,943**	**16**	**6,959**

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 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN. 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 UK-adopted-International Accounting Standards. 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.

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 at least 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, long-term debt and from equity markets.

The Directors believe the Group has sufficient cash resources. As at 31 December 2022 the cash holdings of the Group were £3.6m and net cash was £0.1m. The Group also has an overdraft facility of £0.6m available.

The Directors believe the Group has strong shareholder support, evidenced by shareholders investing £12.5m in new equity in recent years and the long-term debt holders, who are also major shareholders with 42% of the Group's shares, having agreed in 2022 to extend the repayment date of the Group's long-term debt from December 2022 to December 2024.

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 at least 12 months from the date of signing of the financial statements.

There are several factors which could materially affect the Group's cashflows, including the underlying performance of the business and uncertainty regarding the timing of receipts from customers. The Directors have prepared scenario plans. The main variable is the run rate of new business. Whilst the sales pipeline is healthy the timing of new sales is hard to predict, the scenarios include revenues being 15% down on budget. The Directors have reviewed management's forecasts and scenarios under which cashflows may vary and 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.

In light of the forecasts, the support provided by shareholders and 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.

2.2) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022. 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.

Non-controlling interests (NCI) represents the share of non-wholly owned subsidiaries' net assets that are not directly attributable to the shareholders of the Group.

2.3) Adoption of new and revised standards

No new standards were adopted in 2022. A number of other new pronouncements are effective from 1 January 2023 the principal ones are listed below:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Effective 1 January 2023)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Effective 1 January 2023)

3) ACCOUNTING POLICIES

3.1) Revenue

The Group recognises 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 revenue amounts invoiced exceed the value of work done the excess is shown as contract liabilities; where the revenue recognised exceeds revenue 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 and content 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.

Publishing

Advertising revenue is recognised on the date publications are published which is when control transfers to the customer.

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 The Edge 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	Over 7 - 10 years
Distribution catalogue	Over 5 years
Software	Over 2 years

Brands and customer relationships relate to the acquisition of Tern Television Productions and The Edge. They are amortised over a period of 7 and 10 years respectively and as at 31 December 2022 there was under 2 years remaining for Tern Television Productions and under 10 years for The Edge.

The distribution catalogue intangible asset arose on the acquisition of Tern Television Productions. It is amortised over 5 years and as at 31 December 2022 the remaining useful life was nil.

The software relates to a finance system that is used across the group and CRM system in Zinc Communicate.

3.4) Leased assets

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 assesses 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 recognised as an expense in the income statement on a straight-line basis over the lease term.

3.5) Inventories

Inventories in Zinc Communicate and The Edge 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) Current and deferred taxation

Current tax is the tax currently payable based on taxable profit/(loss) 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.

3.8) 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 fair value. 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.

3.9) 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 periods apply, the expense is allocated over the vesting period, 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.

3.10) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a 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.

3.11) 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.

3.12) Significant judgements and estimates

The preparation of consolidated financial statements in accordance with UK-adopted International Accounting Standards 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.

i) Judgements

Revenue recognition

The main judgements regarding revenue recognition relate to TV production and content 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.

ii) ***Estimates***

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 12 for details of how these judgements are made and the estimation sensitivities disclosed.

Valuation of intangibles arising on acquisition

The intangible assets acquired on the acquisition of The Edge Picture Co Limited have been valued using the income approach. This involves forecasting the expected future economic benefits attributable to an asset and calculating the net present value of these future economic benefits using an appropriate asset specific discount rate. The discount rate used has factored in the market rate of return, the specific risks associated with the industry as well as the risk associated with the asset being valued. See note 23 for more detail on the acquisition.

Valuation of contingent consideration

The contingent consideration payable in relation to the acquisition of The Edge has been measured at its fair value using a Monte Carlo simulation where the EBIT of each of the three years of the earn out period is an independent, normally distributed random variable. Values have been calculated for all three years and the total, and the average of these represents the fair value. Estimation sensitivity has been disclosed in note 20.

3.13) 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 content. The Content Production segment includes brand and corporate film production, radio and podcast production and publishing.

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 Content Production. These operating segments are monitored, and strategic decisions are made on the basis of adjusted segment operating results.

	TV		Content Production		Central and plc		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Continuing Operations	**£ '000**	£ '000	**£ '000**	£ '000	**£ '000**	£ '000	**£ '000**	£ '000
Revenue	**20,218**	14,565	**9,865**	2,926	**-**	-	**30,083**	17,491
Adjusted EBITDA	**611**	932	**573**	(241)	**(1,109)**	(1,303)	**75**	(612)
Depreciation	**(541)**	(582)	**(192)**	(48)	**(214)**	(151)	**(947)**	(782)
Amortisation	**-**	-	**(10)**	-	**(705)**	(704)	**(715)**	(704)
Adjusting Items and acquisition costs	**(83)**	(6)	**(68)**	(51)	**(1,143)**	(211)	**(1,293)**	(267)
Operating profit / (loss)	**(13)**	344	**303**	(340)	**(3,171)**	(2,369)	**(2,880)**	(2,365)
Finance costs	**(5)**	(12)	**(11)**	-	**(374)**	(229)	**(390)**	(241)
Finance income	**-**	0	**1**	-	**-**	-	**1**	0
Loss before tax	**(18)**	332	**293**	(340)	**(3,545)**	(2,597)	**(3,269)**	(2,606)
Taxation credit/(charge)	**(5)**	4	**828**	-	**164**	82	**987**	86
Loss for the year	**(23)**	336	**1,122**	(340)	**(3,381)**	(2,515)	**(2,282)**	(2,520)
Segment Assets	**11,775**	12,571	**7,175**	2,151	**5,158**	862	**24,107**	15,584
Segment Liabilities	**(16,326)**	(15,294)	**(3,748)**	(1,207)	**2,926**	4,664	**(17,149)**	(11,837)
Other Segment items:								
Expenditure on intangible assets	**-**	**-**	**50**	**-**	**4,394**	108	**4,444**	108
Expenditure on tangible assets	**190**	236	**544**	**6**	**97**	862	**831**	1,104

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and adjusting items as set out in note.

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.

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom for the year was £24.7m (year ended 31 December 2021: £16.0m), and the total revenue from external customers in other countries was £5.4m (2021: £1.5m). There were two customers that accounted for more than 10% of Group revenue in the year: one customer accounted for £7.3m or 24% of Group revenue and the other customer accounted for £5.9m or 20% of Group revenue (2021: one customer accounted for £3.8m 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.

	2022	**2021**
	£'000	**£'000**
Receivables, which are included in 'Trade and other receivables'	**6,515**	2,060
Contract assets	**2,545**	1,502
Contract liabilities	**(1,895)**	(1,068)

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 milestones per the production agreements are met and an invoice is raised. 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 year are as follows.

	2022	
	Contract assets	**Contract liabilities**
	£'000	**£'000**
Opening balance 1 January 2022	1,502	(1,068)
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	1,068
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(1,006)
Transfers from contract assets recognised at the beginning of the period to receivables	(1,502)	-
Increases as a result of changes in the measure of progress	2,132	-
Increase as a result of The Edge acquisition	413	(889)
Closing balance 31 December 2022	**2,545**	**(1,895)**

Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and chosen not to 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.

5) EXPENSES BY NATURE

Costs from continuing operations consist of:

	2022 **£'000**	2021 £'000
Cost of sales		
Production costs	**16,813**	7,660
Salary costs	**2,250**	1,803
Royalties and distribution costs	**817**	1,296
Total cost of sales	**19,880**	10,759
Operating expenses		
Salary costs	**7,815**	6,402
Leases on premises	**10**	6
Other administrative expenses	**2,296**	932
Foreign exchange gain	**7**	4
Adjusting Items	**1,293**	267
Depreciation and Amortisation	**1,662**	1,486
Total operating expenses	**13,083**	9,097

Furlough income in the year totalled £nil (2021: £71k), this is included in salary costs in both operating expenses and cost of sales.

Auditor, tax and share option advisor fees are included in other administrative expenses. The auditor did not provide any non–audit services in the current or prior year. The fee for statutory audit services was as follows:

	2022 **£'000**	2021 £'000
Statutory audit services		
Annual audit of the company and the consolidated accounts	**189**	107

6) STAFF COSTS

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

	2022 **£'000**	**2021** **£'000**
Wages & salaries	**8,682**	6,888
Social security & other costs	**994**	778
Pension costs	**359**	509
Share based payment charge	**180**	122
Consideration paid in shares	**30**	30
Total	**10,245**	8,327

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

	2022	2021
Zinc Television	**134**	115
Content Production	**82**	45
Central and Plc	**8**	8
Total	**224**	168

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

Directors' emoluments

						2022	2021
	Salaries and fees £'000	Benefits in kind £'000	Bonus £'000	Shares £'000	Pension £'000	**Total £'000**	Total £'000
Executive Directors							
Mark Browning	270	-	135	-	27	**432**	459
Will Sawyer	159	-	80	-	16	**255**	246
Non-Executive Directors							
Christopher Satterthwaite (Chairman)	50	-	-	30	-	**80**	80
Nicholas Taylor	18	-	-	-	12	**30**	30
Andrew Garard	30	-	-	-	-	**30**	30
	527	-	215	30	55	**827**	845

The executive director bonuses solely relate to the successful acquisition, integration and fundraise related to The Edge Picture Co. Almost 40% of the bonuses received by the executive directors were re-invested back in the Group via an equity fundraise during the year.

Key management personnel compensation

	2022 £'000	**2021** £'000
Short term employee benefits (includes employers NICs)	840	870
Post-employment benefits	55	54
Shares (includes employers NICs)	34	34
Share-based payments charge	129	101
Total	1,058	1,059

The amount for share based payments charge (see note 7) which relates to the Directors was £129k (2021: £101k).

7) SHARE BASED PAYMENTS

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

	2022 £'000	2021 £'000
EMI share option scheme	**104**	74
Unapproved share option scheme	**76**	48
Total	**180**	122

The share based payment charge for options granted since February 2020 are calculated using a Stochastic model and options granted prior to February 2020 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 market 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

	2022		2021	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	**886,546**	**0.014**	173,201	2.527
Transferred from EMI scheme	**26,605**	**0.670**	2,000	3.750
Granted	**-**	**-**	711,345	0.001
Lapsed during the year	**-**	**-**	-	-
Outstanding at the end of the year	**913,151**	**0.033**	886,546	0.014
Exercisable at the end of the year	**-**	**-**	-	-

EMI Share option scheme

	2022		2021	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	**1,097,104**	**0.390**	566,144	0.784
Granted during the year	**151,622**	**0.875**	539,960	0.683
Lapsed during the year	**(70,211)**	**0.713**	(7,000)	3.921
Transferred to unapproved scheme	**(26,605)**	**0.670**	(2,000)	3.750
Outstanding at the end of the year	**1,151,909**	**0.428**	1,097,104	0.390
Exercisable at the end of the year	**-**	-	-	-

The options outstanding as at 31 December 2022 have the following exercise prices and expire in the following financial years:

Expiry	Grant Date	Exercise Price £	2022 No.	2021 No.
December 2026	December 2016	**3.75**	**6,000**	6,000
November 2027	November 2017	**4.15**	**5,000**	5,000
April 2028	April 2018	**3.75**	**4,000**	4,000
November 2028	November 2018	**2.00**	**6,000**	6,000
February 2030	February 2020	**0.0013**	**711,345**	711,345
June 2031	June 2021	**0.0013**	**711,345**	711,345
June 2031	June 2021	**0.6695**	**268,237**	337,449
November 2031	November 2021	**0.7060**	**202,511**	202,511
December 2032	December 2022	**0.8750**	**151,622**	-
			2,066,060	1,983,650

No options were exercised or expired during the periods covered by the above tables.

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 December 2022

The Group issued 151,622 share options to senior member of staff of Zinc Media Group on the 12th of December 2022 under the Company's EMI Share Option Plan.

The options are exercisable at 87.5 pence per share on or after the third anniversary of their grant. Half the options will vest if the share price is at least £1.3125 for a period of 30 consecutive dealing days ending on or after 12th of December 2025. The remaining half of the Options will vest unconditionally on the third anniversary of the grant date, being 12 December 2025.

The inputs into the option pricing model for the options granted in December 2022 are as follows:

Scheme	EMI
Weighted average share exercise price	**87.5 pence**
Weighted average expected volatility – tranche 1	**47.15%**
Weighted average expected volatility – tranche 2	**61.05%**
Average expected life (years) – tranche 1	**4.3 years**
Average expected life (years) – tranche 2	**6.5 years**
Weighted average risk-free interest rate – tranche 1	**3.25%**
Weighted average risk-free interest rate – tranche 2	**3.27%**
Expected dividend yield	**0%**

The expected volatility was calculated over a period of five years immediately prior to the date of the grant. The risk-free interest rate has been calculated using the gilt rates over a period of five years from the date of grant.

8) ADJUSTING ITEMS

	2022 **£'000**	2021 £'000
Adjusting Items		
Reorganisation and restructuring costs	**(160)**	(81)
Acquisition costs	**(953)**	(60)
Share based payment charge	**(180)**	(122)
Loss on disposal of tangible assets	**-**	(4)
Total	**(1,293)**	(267)

Adjusting 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.

Reorganisation and restructuring costs

Management 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 adjusting to enable a more refined evaluation of financial performance.

Acquisition costs

Acquisition costs represent costs incurred in the acquisition of The Edge Picture Co during the year. These costs are non-recurring in nature and are therefore treated as an adjusting item for management to better understand the underlying performance of the Group in the year. These costs are also included in operating activities in the cash flow statement.

9) FINANCE COSTS

Finance Costs	**2022** **£'000**	2021 £'000
Interest payable on borrowings	**(336)**	(176)
Interest payable on lease liabilities	**(54)**	(65)
Finance Costs	**(390)**	(241)
Finance Income		
Interest received	**1**	-
Net finance costs	**(389)**	(241)

10) INCOME TAX EXPENSE

Taxation Charge/credit

	2022	2021
	£'000	£'000
Current tax expense:		
Current tax expense	**4**	4
Charge in respect of prior periods	**-**	-
	4	4
Deferred tax		
Origination and reversal of temporary differences	**(953)**	(126)
Effect of change in UK corporation tax rate	**(39)**	42
Adjustments in respect of prior periods	**1**	(6)
	(991)	(90)
Total income tax credit	**(987)**	(86)

Reconciliation of taxation expense:

	2022	2021
	£'000	£'000
Loss before tax	**(3,269)**	(2,606)
Taxation expense at UK corporation tax rate of 19% (2021: 19%)	**(621)**	(495)
Other non-taxable income/non-deductible expenses	**239**	54
Tax losses (recognised)/not recognised	**(610)**	311
Group relief (claimed)/surrendered	**(4)**	4
Effect of changes in UK corporation tax rates	**(39)**	42
Varying tax rates of overseas earnings	**(100)**	-
Adjustments to tax charge in respect of previous years	**147**	-
Charge in respect of prior periods	**1**	(2)
Total income tax credit	**(987)**	(86)

11) 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.

	2022	2021
	Number of Shares	Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**18,480,039**	16,095,991
Potentially dilutive effect of share options	**1,558,184**	1,117,890
	£'000	£'000
Loss for the year from continuing operations attributable to shareholders	**(2,297)**	(2,544)
Continuing operations		
Basic Loss per share (pence)	(12.43)p	(15.80)p
Diluted Loss per share (pence)	(12.43)p	(15.80)p

12) INTANGIBLE ASSETS

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Software £'000	Distribution Catalogue £'000	Order Book £'000	Total £000
Cost							
At 31 December 2020	29,394	4,497	3,419	230	443	-	37,983
Other changes*	(20,441)	(3,818)	(116)	-	-	-	(24,375)
At 31 December 2021	8,953	679	3,303	230	443	-	13,608
Additions	-	-	-	50	-	-	50
Acquired through business combinations	1,503	1,464	1,450	-	-	119	4,536
At 31 December 2022	**10,456**	**2,143**	**4,753**	**280**	**443**	**119**	**18,194**
Amortisation and impairment							
At 31 December 2020	(26,339)	(4,289)	(2,444)	(126)	(281)	-	(33,479)
Charge for the year	-	(97)	(464)	(54)	(89)	-	(704)
Other changes*	20,441	3,818	116	-	-	-	24,375
At 31 December 2021	(5,898)	(568)	(2,792)	(180)	(370)	-	(9,808)
Charge for the year	-	(113)	(351)	(59)	(73)	(119)	(715)
At 31 December 2022	**(5,898)**	**(681)**	**(3,143)**	**(239)**	**(443)**	**(119)**	**(10,523)**
Net Book Value							
At 31 December 2022	**4,558**	**1,462**	**1,610**	**41**	**-**	-	**7,671**
At 31 December 2021	3,055	111	511	50	73	-	3,800

* The goodwill, brands and customer relationship intangibles have been de-recognised as they were previously fully amortised or impaired.

Impairment Tests for Goodwill

Goodwill by cash generating unit is:

	2022 £'000	2021 £'000
Tern TV CGU	**1,444**	1,444
London & Manchester TV CGU	**1,611**	1,611
The Edge CGU	**1,503**	-
Total	**4,558**	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, gross margins 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 2023 business unit forecasts are based on the budget set for the year. In TV a growth rate of 2 per cent has been used for the following years into perpetuity. Management believes 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, the discounted cash flow methodology has been employed, which is based on assumptions and judgements related to 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 three cash generating units operate in a similar media landscape and the pre-tax discount rate applied across the segments for period ended 31 December 2022 was 9.1 per cent (2021: 10 per cent). A sensitivity analysis of an increase in the discount rate by 2.4 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 9.1 per cent.	An increase in the discount rate to 11.5 per cent will result in no impairment charge.
Revenue and Gross Margins	London & Manchester TV's and Tern TV's CGU revenue for 2023 is forecast to increase and London & Manchester TV's gross margin is forecast to increase.	If there is a shortfall in revenue of 20% or a reduction in gross margin of 4%, there would be no impairment charge.
EBITDA growth Rate	An average rate of 2 per cent has been used for financial year 2025 onwards.	If a zero per cent average growth rate was applied for 2024 onwards there would be no impairment in any of the CGU's.

Sensitivity analysis using reasonable variations in the assumptions shows no indication of impairment.

13) PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 31 December 2020	664	35	3,234	3,933
Additions	-	-	273	273
Disposals and retirements	(240)	(22)	(1,893)	(2,155)
At 31 December 2021	424	13	1,614	2,051
Additions	24	-	331	355
Disposals and retirements	-	-	(17)	(17)
Acquired through business combinations	-	8	185	193
At 31 December 2022	**448**	**21**	**2,113**	**2,582**
Depreciation				
At 31 December 2020	(358)	(35)	(2,606)	(2,999)
Charge for the period	(73)	-	(219)	(292)
Disposals and retirements	244	22	1,878	2,144
At 31 December 2021	(187)	(13)	(947)	(1,147)
Charge for the period	(76)	(1)	(319)	(396)
Disposals and retirements	-	-	17	17
At 31 December 2022	**(263)**	**(14)**	**(1,249)**	**(1,526)**
Net Book Value				
At 31 December 2022	**185**	**7**	**864**	**1,056**
At 31 December 2021	237	-	667	904

14) INVENTORIES

	31 Dec 2022 £'000	31 Dec 2021 £'000
Work in progress	**73**	226
Total Inventories	**73**	226

15) TRADE AND OTHER RECEIVABLES

	31 Dec 2022 £'000	31 Dec 2021 £'000
Current		
Trade receivables	**6,872**	2,609
Less provision for impairment	**(380)**	(549)
Net trade receivables	**6,492**	2,060
Prepayments	**507**	325
Other receivables	**1,047**	-
Contract assets	**2,545**	1,502
Total	**10,591**	3,887

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 is 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.

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 and 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 £380,000 (2021: £549,000) 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 and reflecting future conditions. The loss allowance relates to the Building Control Communications sub-division within Zinc Communicate, which has been assessed separately to other Zinc Communicate sub-divisions because it has a different debt collection profile due to its focus selling low value / high volume adverts for publications.

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 2022. 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 (2021: £nil).

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 2022**
Gross carrying amount (£'000)	781	590	172	106	-	-	-	**1,649**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

The expected credit loss in this division is immaterial.

The Edge

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 2022**
Gross carrying amount (£'000)	1,406	1,126	303	366	-	-	-	**3,201**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

The expected credit loss in this division is immaterial.

Zinc Communicate – Publishing "Building Control Communications" division

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 2022
Expected loss rate (%)	12%	15%	18%	20%	23%	37%	51%	**34%**
Gross carrying amount (£'000)	131	130	128	57	50	354	416	**1,266**
Loss allowance provision (£'000)	15	18	21	10	10	116	190	**380**

Zinc Communicate – All other divisions

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 2022**
Gross carrying amount (£'000)	549	113	68	27	-	-	-	**757**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

The expected credit loss in this division is immaterial.

16) CASH AND CASH EQUIVALENTS

	31 Dec 2022 £'000	31 Dec 2021 £'000
Total Cash and cash equivalents	**3,632**	5,608

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 A1- stable).

17) TRADE AND OTHER PAYABLES

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Current		
Trade payables	**1,415**	764
Other payables	**492**	133
Other taxes and social security	**1,149**	1,348
Accruals	**4,139**	3,486
Contract liabilities	**1,895**	1,068
Contingent consideration payable	**663**	-
Total	**9,753**	6,799
Non-Current		
Contingent consideration payable	**2,476**	-
Total	**12,229**	6,799

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

18) LEASES UNDER IFRS 16

Right-of-use assets

	Short leasehold land and buildings £'000	**Office and computer equipment £'000**	**Total £'000**
Balance as at 1 January 2021	1,073	204	1,277
Additions	373	-	373
Depreciation	(407)	(82)	(489)
Balance as at 31 December 2021	1,039	122	1,161
Additions	-	42	42
Acquired through business combinations	433	-	433
Depreciation	(455)	(97)	(552)
Balance as at 31 December 2022	**1,017**	**67**	**1,084**

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

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Current	**675**	431
Non-current	**352**	735
Total lease liabilities	**1,027**	1,166

The Groups future minimum lease payments are as follows:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Not later than 1 year	**707**	475
Later than 1 year and not later than 5 years	**312**	413
Later than 5 years	**50**	282
	1,069	1,170

19) BORROWINGS AND OTHER FINANCIAL LIABILITIES

	31 Dec 2022 £’000	31 Dec 2021 £’000
Current		
Lease liabilities	**675**	431
Debt facility – unsecured borrowings	**-**	2,450
Loan notes – unsecured borrowings	**-**	978
Sub total	**675**	3,859
Non-current		
Debt facility – unsecured borrowings	**2,512**	-
Loan notes – unsecured borrowings	**978**	-
Lease liabilities	**352**	735
Sub total	**3,842**	735
Total	**4,517**	4,594

Maturity of Financial Liabilities

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

	31 Dec 2022 £'000	31 Dec 2021 £'000
Repayable within one year and on demand:		
Lease liabilities	**707**	475
Trade and other payables	**1,907**	897
Accrued expenses	**4,139**	3,486
Debt facility - unsecured	**-**	2,531
Loan notes - unsecured	**-**	1,189
Contingent consideration	**663**	-
	7,416	8,578
Repayable between one and two years:		
Lease liabilities	**312**	413
Debt facility - unsecured	**3,080**	-
Loan notes - unsecured	**1,111**	-
	4,503	413
Repayable between two and five years:		
Lease liabilities	**50**	282
Contingent consideration	**2,476**	-
	2,526	282
Total	**14,445**	9,273

Debt Facility

Loans totalling £2.5m (2021: £2.5m) are held by Herald Investment Trust Plc and The John Booth Charitable Foundation ("JBCF"), all of whom are a related party through shareholding. During the year the interest on the facility is based on monthly SONIA plus a margin of 4%, subject to a floor of RPI. The debt facility is unsecured and is repayable in full on 31 December 2024. There are no financial covenants in force in respect of this debt facility.

Loan notes – unsecured

The unsecured loan notes of £1.0m (2021: £1.0m) relates to short-term loan notes issued to Herald Investment Trust plc, a related party through shareholding. Interest during the year was at a fixed rate of 8%. The loan notes are repayable in full on 31 December 2024. 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

The Group has an overdraft facility of £600k, which is secured over the assets of subsidiary companies. During the year the Group has not 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

	31 Dec 2021 £'000	**Cash flows £'000**	**Interest charged £'000**	**Interest paid £'000**	**Non-cash changes £'000**	**31 Dec 2022 £'000**
Borrowings – debt facility	2,450	-	249	(187)	-	**2,512**
Borrowings – loan notes	978	-	78	(78)	-	**978**
Lease liabilities	1,166	(612)	57	-	416	**1,027**
Total liabilities from financing activities	4,594	(612)	384	(265)	416	**4,517**

20) 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 is in place 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 19, 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 is currently satisfied with the Group's gearing ratio.

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

	31 Dec 2022 £'000	31 Dec 2021 £'000
Borrowings (debt facility and loan notes)	**(3,490)**	(3,428)
Cash and cash equivalents	**3,632**	5,608
Net Cash	**142**	2,180
Total equity	**6,959**	3,747
Net cash to equity ratio	-2%	-58%

The Group's gearing ratio has changed due to a reduced cash balance resulting from operational cash outflows and an increase in equity due to an equity fundraise in the year.

Financial instruments by category

	31 Dec 2022 £'000	31 Dec 2021 £'000
Categories of financial assets and liabilities		
Financial assets – measured at amortised cost		
Trade and other receivables	**10,083**	3,566
Cash and cash equivalents	**3,632**	5,608
Financial liabilities - other financial liabilities at amortised cost		
Trade and other payables	**(6,046)**	(4,383)
Borrowings	**(3,490)**	(3,428)
Lease liabilities	**(1,027)**	(1,166)
Financial liabilities - other financial liabilities at fair value		
Contingent consideration payable	**(3,139)**	-

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.

The contingent consideration payable is measured at fair value, using level 3 inputs in the calculation of fair value. The contingent consideration is made up of two parts. The larger portion of the consideration is fair valued using a Monte Carlo simulation where the EBIT of each of the three years is an independent, normally distributed random variable. An EBIT of £1.2m has been used for year one with a 5% increase in each of years 2 and 3. Values have been calculated for all three years and in total and the average represents the fair value. As this is based on estimated EBIT the actual amount may be different. The smaller part of the contingent consideration relates to a performance bond that is owed to The Edge. All contingent consideration has been discounted using a discount rate of 9.2%.

A £100k increase in EBIT in each of the three years could increase the contingent consideration payable by £113k, and a £100k decrease in EBIT in each of the three years could decrease the contingent consideration payable by £126k.

21) DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021:19%) for UK differences. The movements in deferred tax assets and liabilities during the year are shown below.

	Deferred Tax Asset £'000	Deferred Tax Liability £'000	Net Position £'000
Recognised on intangible assets	-	(190)	(190)
At 31 December 2021	**-**	**(190)**	**(190)**
Recognised on intangible assets	-	(801)	(801)
Recognised on current period amortisation	164	-	164
Recognised on tax losses	827	-	827
At 31 December 2022	**991**	**(991)**	**-**

Deferred tax assets estimated at £4.2 million (2021: £4.8 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.

22) PROVISIONS

	31 Dec 2022 £'000	31 Dec 2021 £'000
Provisions	**242**	250

Movement in provisions

	£'000
At 31 December 2021	250
Net decrease in provision in the year	(8)
At 31 December 2022	**242**

Provisions comprise dilapidation provisions relating to properties. The associated forecast cash outflows are £0.1m in 2023 and £0.1m in 2025. The movement in the provision in the year comprises a £0.05m cash outflow and an additional £0.04m provision in relation to The Edge.

23) BUSINESS COMBINATIONS

The Edge Picture Co Limited

In August 2022, the Company acquired the entire issued share capital of The Edge Picture Co Limited ("The Edge").

The consideration comprised initial consideration of £1.24m in cash and £0.54 million paid in shares and deferred consideration of up to a further £3.875m. The deferred consideration will be satisfied by (i) cash and (ii) a combination of cash, the issue of shares and/or the issue of loan notes in Zinc (in each case at Zinc's sole discretion) contingent on the trading performance of The Edge over each of the 12 month periods ending 30 June 2023, 30 June 2024 and 30 June 2025. An additional amount of deferred consideration up to an approximate amount of £0.8m may become payable in cash following The Edge receiving the same amount under an existing financial arrangement and is not considered an additional cost to Zinc.

The acquisition was funded by the share placing of 5,037,059 new ordinary shares at £1 per share with certain of the Company's shareholders and new investors. The placing raised gross proceeds for the Company of £5.037m. Issue costs of £0.27m which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

The Edge's full year trading performance resulted in £13m of revenue and £1.3m of profit before tax, of which £5.8m of revenue and £0.7m of profit before tax has been included in the Group's consolidated results.

The fair value of the assets acquired and liabilities assumed were as follows:

	Fair Value £'000
Property, plant and equipment	**193**
Right of use assets	**433**
Trade and other receivables	**4,000**
Work in progress	**38**
Cash and cash equivalents	**913**
Trade and other payables	**(3,743)**
Lease liabilities	**(371)**
Current tax liabilities	**(145)**
Deferred tax	**(43)**
Net assets acquired	**1,275**
Brand capitalised	**1,464**
Order book capitalised	**119**
Customer relations capitalised	**1,450**
Deferred tax liability on intangible assets	**(758)**
Goodwill capitalised	**1,503**
Consideration	**5,053**
Satisfied by:	
Issue of shares	**540**
Cash	**1,237**
Deferred contingent consideration	**3,276**
	5,053

The acquisition of The Edge forms part of the Group's growth strategy. The acquisition resulted in a goodwill value of £1.5m of which £nil is tax deductible.

24) SHARE CAPITAL AND RESERVES

	31 Dec 22	31 Dec 21
Ordinary shares with a nominal value of:	**0.125p**	0.125p
Authorised:		
Number	**Unlimited**	Unlimited
Issued and fully paid:		
Number	**21,806,834**	16,200,919
Nominal value (£'000)	**27**	20

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:

	31 Dec 2022				31 Dec 2021			
	Number of Shares	**Share Capital**	**Share Premium**	**Merger Reserve**	Number of Shares	Share Capital	Share Premium	Merger Reserve
Ordinary shares		**£'000**	**£'000**	**£'000**		£'000	£'000	£'000
At start of year	**16,200,919**	**20**	**4,785**	**27**	15,963,039	20	4,654	27
Share placing and subscription for cash	**5,037,059**	**6**	**5,031**	**-**	-	-	-	-
Expenses of issue of shares	**-**	**-**	**(270)**	**-**	-	-	-	-
Consideration paid in shares	**540,000**	**1**	**-**	**539**	-	-	-	-
Shares issued in lieu of fees	**28,856**	**-**	**-**	**-**	237,880	0.3	131	-
At end of year	**21,806,834**	**27**	**9,546**	**566**	16,200,919	20	4,785	27

Share Placing

In August 2022 the company raised £5.04m (before expenses) through a placing of 5,037,059 new ordinary shares at £1 per share.

Consideration paid in shares

On the 23rd of August 2022, the company issued 540,000 new ordinary shares as part of the consideration for the acquisition of The Edge.

Shares issued in lieu of fees

On the 11 June 2022 the Group issued 28,856 new ordinary shares at a price of £1.04 per share to a Director in lieu of payment of director fees.

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, which attract 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'; and

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

25) 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 2024. The total amount outstanding at 31 December 2022 including accrued interest is £3.5m (2021: £3.4m). Interest accrued on the debt amounted to £0.1m (2021: £0.0m).

26) POST BALANCE SHEET EVENTS

There are no post balance sheet events to disclose.

27) GUARANTEE IN RELATION TO SUBSIDIARY AUDIT EXEMPTION

On 19 April 2023, 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 (02800925)
Zinc Communicate CSR Limited (06271341)
Films of Record Limited (01446899)
Reef Television Limited (03500852)
Zinc Television Regions Limited (02888301)
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.