

## Ten Alps plc

### Audited Preliminary Results

Ten Alps, trading as Zinc Media, the TV and multimedia content producer, today announces its final results for financial year ended 30 June 2016 and provides an update on the Group's current trading.

#### Financial performance

- Group revenues of £22.62m (2015: £18.03m)
- Adjusted EBITDA loss of £(0.43)m (2015: £(0.30)m)
- Loss before tax from continuing operations of £(3.66)m (after goodwill impairment of £3.2m) (2015: £(1.03)m)
- Diluted loss per share from continuing activities (0.91)p (2015: (0.37)p)
- Total assets £15.23m (2015: £14.46m)
- Gross borrowings at £2.78m (2015: £9.01m)
- Cash at £3.54m (2015: £1.91m)
- Net cash at £0.76m (2015: Net debt £7.1m)
- Post year end £1.27m fundraising (detailed below)

#### Highlights

- Transitional year for the Group with decisive action taken to position the Group for profitability with a significantly simplified product offering
- Main focus of the Group now on its award winning (including a BAFTA in May 2016) TV division, with a complementary digital communications business alongside
- Successful acquisition and integration of Reef Television ("Reef"), which has performed strongly and above expectations
- Acquisition of Straker Films, providing the communications division with a strong footprint into short-form film production in the corporate market
- Majority of the Group's publishing business exited from, leaving Macclesfield-based LABC division, which is operating profitably
- Strategic shift in TV programming, with a move towards higher value series for international broadcasters
- Strengthened Board of Directors, with the additions of David Galan as Chief Financial Officer and Luke Johnson and Jonathan Goodwin as non-executive directors
- Current TV commissioned order book at circa. 40 per cent. of budgeted TV revenues for the year which gives a basis for confidence in the outlook for the full year

#### Post year-end activity & Outlook

On 26 October 2016, the Company announced a fundraising and debt restructuring package, raising £1.27 million of gross proceeds (comprising £0.84 million of new equity and £0.43 million of new long term debt). The bullet repayment date on the Company's current debt obligations (both long and short term) has been extended to 31 December 2020. This financing, which is subject to shareholder approval at a general meeting to be held on 15 November 2016, will strengthen the Group's working capital position and position the Company for growth.

The Company will also complete its renaming to Zinc Media Group plc, also being subject to shareholder approval at the general meeting later this month, following on from the rebranding of the Group's trading businesses earlier this year.

The majority of the business is now focussed around TV production. Commissioned programmes currently account for 40 per cent. of the budgeted TV revenues for FY17, which gives management confidence in the outlook for the full year. The Group's focus over the coming months will be to convert its pipeline into commissions. The current pipeline has a strong mix and volume of programme proposals across the different factual genres and across multiple broadcasters, both domestic and international.

Trading since the start of the new financial year has also been encouraging in communications, with a strong win rate on new business and the start of an integrated offering including short-form video led communications.

Following the exit from the majority of the Group's publishing business, the remaining unit in Macclesfield is trading well at an operational level, although there is further restructuring work to do ensure that the overheads of the unit are appropriate to a much smaller business.

**Chairman, Peter Bertram commented:**

*"Whilst the loss for the past year is extremely disappointing, hard decisions have been made and remedial actions taken to structure the business for success.*

*The Reef acquisition has been a real success and we aim to use this as a template for future deals. We believe that scale, depth in talent, customer base and the ability to work seamlessly across the different factual genres makes us attractive for both acquisition targets and to our customer base.*

*All business units are forecast to operate profitably during the current financial year.*

*We are extremely grateful to all our stakeholders, including our talented and dedicated employees, and our supportive shareholders."*

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## Chairman's Statement

The year has been a disappointing and painful period for the Group. However, whilst the financial losses were significant, the actions taken mark a transition for the business. The Group is now simplified, with its main focus going forward on TV production and the digital communications business. The foundations for profitability have been laid and we expect the current financial year to be profitable.

During the year the Group made a transformational acquisition in Reef, which, as planned, helped scale and improve the commerciality of our television operation. Following the exit from the loss making publishing businesses, the management team is now able to focus on its core business of television production and how to grow that division.

The Board is pleased to report the successful restructuring of its debt obligations and an equity placing, which is due to complete this month. We have raised new funds of approximately £1.2 million (gross); £0.4 million as a new long term loan and £0.8 million through an equity placing. Furthermore we have restructured the repayment dates on all of the Group's short and long term debt with a bullet payment due on 31 December 2020. This has a significant positive effect on the working capital profile of the Group and positions the business for growth over the coming years.

The Board is appreciative of our major shareholders and debt-holders for facilitating the restructuring and to the new investors who have shown confidence in the planned trajectory of the business.

We are delighted to welcome Luke Johnson and Jonathan Goodwin who joined as new non-executive Board members in July 2015, both of whom participated significantly in the fundraising at the time of the Reef acquisition. We are also delighted to welcome David Galan as Chief Financial Officer. David is a commercially experienced CFO and has worked in a number of sectors including investment banking and business services. At the end of the past financial year, Mark Wood, CEO, resigned from the Group. We thank him for his commitment and support during his time at the Group and wish him well for the future.

Following Mark's departure, I have been spending more time within the business on an operational basis, working closely with David Galan who has taken on additional responsibilities. We are supported by a strong operating board comprising senior management from core TV, Reef and Ten Alps Communicate divisions. In addition each business unit has a managing director with clear responsibilities and reporting lines. We continue to review the management function of the Group, however are confident that the current structure is well positioned to lead the renamed Zinc Media as it moves into this new phase of growth.

The Group has signed a new lease on its London premises to 2020. The TV and digital communications business are in one premises now and this cements our desire and ability to act as a unified and consistent business with clear aims and strategy.

Finally, the Board would once again like to thank all our employees for their professional and dedicated work across the Group.

Peter Bertram

Chairman

## Business Review

The last twelve months have been a difficult and transitional period for the Group, with the publishing division generating substantial losses. Remedial action has been taken, with the majority of the Group's publishing business having been exited from, leaving only the Macclesfield publishing division which concentrates primarily on one contract in the home and build sector for LABC (Local Authority Building Control, a not for profit membership organisation that represents all local authority building control teams in England and Wales). The communications division, strengthened through the acquisition of Straker Films Limited, remains a profitable and important part of the Group, complementing our television production business with a digital and communications skillset with a specialism in short-form film production.

The strategy of the Group is now to focus predominantly on its core strength of television production. Based on current budgets, over 80 per cent. of the Group's revenues will be derived from television production in FY17.

The directors believe that there is a clear opportunity for the Group to expand its position as one of the UK's leading independent television production businesses. The Company is known and recognised for being a leader in the production of factual television content, spanning heavily formatted daytime TV series to single high production value landmark documentaries, supplying its content to the majority of broadcasters in the UK and now also to certain broadcasters internationally. We aim to take advantage of our market position to grow organically, through focussing more on the Group's relationships with international broadcasters who are able to commission higher value series and through recruiting more executive talent to push new ideas and expand our traditional content boundaries into new factual genres and formats. The directors also believe that there exists an opportunity to grow through carefully selected acquisitions. The independent television production market is consolidating as there is a drive towards scale, in what is a cyclical industry which is dependent upon a relatively small number of customers / broadcasters.

The key driver of organic growth is the Group's ability to attract, grow and retain commercial and creative talent. Examples of recent additions to the team who have flourished within the Group include Greg Sanderson, joining from a senior BBC role as managing director of Brook Lapping, Lucy van Beek, who joined initially as an executive producer in Brook Lapping and is now managing director of Blakeway and Annette Clowes, former managing director of Loot, who has taken over our Macclesfield-based publishing operations and home improvement portfolio. We are actively engaged in discussions with a view to adding further talent to the team and enabling our brands to expand organically.

In terms of acquisitions, the past year saw the acquisition of Reef and its successful integration into the Group. We are delighted to have Reef's management team on board and they now play a major role within the senior management of the Group. Reef's focus on popular factual and specialist factual, both for daytime and peak time viewing slots, has helped to diversify our TV business. Reef has been extremely profitable in the past year and has exceeded our expectations in its first year since the acquisition.

We have made a deliberate shift in the type of programmes we develop and are trying to broaden our TV customer base. We are focussed on growing our international presence in the sector and securing higher value, longer running series and formats.

The renewal of the lease on our London property until 2020 and the subsequent build of 20 new edit suites and integration of our office onto a single floor has created a new dynamism and spirit which we believe will help us build the business into one of the UK's leading independent TV production companies.

## **Television – delivering engaging, intelligent and entertaining content**

### **Core television**

The core television division (Blakeway, Brook Lapping and Films of Record) had a mixed set of results between the brands, and was breakeven as whole. The core television division has been consistently profitable over a number of years historically, so whilst anomalous, this was particularly disappointing.

There were two main reasons for the underperformance. Firstly, there was administrative change at the BBC and ITV, two key clients of the Group. Restructuring at the top of the organisations resulted in a five month hiatus in new commissioning at both broadcasters, adversely affecting expected programme targets. Secondly, staff changes within the core television division also affected margins within the year but we are now in a strong position for growth.

We have appointed two new managing directors. Greg Sanderson, a former senior executive at the BBC, joined to manage Brook Lapping. Lucy van Beek was promoted from an Executive Producer role in Brook Lapping to run Blakeway London, following a decision by Denys Blakeway to move to a freelance status with the company.

In line with our objectives, we have succeeded in maintaining a reputation for high end factual programming while extending the portfolio to new clients (most significantly in the US), new genres and longer running series. The evidence is a slew of prestigious awards for our programmes, including three wins from six BATFA nominations in 2016, including the category of best factual series for *'The Murder Detectives'*.

In editorial terms, we extended the range of commissioners we work with this year. Films of Record made a series for BBC World that was financed by J. Walter Thompson ('JWT') – the first time the advertising agency has sponsored programming.

Brook Lapping also made a successful move into specialist factual programming with, *'The Secret Life of Puppies and Kittens'* for Channel 5 which also won a book deal for the series. The success of the programmes triggered an immediate recommission of eight episodes.

Brook Lapping also won a landmark commission from National Geographic in the US. The documentary about the first Emperor of China was a co-production with the BBC. As part of our access agreement with Emperor Qin Shihuang's Mausoleum museum we organised a 3-day conference at University College London which assembled forty of the world's leading academics on Chinese archaeology to review the revelations contained in the film.

Despite the disappointing financial performance, we did make progress against our strategic aims of our drive to pitch for larger-budget, repeatable series across serious factual and factual entertainment programming. Another objective was to increase non-UK revenues through co-production partnerships; successfully achieved during the past year with significant relationships established with broadcasters such as National Geographic and HBO. Our ongoing objectives are to target growth in royalty revenues through sale of current and past catalogues on a more ambitious scale and a drive to sell series and formats into other major markets, including the US.

### **Reef Television**

Newly acquired Reef had a very strong set of results during the almost full year since the completion of the acquisition in July 2015. Reef comprehensively outperformed targets set within the share purchase agreement, meeting its year 1 earn out target, and delivered both a commercially and editorially successful twelve months.

The company continued to strengthen its relationship with key clients BBC and Channel 4, but also made its first shows for US broadcaster Scripps through the Food Network channel. Reef's ability to harness big name talent such as Penelope Keith and Paul Hollywood has been a key plank of the impressive results for FY16 alongside a strong catalogue and successful exploitation of international rights.

The television division as a whole delivered revenues of £16.33m (2015: £10.01m) and segment EBITDA of £0.82m (2015: £0.43m) before allocation of plc costs.

## **Communications – creating content that counts**

We continue to see significant potential in the development of content marketing and corporate ‘story-telling’ markets in the UK.

Communications had a strong year in which it extended the management of CSR (corporate social responsibility) campaigns and websites for a number of major brands. Its client base includes TfL (Transport for London); for whom it manages a major road safety programme (Children’s Traffic Club), Siemens and Nationwide Building Society.

During the year Ten Alps Communicate Limited acquired Straker Films Limited (“Straker Films”), an award winning corporate video production business that works with companies and organisations to help them communicate with their customers, staff and the public through moving image. The acquisition furthers the Group’s strategy of becoming a major player in the corporate story-telling market, having brought with it a blue chip client base and an impressive show reel. Straker Films has won industry awards every year for the last 10 years for the quality of its videos, including 11 awards at the 2015 EVCOM (Event and Visual Communication Association) Awards and has a client base which includes Rio Tinto, National Grid, TfL, Aviva, Nationwide and The Department for Education. Straker Films is now located in Ten Alps’ London office, working closely with the existing Ten Alps corporate communications team and the Group’s TV production businesses.

The division reported revenues of £2.21m (2015: £1.84m) with segment EBITDA of £0.19m (2015: £0.13m) before allocation of plc costs.

## **Publishing**

### **Closed / Exited Publishing Operations**

The publishing unit as a whole experienced significant losses in FY16. The decision was taken by management during the year to exit from loss making operations, rather than invest more funds and management time in continuing efforts to turn these businesses around.

During the year many unprofitable titles were closed down and loss making contract publishing deals exited from, significantly reducing the size of the business. In June 2016 the Group announced the sale of the trade of Grove House Publishing (“Grove”). Grove, based in Groombridge, is a niche publisher and event organiser, specialising in the food, agriculture and animal medicines markets. The Group also attempted to secure a buyer for Ten Alps Media Limited (“Ten Alps Media”), the London based publishing business formerly known as Atalink. Ten Alps Media has been loss-making over a number of years and although the Company had gone through a significant review process during the year in an attempt to turn the division around, it continued to generate substantial losses. In the year ended 30 June 2016 Ten Alps Media generated revenue of £0.82m (2015: £1.3m) and a loss before tax of £0.87m (2015: loss before tax of £0.33m). Post year end, in August 2016, having been unsuccessful in its attempts to secure a commercially viable deal for Ten Alps Media, it was placed into a creditors voluntary liquidation.

### **Continuing Publishing Operations - Macclesfield based LABC contract (home and build consumer content)**

The remaining publishing unit is Ten Alps Communications Limited (“Ten Alps Communications”), which is based in Macclesfield. The operations of Ten Alps Communications have been restructured during the past year, with the Group having exited many unprofitable titles and contracts; it now primarily consists of the LABC publishing business, which is operating profitably. There is further restructuring work to do to ensure that the overheads of the unit are appropriate to a much smaller business, however the unit has a strong managing director and we are confident that it will emerge as a profitable, self-sufficient business on a standalone basis.

Revenue from continuing publishing operations for the year was £4.00m (2015: £8.44m) and segment EBITDA from continuing publishing operations was £(0.64)m (2015: £(0.51)m) before allocation of plc costs.

## Highlights of the year:

### Television

Ten Alps produces television programming under the Blakeway, Brook Lapping and Films of Record and now Reef TV brands:

- 3 BAFTA Awards for *'The Murder Detectives'* (Films of Record / Channel 4) including Best Factual Series. In the final four nominations of this category at the BAFTAs, Films of Record was competing with itself with its series on Great Ormond Street Hospital.
- *'The Murder Detectives'* also won Best Documentary Series in the Broadcasting Press Guild Awards and was Winner of The Real Screen Award in Los Angeles for 'Non Fiction, Crime and Investigation'.
- *'Charlie Hebdo: 3 Days that Shook Paris'* (More 4) won Best Popular Factual Programme at the Broadcast Digital Awards.
- Blakeway North won Independent of the Year in The Prolific North Awards and Best Factual Entertainment programme for *'Michael Jackson's Thriller with Ashley Banjo'* in the RTS North West Awards.
- *'Murder Detectives'*, a series following a real murder investigation in Bristol, won extensive media coverage in the UK for its innovative approach - widely described as a new form of documentary-making.
- *'Great Ormond Street'*, which closely follows individual cases at the children's hospital, was another highly successful series which won rave reviews and generated high audiences for BBC Two and a BAFTA nomination.
- *'The Children who beat Ebola'* and *'Ebola Frontline'* were both acquired by HBO and broadcast as a mini-series on the Ebola crisis in West Africa.
- *'The Secret Letters of John Paul II'*, a documentary for BBC One, ARTE and PBS revealing the Pope's relationship with a female publisher had a huge international impact. Resales of the programme worldwide are strong.
- *'Inside Obama's White House'* a high profile series for BBC Two, ARTE and Al Jazeera US was broadcast to universal acclaim. President Obama was interviewed for the series and the programmes have been acquired by National Geographic for rebroadcasting in the US.
- *'Secrets of the Deathly Tomb'* – a landmark drama documentary on the First Emperor of China was commissioned by BBC and National Geographic.
- *'The Secret Life of Puppies'*, a four part series for Channel 5 won us a book deal and a recommission of a further 8 episodes in a second series.
- *'Bargain Loving Brits in the Sun'*, an eight part series for Channel 5 was commissioned as a follow up to the highly successful 20 part series Benidorm ER.
- Reef TV: following the acquisition, our portfolio now includes long-running daytime series such as *'French Collection'* and *'Dealers – Put Your Money Where Your Mouth Is'* to music special *'La Traviata'*.

- *'Paul Hollywood's City Bakes'*, a ten part series commissioned for Food Network EMEA from Reef doubled the audience for the channel. Reef has just been commissioned for a second series.
- *'Put Your Money Where Your Mouth Is'*, was commissioned by BBC One for a 14th series and continues to be one of Reef's strongest brands.
- *'Selling Houses with Amanda Lamb'* recommissioned for More 4 alongside two new series featuring Penelope Keith for Channel 4.
- Landmark documentary on West Side Story commissioned by BBC Two.

## Communications

- *Transport for London*  
There has been positive feedback for the new London-centric Children's Traffic Club since its launch in September 2015. The key target of engaging with all London borough nurseries has been met, including the registration of over 104,000 three year-olds living in London into the new multi-platform programme.
- *Nationwide Building Society*  
A varied portfolio of projects with Nationwide which includes the development of a new website, [www.yourstudentmoney.co.uk](http://www.yourstudentmoney.co.uk) to support part of a new student account launch. It also includes an innovative augmented reality programme that brings together our strengths in digital, video and 3D imaging, together with an online employee volunteering tool.
- *BMW*  
We are re-launching BMW's education portal with fresh branding and a wider internal and external reach, the focus being extended beyond road safety and into urban sustainability in line with BMW's new corporate citizenship strategy.
- *IKEA*  
To mark the opening of IKEA's flagship store in Reading, we brought democratic design and sustainability to life with an experiential, community engagement programme.
- *SGN*  
As an initial campaign for this new client, we have re-imagined their existing website with the aim of exciting inspiring and engaging their entire workforce on the employee engagement positioning.

## Straker

- *Vodafone*  
Produced a product promotion film featuring an innovative animation to raise awareness around the distribution of money by text to developing countries.
- *Rio Tinto*  
A series of 'vision and value' films to communicate Rio Tinto's new leadership for success programme. Also 'Cave Tracker', an animation about safer ways to mine, intended to help operatives to detect air gaps in rock before hitting them.

## Publishing

- Our Macclesfield unit has completed the second year of a 5-year contract to produce planning guidelines for local authorities across the UK and sell trader advertising. A successful transition from print products to e-books and digital through the 'Home & Build' website, a nationwide directory of trusted (and council endorsed) trades people.



## FINANCIAL REVIEW

The past financial year delivered disappointing financial results. Decisive action has been taken and is underway to structure the Group for success and profits. The exit from heavily loss making publishing units has left only one publishing unit in Macclesfield, which has strong management and is profitable at an operating level. A project is underway to ensure that this unit will be profitable as a standalone business, including any administrative and support overheads.

The focus of the Group is now television production and facilitating organic and acquisitive growth. The Group's management focus will move from restructuring to working with the business units to enable margin improvement, efficiencies and the creation of a structure that will enable acquisitions to be efficiently integrated.

Revenue from continuing operations for the 12 month period was £22.62m (2015: £18.03m) and gross profit was £6.39m (2015: £6.10m). The main variance in revenues (from continuing operations) was in the Group's publishing division, which saw a decrease of 53 per cent. or £4.44m year on year. This was predominantly due to underperformance across all of the publishing units other than the LABC division. TV revenues were up by 63 per cent. due to the acquisition of Reef TV. The TV division increased its revenues year on year from £10.01m to £16.33m. Communicate had an increase of 20 per cent. to £2.21m compared to £1.84m.

Gross margin decreased from 34 per cent. to 28 per cent. in the year, with operating expenses representing 30 per cent. of revenues (2015: 36 per cent.) as a consequence of significant restructuring undertaken by the Group over the year. The charge for reorganisation and restructuring was £0.04m (2015: £0.12m).

Adjusted EBITDA equated to a loss of £0.43m (2015: £0.30m). Operating loss increased to £3.75m (2015: £0.52m) after an amortisation charge of £3.18m (2015: £0.04m). The large amortisation charge in the current year relates to the impairment of the carrying value of goodwill in relation to the publishing subsidiaries. The EBITDA loss was in the main due to the discontinued publishing units, particularly Ten Alps Media, which was placed into creditors voluntary liquidation post year end. The losses in Ten Alps Media were due in part to significant loss making consumer publishing contracts, but predominantly a failure to adjust to the changing nature of the print publishing industry by rationalising the product portfolio and managing a timely transition from print to digital and other revenue streams. The core TV division was approximately breakeven; Reef delivered EBITDA of approximately £0.91m. All other parts of the businesses were operating profitably before allocation of central overheads of publishing and plc costs.

The amortisation charge of £3.18m reflects the impairment charge for the carrying value of the goodwill held in the Group balance sheet related to Ten Alps Media, Ten Alps Communications and Grove, which was written off entirely during the year.

Although the Group made overall losses in FY16 there was a small corporation tax charge during the year relating to Reef and Straker Films.

Discontinued operations relate to Grove and Ten Alps Media. The trade of Grove House Publishing was sold before year end and the Group was actively involved in a sale process for Ten Alps Media during the year. A sale of Ten Alps Media was ultimately not successful and the company was placed into creditor's voluntary liquidation post period end, therefore Ten Alps Media is accounted for as a discontinued operation.

The Board do not recommend the payment of a dividend for FY16.

### *Earnings per share*

Basic and diluted loss per share from continuing operations in the year was (0.91)p (2015: (0.37)p) and was calculated on the losses for the year attributable to Ten Alps shareholders of £3.71m (2015: loss £1.03m) divided by the weighted average number of shares in issue during the year being 406,760,864 (2015: 276,666,012).

## *Statement of Financial Position*

### *Assets*

The Group's non-current assets comprise of goodwill of £7.33m (2015: £6.9m), reflecting both a significant impairment of the publishing subsidiaries and the acquisition of Reef during FY16, investment in associate of £0.1m, property, plant and equipment of £0.21m (2015: £0.16m) and deferred tax asset of £Nil (2015: £0.49m).

Inventories and trade receivables have decreased by £0.58m to £0.20m (2015: £0.78m) reflecting the impact of the disposals in the year and reduction in publishing revenues. Other receivables have decreased to £1.36m (2015: £1.94m) reflecting a decrease in accrued income in the year.

The Group had a cash balance of £3.54m as at 30 June 2016 (2015: £1.91m). The balance is higher than last year, reflecting the financing activities during the year.

Total assets for the Group were £15.23m (2015: £14.46m).

### *Equity and Liabilities*

Retained losses as at 30 June 2016 were £30.55m (2015: £24.18m) and total shareholders' equity at that date was of £1.65m (2015: deficit of £2.72m).

During the year in July 2015, as part of the Reef acquisition and fundraising, the Group also carried out a debt conversion which resulted in a reduction of the Group's total debt obligations to £2 million and a reduction in its short-term debt obligation to £Nil. In February 2016 the Group received a short term loan of £0.75 million. As at 30 June 2016 the Group's debt consisted of £2 million in long term loans, repayable in December 2017 and the short term loan repayable in December 2016.

Post year end, and as detailed below in 'Post Balance Sheet Events (PBSE)', the Group announced a debt variation, whereby it announced a renegotiated repayment date for all the loans, both short and long term, to a bullet repayment on 31 December 2020. The Group also announced that it had secured an additional long term loan of £0.43 million.

Current liabilities consisting of trade and other creditors have remained broadly the same with an increase of £0.1m to £8.28m (2015: £8.17m). Deferred income has also remained static at £1.31m (2015: £1.30m). Deferred tax liabilities have increased to £0.26m (2015: £Nil).

### *Cash flows*

The Group used cash of £3.38m in the year (2015: £0.88m) in its operations. The net movement in the year was an increase in cash of £1.62m (2015: decrease of £0.67m) after financing activity cash inflow of £5.1m (2015: £0.25m).

## **Post Balance Sheet Events (PBSE)**

The Company announced on 27 October 2016 its intention to raise over £0.84 million by way of a placing of 111,711,471 new ordinary shares at 0.75 pence per share (before expenses) with certain institutional and other investors. The placing is not being underwritten.

The Company also announced that it has secured a long term loan of £0.43 million, to be provided by its existing debt holders. Furthermore, the Company also announced that it proposes to issue 66,666,667 new ordinary shares to the Reef Television vendors in line with the terms of the deferred consideration due under the Reef share purchase agreement, which was entered into in June 2015, 10,666,667 settlement shares to former CEO, Mark Wood and 3,333,334 new ordinary shares in respect of certain adviser fees.

In order to provide a capital structure which is in line with the current strategy of the business, the Company also announced that it is proposing a debt variation through the amendment of the repayment dates of all existing short and long term debt provided by the debt holders; the repayments will become a single repayment (of both principal and interest) due to be repaid on 31 December 2020. Furthermore, the

Company is proposing to undertake a share reorganisation, in order to enable the conversion rights attaching to the preference shares to operate without a breach of Company law.

The proposals are all subject to shareholder approval at the general meeting to be held on 15 November 2016.

# Consolidated income statement

Ten Alps plc consolidated statement of comprehensive income  
For the year ended 30 June 2016

	Notes	Year to 30 June 2016 £'000	Year to 30 June 2015 £'000
<b>Continuing operations</b>			
Revenue	2	22,622	18,028
Cost of sales	3	(16,228)	(11,925)
<b>Gross Profit</b>		<b>6,394</b>	<b>6,103</b>
Operating expenses	3	(6,827)	(6,408)
<b>Adjusted EBITDA</b>		<b>(433)</b>	<b>(304)</b>
Reorganisation and restructuring costs		(44)	(120)
Depreciation		(91)	(55)
Amortisation and impairment of intangible assets		(3,184)	(43)
<b>Operating loss</b>		<b>(3,752)</b>	<b>(523)</b>
Finance costs		(183)	(505)
Finance income		279	-
<b>Loss before tax</b>		<b>(3,656)</b>	<b>(1,028)</b>
Taxation		(54)	-
<b>Loss for the year</b>		<b>(3,710)</b>	<b>(1,028)</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	3	(2,661)	(296)
<b>Loss for the year</b>		<b>(6,371)</b>	<b>(1,324)</b>
Continuing operations attributable to:			
Equity holders		(3,710)	(1,028)
Discontinued operations attributable to:			
Equity holders		(2,661)	(296)
<b>Retained loss for the year</b>		<b>(6,371)</b>	<b>(1,324)</b>
<b>Basic earnings per share</b>			
	4		
From continuing operations		(0.91)p	(0.37)p
From discontinued operations		(0.65)p	(0.11)p
Total		(1.56)p	(0.48)p
<b>Diluted earnings per share</b>			
	4		
From continuing operations		(0.91)p	(0.37)p
From discontinued operations		(0.65)p	(0.11)p
Total		(1.56)p	(0.48)p

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

# Consolidated statement of comprehensive income

Ten Alps plc consolidated statement of comprehensive income  
For the year ended 30 June 2016

	Year to 30 June 2016 £'000	Year to 30 June 2015 £'000
<b>Loss for the year</b>	<b>(6,371)</b>	<b>(1,324)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(6,371)</b>	<b>(1,324)</b>
Attributable to:		
Equity holders	<b>(6,371)</b>	<b>(1,324)</b>
	<b>(6,371)</b>	<b>(1,324)</b>

# Consolidated statement of financial position

Ten Alps plc consolidated statement of financial position  
As at 30 June 2016

	Note	As at 30 June 2016 £ '000	As at 30 June 2015 £ '000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill and intangibles	5	7,330	6,898
Investment in associate		100	-
Property, plant and equipment		212	155
Deferred tax		-	487
		<b>7,642</b>	<b>7,540</b>
<b>Current assets</b>			
Inventories		202	780
Trade receivables		2,341	2,282
Other receivables		1,357	1,941
Assets classified as held for sale		147	-
Cash and cash equivalents		3,537	1,914
		<b>7,584</b>	<b>6,917</b>
<b>Total assets</b>		<b>15,226</b>	<b>14,457</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
	7		
Called up share capital		5,925	5,534
Share premium account		22,671	15,228
Merger reserve		696	696
Preference shares		2,909	-
Retained earnings		(30,549)	(24,178)
<b>Total shareholders' equity / (deficit)</b>		<b>1,652</b>	<b>(2,720)</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Borrowings		2,007	-
Other non-current liabilities		2,000	-
		<b>4,007</b>	<b>-</b>
<b>Current</b>			
Trade payables		1,987	2,733
Other payables		6,295	5,434
Liabilities classified as held for sale		159	-
Current tax liabilities		89	-
Deferred tax		263	-
Borrowings		774	9,010
		<b>9,567</b>	<b>17,177</b>
<b>Total equity and liabilities</b>		<b>15,226</b>	<b>14,457</b>

# Consolidated statement of cash flows

Ten Alps plc consolidated statement of cash flows

For the year ended 30 June 2016

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Note		
<b>Cash flows from operating activities</b>		
Loss for the year	(6,371)	(1,324)
<b>Adjustments for:</b>		
Income tax expense	192	-
Depreciation	94	71
Amortisation and impairment of intangibles	4,806	43
Finance costs	183	505
Finance income	(279)	-
(Proceeds) on disposal of assets	(40)	-
	(1,415)	(705)
Decrease in inventories	780	209
Decrease / (increase) in trade and other receivables	1,080	(71)
(Decrease) in trade and other payables	(3,713)	(314)
Cash used in operations	(3,268)	(881)
Finance costs paid	(75)	-
Tax paid	(40)	-
<b>Net cash flows used in operating activities</b>	(3,383)	(881)
<b>Investing activities</b>		
Disposal of subsidiary undertakings, net of cash and overdrafts acquired	19	-
Proceeds on disposal of assets	40	-
Purchase of property, plant and equipment	(89)	(40)
Investment in associate	(100)	-
<b>Net cash flows used in investing activities</b>	(130)	(40)
<b>Financing activities</b>		
Issue of ordinary share capital and preference shares	4,495	-
Borrowings repaid	(116)	(50)
Borrowings received	750	300
<b>Net cash flows from financing activities</b>	5,129	250
Net increase / (decrease) in cash and cash equivalents	1,616	(671)
Translation differences	7	7
Cash and cash equivalents at beginning of year	1,914	2,578
<b>Cash and cash equivalents at 30 June 2016 and 2015</b>	<b>3,537</b>	<b>1,914</b>

## Consolidated statement of changes in equity

Ten Alps plc consolidated statement of changes in equity

For the year ended 30 June 2016

	Share capital £000	Share premium £000	Merger reserve £000	Preference shares £000	Retained earnings £000	Total equity £000
<b>Balance at 1 July 2014</b>	<b>5,534</b>	<b>15,228</b>	<b>696</b>		<b>(22,854)</b>	<b>(1,396)</b>
Loss and total comprehensive income for the year	-	-	-	-	(1,324)	(1,324)
<b>Total comprehensive income</b>	-	-	-	-	<b>(1,324)</b>	<b>(1,324)</b>
<b>Balance at 30 June 2015</b>	<b>5,534</b>	<b>15,228</b>	<b>696</b>	-	<b>(24,178)</b>	<b>(2,720)</b>
<b>Balance at 1 July 2015</b>	<b>5,534</b>	<b>15,228</b>	<b>696</b>	-	<b>(24,178)</b>	<b>(2,720)</b>
Loss and total comprehensive income for the year	-	-	-	-	(6,371)	(6,371)
<b>Total comprehensive income</b>	-	-	-	-	<b>(6,371)</b>	<b>(6,371)</b>
Equity-settled share-based payments	26	504	-	-	-	530
Shares issued	365	6,939	-	2,909	-	10,213
<b>Balance at 30 June 2016</b>	<b>5,925</b>	<b>22,671</b>	<b>696</b>	<b>2,909</b>	<b>(30,549)</b>	<b>1,652</b>



# Notes to the consolidated financial statements

## 1) ACCOUNTING POLICIES

### 1.1) General Information

Ten Alps plc and its subsidiaries (the Group) is a multi-media Group which produces high quality TV together with digital communications and publishing.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 4 November 2016.

### 1.2) Basis of Preparation

The financial information set out above does not constitute the company's statutory accounts for the year ended 30 June 2016 or year ended 30 June 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared primarily under the historical cost convention.

Following the transition to IFRS, the Group's accounting policies, have been applied consistently throughout the Group to all the years and periods presented, unless otherwise stated.

### 1.3) Going Concern

Although the Group has incurred losses during the year, it has completed and implemented significant funding activities, debt refinancing and cost restructurings to mitigate this. On 27 October 2016, post year end, the Group announced a proposed placing, subject to shareholder approval at a general meeting on 15 November 2016, of over £800,000, a new £432,962 long term loan and a debt variation amending the repayment date for all of the Group's short and long term loans to a bullet repayment on 31 December 2020. Following these amendments the Group has only long term debt with a bullet repayment on 31 December 2020 with no financial covenants.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. Management's strategy has been incorporated into scenario based forecasts which highlight the Group's need to raise additional finance and/or dispose of assets, however certain mitigating actions could be taken to manage cash resources if required. Although the Group continues to be successful in raising finance as in the past, there is no assurance that it will be able to obtain adequate finance in the future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

## 2) SEGMENTAL INFORMATION

Management currently identifies the Group's three service lines as three operating segments TV, Publishing and Communicate and further described in the accounting policy note. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

In addition, items included under 'Central and Plc' relate mainly to Group activities based in the UK.

	TV		Publishing		Communicate		Central and plc		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Continuing Operations</b>										
Revenue	16,330	10,013	4,002	8,443	2,212	1,843	78	168	22,622	20,467
EBITDA	822	428	(643)	(506)	191	127	(803)	(634)	(433)	(585)
Reorganisation & restructuring	-	(15)	(38)	(71)	(6)	(9)	-	(25)	(44)	(120)
Depreciation	(52)	(17)	(30)	(44)	(9)	(10)	-	-	(91)	(71)
Amortisation	(407)	-	-	(43)	-	-	-	-	(407)	(43)
Impairment	-	-	(2,777)	-	-	-	-	-	(2,777)	-
Operating (loss)/profit	363	396	(3,488)	(664)	176	108	(803)	(659)	(3,752)	(819)
<b>Segment Assets</b>	<b>6,932</b>	<b>5,081</b>	<b>2,459</b>	<b>7,646</b>	<b>1,246</b>	<b>1,499</b>	<b>4,443</b>	<b>237</b>	<b>15,080</b>	<b>14,463</b>
<b>Segment Liabilities</b>	<b>(4,313)</b>	<b>(2,386)</b>	<b>(3,267)</b>	<b>(2,979)</b>	<b>(667)</b>	<b>(446)</b>	<b>(5,114)</b>	<b>(11,372)</b>	<b>(13,361)</b>	<b>(17,183)</b>
Other Segment Items:										
Expenditure on intangible assets	5,238	-	-	-	-	-	-	-	5,238	-
Expenditure on tangible assets	36	-	14	4	4	1	5	-	59	5

The internal reporting of the Group's performance does not require that costs and/or Statement of Financial Position information is gathered on the basis of the geographical streams.

The Group's principal operations are in the UK. Its revenue from external customers in the United Kingdom was £19.56m (2015: £18.17m), and the total revenue from external customers in other countries was £3.06m (2015: £2.3m).

## 3) DISCONTINUED OPERATIONS

During the year ended 30 June 2016, the trade of Grove House Publishing Limited was disposed of. During the year ended 30 June 2016 the Group actively marketed and planned to dispose of Ten Alps Media Limited, which post year end was placed into creditors' voluntary liquidation. Both Grove House Publishing Limited and Ten Alps Media Limited have been treated as discontinued operations.

Analysis of the results of the discontinued operations is as follows:

	2016	2015
	£'000	£'000
<b>Revenue</b>	<b>1,766</b>	<b>2,439</b>
Cost of sales	(1,145)	(1,754)
<b>Gross Profit</b>	<b>621</b>	<b>685</b>
Operating expenses	(1,479)	(965)
Reorganisation and restructuring costs	(40)	-
Depreciation	(3)	(16)
Impairment of intangible assets	(1,622)	-
<b>Operating loss</b>	<b>(2,523)</b>	<b>(296)</b>
Finance income	-	-
<b>Loss before tax</b>	<b>(2,523)</b>	<b>(296)</b>
Taxation	(138)	-
<b>Loss for the year from discontinued operations</b>	<b>(2,661)</b>	<b>(296)</b>

The net cash flows attributable to the discontinued operations are as follows:

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Operating cash flows	<b>(73)</b>	(74)
Investing cash flows	<b>40</b>	-
<b>Total cash flows</b>	<b>(33)</b>	(74)

#### 4) EARNINGS PER SHARE

Basic loss per share (EPS) for the year equals the loss after tax from continuing operations attributable to the Company's ordinary shareholders of £3.71 million (2015: loss of £1.03 million) divided by the weighted average number of issued ordinary shares of 406,760,864 (2015: 276,666,012).

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.

	<b>2016</b>	2015
	<b>Number of Shares</b>	Number of Shares
<b>Weighted average number of shares used in basic earnings per share calculation</b>	<b>406,760,864</b>	276,666,012
Dilutive effect of share options	-	-
<b>Weighted average number of shares used in diluted earnings per share calculation</b>	<b>406,760,864</b>	276,666,012
	<b>£'000</b>	£'000
<b>Loss for year from continuing operations attributable to shareholders</b>	<b>(3,710)</b>	(1,028)
Amortisation of intangible assets post deferred tax impact	4,806	18
Restructuring costs	44	120
<b>Adjusted profit / (loss) for year attributable to shareholders</b>	<b>1,140</b>	(890)
<b>Loss for year from discontinued operations attributable to shareholders</b>	<b>(2,661)</b>	(296)
<b>Continuing operations</b>		
Basic Loss per share	(0.91)p	(0.37)p
Diluted Loss per share	(0.91)p	(0.37)p
Adjusted Basic profit / (loss) per share	0.28 p	(0.32)p
Adjusted Diluted profit / (loss) per share	0.28 p	(0.32)p
<b>Discontinued operations</b>		
Basic Loss per share	(0.65)p	(0.11)p
Diluted Loss per share	(0.65)p	(0.11)p

## 5) INTANGIBLE ASSETS

	Goodwill £000	Brands £000	Relationships £000	Websites £000	Total £000
<b>Cost</b>					
At 1 July 2014	25,662	3,818	171	1,310	30,961
At 30 June 2015	25,662	3,818	171	1,310	30,961
Additions	2,288	500	2,450	-	5,238
<b>At 30 June 2016</b>	<b>27,950</b>	<b>4,318</b>	<b>2,621</b>	<b>1,310</b>	<b>36,199</b>
<b>Amortisation / impairment</b>					
At 1 July 2014	(18,765)	(3,818)	(171)	(1,254)	(24,008)
Charge for the year	-	-	-	(43)	(43)
Disposals & retirements	-	-	-	(12)	(12)
At 30 June 2015	(18,765)	(3,818)	(171)	(1,309)	(24,063)
Charge for the year	-	(69)	(337)	(1)	(407)
Impairment charge	(4,399)	-	-	-	(4,399)
<b>At 30 June 2016</b>	<b>(23,164)</b>	<b>(3,887)</b>	<b>(508)</b>	<b>(1,310)</b>	<b>(28,869)</b>
<b>Net Book Value</b>					
<b>At 30 June 2016</b>	<b>4,786</b>	<b>431</b>	<b>2,113</b>	<b>-</b>	<b>7,330</b>
<b>At 30 June 2015</b>	<b>6,897</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>6,898</b>

### Goodwill

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

### Brands and Customer Relationships

Brand and customer relationships relate to the intangible assets arising on the acquisition of Reef Television.

### Websites

Development costs of revenue generating websites are capitalised as intangible assets.

### Impairment Tests for Goodwill

The carrying amount of goodwill by operating segment is:

	2016 £'000	2015 £'000
Publishing	-	4,399
TV	3,801	1,611
Communicate	985	887
<b>Total</b>	<b>4,786</b>	<b>6,897</b>

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

The Group assessed whether the carrying value of goodwill was supported by the discounted cash flow forecasts of operating segment based on financial forecasts approved by management covering a seven-year period, taking in to account both past performance and expectations for future market developments.

Management has used a seven year model predominately because the earn out models used on acquisitions have been based on seven year scenarios. 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.

In assessing the divisions the Group reviewed the management forecasts. For the television production businesses the Group evaluated the impact of the shift in strategy towards producing higher value series and developing relationships with international broadcasters, together with the increasing impact made in the year via new executive producers and management. For the publishing businesses the Group wrote down the carrying value of goodwill across all the publishing businesses to nil. This reflects the substantial level of losses incurred by the publishing businesses, the sale of the trade of Grove House Publishing during the year, the post year end placing of Ten Alps Media into creditors voluntary liquidation and the closure of many loss making titles and publishing contracts in Ten Alps Communications. For Ten Alps Communicate, the Group's communications business, the Group evaluated the continued progress in delivering significant multi-year contracts to blue chip customers such as TfL and the progress made in attracting new blue chip customers, together with the expected to be made in future years through the addition of new skillsets from the acquisition of Straker Films.

The financial year 2016/17 business unit forecasts are based on the individual budgets for each division. For the years following, a growth rate of 2.5 per cent. is applied to the 2016/17 forecasts on an annual basis. Management believe this rate does not exceed the growth rate of the industry and the UK economy in the long term and is a cautious assumption, which may in reality be significantly lower than the growth rate management would expect to achieve.

In evaluating the recoverable amount, we employ the discounted cash flow methodology, which is based on making assumptions and judgements on forecasts, margins, discount rates and working capital needs. These estimates will differ from actuals in the future and could therefore lead to material changes to the recoverable amounts. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions 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.

As all the segments operate in a similar media landscape the discount rate applied across to the segments for 2016 was 6.3 per cent. (2015: 9.1 per cent.). The decrease reflects the weighting of the debt and equity valuation of the Group based on the balance sheet with the overall calculation and methodology remaining unchanged from prior years. As the equity value has decreased proportionately to the debt in the year, the discount rate has fallen to reflect the lower debt borrowing costs compared to the costs of equity. A sensitivity analysis of an increase in the discount rate by 2.7 per cent. is shown below.

#### **TV**

A pre-tax discount rate of 6.3 per cent. (2015: 9.1 per cent.) has been used. The main assumptions on which the forecast cash flows were based include revenue growth and margin growth. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience.

#### **Publishing**

A pre-tax discount rate of 6.3 per cent. (2015: 9.1 per cent.) has been used. The main assumptions on which the forecast cash flows were based include revenue growth and margin growth. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience.

#### **Communicate**

A pre-tax discount rate of 6.3 per cent. (2015: 9.1 per cent.) has been used. The main assumptions on which the forecast cash flows were based include revenue growth and margin growth. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience.

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

<b>Assumption</b>	<b>Judgement</b>	<b>Sensitivity</b>
Discount Rate	As indicated above the rate used is 6.3 per cent.	An increase in the discount rate to 9 per cent. will result in no impairment charge.
Growth Rate and Strategic plans	Strategic investment, restructuring and growth of owned assets assumed for 2016  A rate of 2.5 per cent. has been used for financial years 2017/18 onwards.	If a 0 per cent. growth rate was applied for financial years 2017/18 onwards. TV and Communicate would not be impaired.
Cashflows	Cash collection is consistent with previous years with no significant bad debts being incurred due to write offs taken in the previous years and provisions for this year.	If a 15 per cent. fall in cashflow estimates was applied for financial years 2016/17 onwards. TV and Communicate would not be impaired.

## 6) BUSINESS COMBINATIONS

### Reef Television Limited

On 14 July 2015 the Group acquired 100 per cent. of the share capital of an English registered company called Reef Television Limited. The Group paid initial £2.49 million cash for its 100% holding with a further £3 million payable via redeemable loan notes and shares on certain earn out targets being met between 2016 and 2018. The balance sheet acquired was £0.94 million in net assets. The directors consider the £3 million deferred consideration will be met over the 3 year period. The assets and liabilities arising from the acquisition are as follows:

	<b>Book Value</b>	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>Adjustments</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>
Intangible fixed assets	-	2,950	<b>2,950</b>
Property, plant and equipment	34	-	<b>34</b>
Trade and other receivables	536	-	<b>536</b>
Cash and cash equivalents	2,580	-	<b>2,580</b>
Trade and other payables	(1,619)	-	<b>(1,619)</b>
Current tax liabilities	(587)	-	<b>(587)</b>
Deferred tax	(2)	(590)	<b>(592)</b>
<b>Net assets/(liabilities) acquired</b>	<b>942</b>	<b>2,360</b>	<b>3,302</b>
Goodwill capitalised			<b>2,190</b>
Consideration given			<b>5,492</b>
Satisfied by:			
Issue of shares			-
Cash			2,492
Deferred contingent consideration			3,000
			<b>5,492</b>

The fair value adjustments made to book value relate to the intangible assets identified on the acquisition. Goodwill relating to the acquisition of Reef amounted to £2.19 million.

### Earnout Details

The earnout consists of three elements:

- Loan Note Consideration of up to £1.5 million
- Deferred Consideration of up to £1.5 million and
- Additional amount of earn out consideration

The Loan Note Consideration and the Deferred Consideration will be settled in cash or Ordinary Shares, at the Company's discretion, subject to a maximum of 50 per cent. of the Loan Note Consideration and the Deferred Consideration being able to be settled in Ordinary Shares. Any issue of new Ordinary Shares to the Vendors will be subject always to the resultant shareholding of the Vendors being not greater than 29.99 per cent. of the issued share capital of Ten Alps, as enlarged by the issue of that tranche of Ordinary Shares. The Ordinary Shares will be valued at the average mid-market closing share price of the Company over the five Business Days prior to the finalisation of the relevant accounts.

The Loan Note Consideration is redeemable and the Deferred Consideration is payable in three tranches of up to £0.5 million each, subject to the level of gross profitability of Reef Television for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018. In respect of the 2016 financial year, the maximum Loan Note Consideration and Deferred Consideration payment of £1 million was subject to Reef Television achieving at least £1.8 million in gross profits and to be adjusted downwards thereafter on a straight-line basis to a minimum level of £1.5 million, below which point none of the first tranche of Loan Note Consideration and Deferred Consideration will be paid. The same performance metrics will apply to the second and third tranches of Loan Note Consideration and Deferred Consideration due in respect of the 30 June 2017 and 2018 financial years, with the target gross profit ranges of £2 million to £1.5 million and £2.2 million to £1.5 million, respectively.

The maximum Loan Note Consideration and Deferred Consideration payment of £1 million in respect of the 2016 financial year is payable as Reef Television achieved at least £1.8 million in gross profits.

If there is an over-achievement in either of the 2016 or 2017 years the excess will be carried forward to the next financial year of assessment and if there is an over-achievement in either of the 2017 or 2018 years the Vendors will have the ability to claim back amounts not paid due to under-performance in previous years.

An additional amount of earn-out consideration is payable by the Company if the aggregate gross profit for the three years exceeds £6 million. Subject to certain conditions, the Company will pay 50 per cent. of such gross profit excess to the Vendors in either cash or by the issue of Ordinary Shares (in respect of up to 50 per cent. of this additional consideration) at the Company's option. No provision has been made for this element of deferred consideration, due to the uncertainty of future gross profit revenue streams being greater than £6 million over the three year period.

### Straker Films Limited

On 30 March 2016 the Group acquired 100 per cent. of the share capital of Straker Films Limited. The Group paid initial consideration of £0.7 million, of which £0.64 million was paid in cash and £0.06 million is deferred. The balance sheet acquired was £0.8 million. The assets and liabilities arising from the acquisition are as follows:

	Book Value £	Fair Value Adjustments £	Fair Value £
Intangible assets	156,042	(156,042)	-
Property, plant & equipment	38,780	(28,780)	10,000
Trade and other receivables	176,610	-	176,610
Cash and cash equivalents	599,584	-	599,584
Trade and other payables	(182,809)	-	(182,809)
<b>Net assets acquired</b>	<b>788,207</b>	<b>(184,822)</b>	<b>603,385</b>
<b>Goodwill capitalised</b>			<b>98,000</b>
<b>Consideration given</b>	<b>701,385</b>	-	<b>701,385</b>
Satisfied by:			
Cash			641,385
Deferred consideration			60,000
			<b>701,385</b>

## 7) SHARE CAPITAL

	<b>2016</b>	2015
<b>Ordinary shares with a nominal value of:</b>	<b>0.1p</b>	2.0p
<b>Authorised:</b>		
Number	<b>Unlimited</b>	Unlimited
<b>Issued and fully paid:</b>		
Number	<b>419,397,339</b>	276,666,012
Nominal value (£'000)	<b>419</b>	5,534
<b>Deferred shares with a nominal value of 1.99p</b>		
<b>Authorised, issued and fully paid:</b>		
Number	<b>276,666,012</b>	-
Nominal value (£'000)	<b>5,506</b>	-
<b>Preference shares with a nominal value of 0.01p</b>		
<b>Authorised, issued and fully paid:</b>		
Number	<b>2,908,631</b>	-
Paid up value (£'000)	<b>2,909</b>	-

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

In July 2015, at a General Meeting of the Company, shareholders approved capital restructure proposals whereby each of the existing issued shares of 2 pence each in the capital of the Company were subdivided and converted into one new ordinary share of 0.01 pence and one deferred share of 1.99 pence. Immediately after the subdivision and re-designation, the ordinary shares were subject to a 10 for 1 consolidation resulting in ordinary shares with a nominal value of 0.1 pence each.

Deferred shares have attached to them the following rights and restrictions:

- they do not entitle the holders to receive any dividends and distributions;
- they do not entitle the holders to receive notice or to attend or vote at General Meetings of the Company;
- they have very limited rights on a return of capital; and
- they are not admitted or listed on any stock exchange and are not freely transferable.

The principal terms of the preference shares are as follows:

- they are convertible at 2.5 pence per ordinary share at the holder's option (which would give rise to the issue of 116,345,240 new ordinary shares if the preference shares were completed in full and no dividend had accrued);
- they are redeemable at the Company's option on the date falling five years after their issue;
- they have a dividend of 4.5 per cent. per annum (which increases to 13.5 per cent. per annum if they are not converted or redeemed within five years of their issue) which is payable on 31 July each year, or accrued and repayable when the preference shares are converted or redeemed; and
- they are freely transferable.

The preference shares have been classified as equity rather than debt. The intention by all parties at the inception of the preference shares was that the preference shares would be converted to equity when the opportunity presents itself, rather than be repaid. Therefore the directors have valued the debt component of the preference shares instrument using the assumption that there will be no cash outflows, so the value is nil.



Ordinary shares	2016			2015		
	Number of Shares	Share Capital £'000	Share Premium £'000	Number of Shares	Share capital £'000	Share premium £'000
At start of year	276,666,012	5,534	15,228	276,666,012	5,534	15,228
Share consolidation (10 for 1)	(248,999,411)	-	-	-	-	-
Share placing and subscription for cash	225,000,000	225	4,275	-	-	-
Shares issued in lieu of fees	26,516,660	26	504	-	-	-
Shares issued in debt conversion	140,214,078	140	2,664	-	-	-
<b>At end of year</b>	<b>419,397,339</b>	<b>5,925</b>	<b>22,671</b>	276,666,012	5,534	15,228

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

- Share capital represents the nominal value of shares issued;
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account;
- Merger reserve is used where more than 90 per cent. of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006;
- Retained earnings include the realised gains and losses made by the Group and the Company; and
- Preference shares represents the nominal value of preference shares issued.

## 8) AVAILABILITY OF REPORT AND ACCOUNTS

The Company's annual report and accounts for the year ended 30 June 2016 will be posted to shareholders in due course, a soft copy of which will also be available to download from the Company's website at [www.zincmedia.com](http://www.zincmedia.com).