18 March 2020

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Zinc Media Group plc, the TV and multimedia content producer, today announces its unaudited interim results for the six months to 31 December 2019.

Headlines

Management have achieved the first key milestones on the road to transforming the business, namely completing a £3.5m fundraise, restructuring the balance sheet and securing a new fit-for purpose London HQ post period end. Additionally good progress is being made on the four strategic priorities of the transformation plan:

Strategic priority	Progress
1. Improvements in London and Manchester gross TV Margins	Production margins improving faster and are now higher than previously expected at this stage of the transformation
2. Revenue growth and diversification	Revenue growth of 44% compared to the same period last year and new TV clients secured in both the UK and US
3. Cultural and creative renewal	Increasing exploitation of Nations and Regions TV profile with new business being developed collaboratively across the portfolio of TV labels
4. Investment in operational excellence	Investments underway in post-production facilities, new London HQ secured at a lower cost than current premises, expanded Glasgow premises and Group functions including finance and HR

Financial Headlines

- Revenue growth of 44% to £14.15m (H1 19: £9.86m)
- London & Manchester TV margins are improving better than anticipated and the impact will be seen in future periods
- Made outside London (MoL) TV revenues growing, driven by Tern Television
- Profitable at adjusted EBITDA* level, at £0.02m (H1 19: £0.01m), albeit improvements in profitability offset by investments in the period and ongoing turnaround of Zinc Communicate and Blakeway North
- Successful fundraise of £3.5m post period end
- Balance sheet restructured post period end, including all preference shares converted, long-term debt reduced and its repayment date extended by two years
- New London HQ secured on lower cost base than current premises
- Transitional year ahead in 2020 as new investments are made for long term growth

* Adjusted EBITDA defined as EBITDA before share based payment charges and exceptional items.

Operational Headlines

- 90% of the Group's revenue target for the year to June 2020 is already commissioned
- New TV clients have been secured in both the UK and US
- *Critical Incident*, a co-production between two Group companies, has been recommissioned and illustrates the wider opportunity the Group has in aligning its geographical labels to win new commissions
- *Fighter Pilots: The Real Top Gun* transmitted to great acclaim and ratings on ITV in their 9pm slot, and *The Station: Trouble On The Tracks* has been commissioned in the same slot and transmitted in March 2020
- The Group has recently been awarded an Emmy, a Bafta, multiple RTS awards and a Venice TV award
- New creative, fit-for purpose London HQ has been secured at a lower cost than the current premises, and will be moved into post period-end
- Business Continuity Plans (BCPs) are in place for all divisions in anticipation of the COVID-19 virus spreading. The Group's Nations and Regions profile brings added resilience to the Group following recent investments in post production technology across its sites. Stress testing of BCPs is underway.

Capital fundraise and balance sheet restructure

In February 2020 the Company completed a fundraise and balance sheet restructure that included:

- A capital fundraise of £3.5m
- Conversion of all preference shares to equity
- Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022
- A share consolidation at a ratio of 500:1

The Company will also be carrying out a capital reduction, which is expected to complete shortly.

For further information, please contact:

Zinc Media Group plc **+44 (0) 20 7878 2311**
Christopher Satterthwaite, Chairman
Mark Browning, Chief Executive Officer
Will Sawyer, Chief Financial Officer
www.zincmedia.com

N+1 Singer (NOMAD and Broker to Zinc Media Group plc) **+44 (0) 20 7496 3000**
Mark Taylor / Lauren Kettle (Corporate Finance)
Peterhouse Corporate Finance Limited (Joint broker) **+44 (0) 20 7469 0932**
Martin Lampshire / Duncan Vasey / Eran Zucker

CEO'S REPORT

STRATEGY AND OUTLOOK

Strategy

Supported by the fundraise in January the new management team has begun implementing its transformation plan, announced at the end of 2019, with the following four strategic priorities:

1. Improvements in London and Manchester gross TV Margins
2. Revenue growth and diversification
3. Cultural and creative renewal
4. Investment in operational excellence

The Group is pleased to report good progress on all four of these strategic priorities:

1. Gross production margins of London and Manchester TV are performing ahead of the 3% target with improvements of 4.1%. These anticipated improvements will be recognised in future financial periods as productions on the new workflow deliver revenues.
2. Revenue is forecast to grow in the 12 months ending June 2020 compared to the previous year, building on a 14% increase in revenue in FY19. In TV, new commissions have been won from UKTV and The Smithsonian Channel in the USA. Further investment is being made in business generating roles in TV labels and the repositioned Zinc Communicate business (see below).
3. Nations and Regions growth: The Group is starting to harness the creative firepower of the whole company, with early signs of new business being developed collaboratively across the portfolio of TV labels, and across the UK Nations and Regions.
4. Investments underway to improve operational excellence include:
    - Group functions including HR and finance
    - Post-production facilities in London and Manchester
    - New London HQ

Outlook for the Group

We are at the early stages of the transformation plan but are pleased that progress is already being made on all four of its strategic priorities.

While this progress is encouraging, there remains much to do. The impact of revenue growth and margin improvements in TV generally have been partially offset by a relatively poor performance at Blakeway North. Meanwhile, the re-positioning of Zinc Communicate is challenging, particularly in its CSR division. These factors, together with the investments we have been making to achieve our operational excellence goals, explain why the increase in revenues and the improvements in TV margins are not yet feeding through to EBITDA. This is in line with our expectations.

2020 will be a transitional year as we address the underperforming parts of the Group, transition into new markets, and make investments for the future. Although revenue growth may slow or even decline in the period ahead as we transition the Group into new markets and make new hires, the longer term prospects for growth in both revenue and profitability remain good.

Re-organisation of the Group

The Group has now been organised into two clear parts, Zinc TV and Zinc Communicate, as follows:

Division	Current services	Labels / businesses
Zinc TV	TV production, and sales from the rights	Tern Blakeway Brook Lapping Reef Films of Record Blakeway North
Zinc Communicate	Corporate Social Responsibility (CSR) campaigns, internal comms, digital education programmes including road safety Advertising sales and publication of B2B trade magazines in print and digital	Zinc Communicate CSR Zinc Communicate Publishing & Corporate

Strategy and Outlook: Zinc Television

Improvements in London and Manchester gross TV Margins

Good early progress is being made on this critical strategic priority of the transformation plan. London and Manchester gross TV margins are improving better than the Group had previously anticipated. These are driven by the excellent work in Reef TV, but all TV labels are seeing their margins improve. Margin improvements have come from investment in post-production, changes in production management workflow, and cultural improvements to align commercial and creative priorities. I am particularly pleased with the way the TV teams in London and Manchester have embraced the changes we have implemented, and they should be commended on the work done so far. Margins are not yet in line with industry norms but better than expected progress has been made.

Revenue growth and diversification

The TV labels of Reef, Blakeway, Brook Lapping, Films of Record and Tern are all seeing revenue growth and have started to address the second strategic priority of the transformation plan: revenue diversification. New commissions have been won from labels within the UKTV portfolio and with The Smithsonian Channel in the USA, and there are new ideas in development with more new buyers in both markets. Blakeway North has delivered some strong ratings performances in the last six months, and has seen margin improvement following investment in post-production, but it has not delivered revenues in line with expectations, and it has a lower than anticipated order book going forward. Work is underway in Blakeway North to address the challenges they are experiencing.

Cultural and creative renewal

Zinc's strong Nations and Regions portfolio, with substantive and permanent production bases (required for productions to qualify as an out of London commission) in Manchester, Glasgow, Aberdeen and Belfast, is one of the Group's strongest USPs. Encouraging work is now underway to exploit this competitive advantage fully with teams working collaboratively both on ideas and production delivery. Our ambition is to be able to offer the

UK Television buyers the opportunity to invest in any of our creative ideas, and have them made and delivered by any one of our talented teams across the UK Nations and Regions.

Investment in operational excellence

Progress is being made on improving operational excellence across all our TV production bases. Margin management and financial processes are enabling better forecasting. New technology is bring rolled out in new post-production facilities in London and Manchester. Tern TV's Glasgow office has recently benefited from an expanded and significantly improved office environment. Blakeway North continues to be recognised as one of the best TV companies to work for having recently won *Best place to work in TV* in the North West. The London TV labels are soon to move into a new Zinc HQ, which will be a vastly improved creative environment, and will help us attract and retain the best TV talent. Further investments have been made in the TV finance team and in human resource support.

Outlook: Television

The outlook in the television market remains good, with factual television continuing to command good ratings and commissioning hours stable across the UK PSBs. Non-UK PSBs, international multi-channels and the SVOD streaming companies continue to present medium to long term opportunities for the Group. TV revenues are well ahead of the same period last year although we expect them to slow in the second half of 2020 before picking up again in 2021. This is in line with the transformation plan.

Investments in new business winning creatives for the London specialist factual label Blakeway and the popular factual label Reef are planned for the next period.

Strategy and Outlook: Zinc Communicate

Revenue Growth and Diversification

The opportunity for Zinc Communicate, which is currently loss making and operating in small, niche markets, is to move into bigger markets with propositions more aligned with Zinc TV's video offering. The strategic plan is:

- Zinc Communicate CSR is loss making and management are conducting a strategic review of the business.
- Zinc Communicate Publishing & Corporate is in the process of diversifying into digital publishing and expanding into video production for corporate clients, which will enable synergies with the Group's TV division.
- Business generating roles are also being recruited to enable Zinc Communicate to sell video solutions to brands and advertisers and thereby establish a complementary offering to the TV business.

Zinc Communicate Publishing & Corporate was facing an uncertain future in autumn 2019 as its main contract with *LABC* came to an end and its other major contract with *RIBA* was up for tender. However, it generated higher revenue and profit than expected in the six months under review, it is forecasting to replace a significant proportion of the revenue generated via *LABC* with a revised product offering direct to local authorities, and it has won the *RIBA* tender for a new three year period. The focus is now on winning more contracts in the coming period.

Outlook

The transformation of Zinc Communicate Publishing & Corporate is in its early stages. While progress has been better than anticipated, this business does not yet have the resilience to weather difficulties that may lie ahead. The pipeline for this business is small but growing and there are plans in place to diversify the product proposition which will grow revenues in the period ahead.

The market opportunity in brand- and advertiser-led content remains strong. Zinc's highly respected TV credentials and reputation for premium and trusted content make it well placed to grow revenues in this part of the market. Investments in new hires are planned for the period ahead within a repositioned Zinc Communicate business.

COVID-19

Business Continuity Plans (BCP's) are in place for all divisions within the Group. The strong Nations and Regions profile of the Group, with sales and production offices in London, Manchester, Glasgow, Aberdeen and Belfast gives the Group added resilience in business continuity. Stress testing of all BCPs is underway alongside continuity plans for centralised functions including finance.

There is some risk that some productions may be delayed by clients, or delayed for production reasons if filming in some locations is no longer possible. There is also opportunity for additional production commissions as Television customers need new programmes to fill schedules and for the Zinc Communicate businesses to assist clients with internal comms and CSR campaigns.

BUSINESS OVERVIEW

Tern Television

Tern Television continues to perform well across its sites in Glasgow, Aberdeen and Belfast. Tern Glasgow's office has recently been renovated and expanded to accommodate the growth they are experiencing. 95% of Tern's budget for the year to June 2020 is already commissioned.

Beechgrove Garden and *Children's Hospital 2*, which both come from Aberdeen, have been recommissioned. Tern remains in a strong position to benefit from the BBC and Channel 4's out of London commissioning. The re-commission of *Critical Incident*, produced in partnership with Reef TV in London, illustrates the wider opportunity the Group has when it aligns its geographical labels to win new commissions.

Blakeway North

Blakeway North, our regional based label in Manchester, recently produced a wide range of singles and series for BBC Three, BBC One, Channel 4 and Channel 5.

Returning series *Bargain Loving Brits* (series 5) continued to rate well and may well be recommissioned. Reputational singles continue to pick up awards including *Manchester Bomb - Our Story* and the Panorama *Knives in the Classroom* which won a Royal Television Award.

Blakeway North's programmes have recently been awarded an Emmy, a Bafta, multiple RTS awards and a Venice TV award. For the second year running, this division has just been judged Broadcast magazine's 'Best Place to Work'.

Blakeway London

The specialist factual division, which is currently in the advanced stages of recruiting a new Creative Director, has continued to build on existing key client relationships and extend into new areas.

In the premium area, the six-part National Geographic Channels series *Lost Cities with Albert Lin* was delivered and broadcast to excellent response. This has grown the relationship with the broadcaster and has immediately resulted in two new commissioned developments. A one-off special *King Tut in Colour* is also in production for National Geographic, in co-production with the BBC and France Television.

The domestic market has also proven fruitful – especially the ongoing relationship with Channel 5. In the history space this included the 4-part *History of Britain with Tony Robinson,* the 3-part drama documentary series *Henry VIII: Man, Monarch, Monster* and a 2-part series *The Two Elizabeths*. Development for follow-up series is well advanced, and expected to yield several recommissions.

Natural History has continued to be a focus, especially for the nascent Bristol office. A new relationship was forged with the growing SVOD channel Love Nature, resulting in a co-production with ARTE called *The Farm*, which is in the final stages of post-production. Further projects are being developed with this model, now also with the participation of Sky TV, which would represent a major new client breakthrough if it comes off.

Fighter Pilots: The Real Top Gun transmitted to great acclaim and ratings on ITV in the 9pm slot. This has led to a commissioned development with an international broadcaster, and discussions on follow-ups with ITV.

Other terrestrial broadcasters are also proving fruitful, with a two part history series *The Blitz with Lucy Worsely* in production for BBC One and developments ongoing for history and arts on BBC Two and Channel 4.

Brook Lapping

Brook Lapping has continued to expand its operations.

The period to 31 December 2019 saw *Buried Secrets of World War II*, a six-part series for the National Geographic Channel, perform well. Series Producer Norma Percy built upon the success of *Inside Europe: Ten Years of Turmoil* with a two-part commission *Castros v. the World* for BBC Two and Arte. Production has also started on a three-part series for the BBC, Arte and multiple international broadcasters. Brook Lapping continues its work in the feature documentary arena with *The Hunt for Gaddafi's Billions*, due to transmit later in the year.

These commissions are being used as the basis for a push into the lucrative world of SVOD feature docs, and several are in discussion. Several arts and music programmes are also in production.

Reef

Reef produces popular factual content and continued its regrowth after a challenging period. This has included building a new client relationship with Channel 5, resulting in a 6-part series *Code Zero*. This was then recommissioned as a 10-part series, and there is hope for further recommissions.

This 'blue light' genre has also borne fruit with the BBC, where *Critical Incident*, a 15-part series, was commissioned for daytime.

Several commissioned developments and discussions are ongoing which would see both revenue growth and client diversification, in line with the strategic priorities of the transformation plan.

Zinc Communicate

Zinc Communicate CSR has delivered several social impact campaigns for clients to extend brand awareness, engage and inspire positive change. The division has been working with Siemens for over seven years supporting their education team and won several awards in H1 2020. It has continued to deliver community engagement programmes with HS2, and has delivered a suite of campaigns for Astra Zeneca around influenza vaccinations which saw an increase of uptake among target audiences. However, margins are too low on key projects and as a result the division is currently loss-making. A strategic review is currently underway.

Zinc Communicate Publishing & Corporate dealt with numerous challenges due to the loss of the Local Authority Building Control (LABC) contract in the period ending December 2019. This was a consequence of the Hackett report and pre-empts regulatory changes to the LABC. The business successfully navigated this and won a competitive tender for a new multi-year contract with the RIBA. This will allow the division to become focused on digital content creation and to diversify into other media formats and new revenue streams, including B2B video production. New appointments will be made in the coming period to further grow revenue streams within the division.

The long term opportunity in the new Zinc Communicate division to produce content for brands, agencies and media owners remains good.

Mark Browning, Chief Executive Officer

CHAIRMAN'S STATEMENT

Significant progress is being made by the new management team, supported by the new Board, on the transformation plan.

There is much to be optimistic about with the performance of the last 6 months. London and Manchester TV margins are improving faster and to higher levels than we had anticipated, revenue growth is encouraging, the client base is diversifying, and Zinc Communicate Publishing & Corporate is on the road to profitability despite a major partner not being able to renew its contract.

There any many issues to address, and the performance of Zinc Communicate CSR and Blakeway North are priorities for the next six months.

This is a period of transition for the Group. The losses in the underperforming parts of the Group offset the improvements made so far in the now profitable divisions. This, combined with investments in new revenue generating roles, and in central functions like HR and finance to support future growth, mean that the progress made in the last six months is not yet showing at EBITDA level. This is in line with our expectations and will remain the case in the year ahead as we transition the Group into a sustainably profitable position in the longer term.

I would like to congratulate the new management team on the successes they've achieved in the last 6 months, and all our employees for their professional and dedicated work across the Group.

Christopher Satterthwaite

Chairman

FINANCIAL REVIEW

INCOME STATEMENT

Revenue was £14.15m in H1 20 (H1 19: £9.86m). The £4.29m increase has been driven by the TV Division, in particular a £1.8m increase in Brook Lapping (157 percent) and £2.3m increase in Tern Television (73 percent). *The Curious Life and Death of…* for the Smithsonian channel has driven Brook Lapping's increase. Tern Television has capitalised on the BBC and Channel 4's 'out of London' commissioning policies, and has had many recommissions including *Britain's Lost Masterpieces*, *Emergency Helicopter Medics*, *Beechgrove Garden* and *Children's Hospital*, as well as numerous new commissions. TV's increased revenue has been partially offset by the poor performance in Zinc Communicate CSR, driven by the *Transport for London* contract not being renewed in FY19. The Group is on track to deliver more revenue in the full year to June 2020 than in the year to June 2019.

Gross margin decreased from 28.0 percent for the year ended June 2019 to 25.7% for the half year ended December 2019. This is due to recognising lower high margin distribution revenue in TV as a result of the timing of licensing, which is expected to be higher in the second half of the year, and due to the CSR division within Zinc Communicate losing a high margin contract with *Transport for London*, which also led to the business switching to a higher variable cost base as the business contracted. The underlying gross margins on productions for London and Manchester TV are increasing due to investment in people and technology, the benefit of which will be fully felt in future accounting periods as productions on the new workflow are delivered. In H1 2020 the majority of productions were delivered on the old workflow and have lower margins than productions on the new workflow.

Operating costs rose by £0.4m compared to H1 2019 due to investment in "operational excellence" including finance, HR and the Board in H1 2020. There were also some one-off non-recurring credits in H1 2019. The operational investments are already beginning to yield better management information, a more incentivised workforce and improved decision making which will ultimately improve the performance of the Group.

The Company achieved adjusted EBITDA of £0.02m in the period (H1 19: £0.01m). Adjusted EBITDA is reported before exceptional items of £0.19m, which is predominantly contingent consideration treated as a remuneration charge in respect of the Tern Television earnout. The operating loss was £0.92m (H1 2019: loss of £0.59m), which included depreciation that relates to leases reclassified to right-of-use assets as a result of the application of IFRS 16 in the period, which broadly offsets the rent reduction within operating expenses. Finance costs have risen by £0.04m as a result of the interest expense on these lease liabilities.

Dividend

No dividend is proposed. The Board considers the Group's investment plans, financial position and business performance in determining when to pay a dividend.

STATEMENT OF FINANCIAL POSITION

Assets

Total assets of the Group have decreased by £0.9m. Working capital has reduced by £1.3m which is partially offset by an increase to property plant and equipment (PPE) of £0.8m. The remaining £0.4m reduction is due to the amortisation of intangible assets.

£0.8m of the reduction in working capital for the six months to 31 December 2019 was the movement of cash balances. Following a strong trading performance by Tern in the year ended 30 June 2019, the second-year earnings target was achieved. The second year earnout payment of £0.5m was settled 75% by cash and the remaining 25% through issue of ordinary shares (see note 12). Lease payments of £0.3m also reduced cash in the period.

The increase in PPE is explained by £0.4m transition adjustment for implementation of IFRS 16 as of 1 July 2019 (see note 3). Two leases for office space were signed during the half year resulting in a £0.4m addition to Right-of-use (ROU) assets and £0.3m of post-production equipment which was acquired to help achieve the transformation plan objective of improving gross margins in television production.

Equity and Liabilities

Equity reduced by £0.9m during the half year to 31 December 2019. The majority of this movement is a result of the loss for the period. The remainder of the movement in equity is a result of the following issue of share capital:

- As mentioned above, 25% of Tern's earnout was settled through the issue of ordinary shares; and
- Conversion of some Herald Investment Trust plc preference shares into ordinary shares; and
- An ordinary share issue to a supplier in lieu of fees.

Refer to the share capital note 12 for further details.

Finance lease liabilities have increased by £0.8m. £0.4m relates to the transition adjustment for implementation of IFRS16 as of 1 July 2019 (see note 3). The remainder relates to additions during the period of two new office leases and post-production kit which was acquired via finance leases, less the interest and repayments during the half year.

Comparative information

The Group has adopted IFRS 16 'Leases' for the first time in the results for the half year ended 31 December 2019. As a result, the Group has changed its accounting policy for recognition of operating leases as detailed in note 3. The Group used the modified retrospective approach to transition which means the comparative figures have not been restated and continues to be reported under IAS 17. As at 1 July 2019 the asset and liability opening balances were adjusted to recognise the right of use assets and corresponding lease liabilities.

Will Sawyer

Chief Financial Officer

Zinc Media Group plc consolidated income statement
For the six months ended 31 December 2019

	Note	**Unaudited Half Year to 31 Dec 2019 £'000's**	Unaudited Half Year to 31 Dec 2018 £'000's	Audited 12 months to 30 June 2019 £'000's
Continuing operations				
Revenue	4	**14,151**	9,864	24,633
Cost of sales		**(10,509)**	(6,628)	(17,725)
Gross Profit		**3,642**	3,236	6,908
Operating expenses		**(3,624)**	(3,224)	(6,781)
Adjusted EBITDA		**18**	12	127
Depreciation & amortisation		**(768)**	(408)	(889)
Share based payment credit/(charge)		**21**	(23)	(27)
Exceptional items	5	**(194)**	(172)	(1,744)
Operating loss		**(923)**	(591)	(2,533)
Finance costs		**(162)**	(120)	(327)
Finance income		**-**	-	1
Loss before tax		**(1,085)**	(711)	(2,859)
Taxation credit		**61**	11	127
Loss for the period		**(1,024)**	(700)	(2,732)
Continuing operations attributable to:				
Equity holders		(1,046)	(700)	(2,740)
Non-controlling interest		22	-	8
Retained loss for the period		**(1,024)**	(700)	(2,732)
Earnings per share				
From continuing operations:				
Basic	6	**(0.07)p**	(0.05)p	(0.20)p
Diluted	6	**(0.07)p**	(0.05)p	(0.20)p

Zinc Media Group plc consolidated statement of financial position
As at 31 December 2019

	Note	**Unaudited 31 Dec 2019 £ '000**	Unaudited 31 Dec 2018 £ '000	Audited 30 June 2019 £ '000
Assets				
Non-current				
Goodwill and intangible assets	7	**5,081**	6,807	5,436
Property, plant and equipment	8	**1,121**	359	369
		6,202	7,166	5,805
Current assets				
Inventories		**215**	441	236
Trade and other receivables	9	**6,374**	5,052	6,858
Cash and cash equivalents		**2,382**	2,120	3,213
		8,971	7,613	10,307
Total assets		**15,173**	14,779	16,112
Equity and liabilities				
Shareholders' equity				
Called up share capital	12	**5,928**	5,928	5,928
Share premium account	12	**30,598**	30,509	30,509
Merger reserve	12	**940**	875	875
Share Based payment reserve		**112**	129	133
Preference shares	12	**767**	839	839
Retained earnings		**(36,611)**	(33,585)	(35,625)
Total equity attributable to equity holders of the parent		**1,734**	4,695	2,659
Non-controlling interests		**18**	-	8
Total Equity		**1,752**	4,695	2,667
Liabilities				
Non-current				
Borrowings		**3,837**	3,648	3,743
Contingent consideration		**-**	187	595
Deferred tax		**67**	244	128
Lease liabilities	10	**450**	-	20
		4,354	4,079	4,486
Current liabilities				
Trade and other payables	11	**7,875**	5,452	8,423
Contingent consideration		**782**	500	500
Current tax liabilities		**5**	6	4
Lease liabilities	10	**405**	47	32
		9,067	6,005	8,959
Total equity and liabilities		**15,173**	14,779	16,112

Zinc Media Group plc consolidated statement of cash flows
For the six months ended 31 December 2019

	Unaudited Half year to 31 Dec 2019 £ '000	Unaudited Half year to 31 Dec 2018 £ '000	Audited 12 months to 30 June 2019 £ '000
Cash flows from operation activities			
Loss for the period before tax	**(1,085)**	(711)	(2,859)
Add back:			
Depreciation	**413**	83	178
Amortisation and impairment of intangibles	**355**	325	1,696
Finance costs	**162**	120	327
Finance income	**-**	-	(1)
Share based payment charge	**(21)**	23	27
Change in fair value of deferred contingent consideration	**93**	-	138
Contingent consideration deemed remuneration	**61**	104	286
Reorganisation and restructuring costs	**35**	-	-
	13	(56)	(208)
Decrease/(increase) in inventories	**21**	(56)	97
Decrease/(increase) in trade and other receivables	**484**	172	(1,634)
(Decrease)/increase in trade and other payables	**(618)**	(722)	2,275
Cash (used in)/generated from operations	**(100)**	(662)	530
Finance costs paid	**(10)**	(2)	(4)
Finance income	**-**	-	1
Tax paid	**-**	(86)	(87)
Net cash flows (used in)/generated from operating activities	**(110)**	(750)	440
Investing activities			
Payment of contingent consideration	**(375)**	(563)	(563)
Purchase of property, plant and equipment	**(58)**	(87)	(192)
Net cash flows used in investing activities	**(433)**	(650)	(755)
Financing activities			
Capital element of lease payments	**(312)**	(9)	(4)
Dividends paid to non-controlling interests	**12**	-	-
Net cash flows used in financing activities	**(300)**	(9)	(4)
Net decrease in cash and cash equivalents	**(843)**	(1,409)	(319)
Translation differences	**12**	(16)	(13)
Cash and cash equivalents at beginning of period	**3,213**	3,545	3,545
Cash and cash equivalents at end of period	**2,382**	2,120	3,213

Zinc Media Group plc consolidated statement of changes in equity
For the six months ended 31 December 2019

	Share capital £000	Share premium £000	Share based payment reserve £000	Merger reserve £000	Preference shares £000	Retained earnings £000	Total equity attributable to equity holders of the parent £000	Non-controlling interest £000	Total equity £000
Balance as at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,974)**	**5,185**	**-**	**5,185**
Loss for the year	-	-	-	-	-	(2,740)	(2,740)	8	(2,732)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,740)**	**(2,740)**	**8**	**(2,732)**
Equity-settled share-based payments	-	-	27	-	-	-	27	-	27
Issue of shares on acquisition	-	-	-	98	-	89	187	-	187
Conversion of preference shares	-	95	-	-	(95)	-	-	-	-
Total transactions with owners of the Company	-	95	27	98	(95)	(2,651)	(2,526)	8	(2,518)
Balance at 30 June 2019	**5,928**	**30,509**	**133**	**875**	**839**	**(35,625)**	**2,659**	**8**	**2,667**
Balance as at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,974)**	**5,185**	**-**	**5,185**
Loss for the Period	-	-	-	-	-	(700)	(700)	-	(700)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(700)**	**(700)**	**-**	**(700)**
Equity-settled share-based payments	-	-	23	-	-	-	23	-	23
Issue of shares on acquisition	-	-	-	98	-	89	187	-	187
Conversion of preference shares	-	95	-	-	(95)	-	-	-	-
Total transactions with owners of the Company	-	95	23	98	(95)	(611)	(490)	-	(490)
Balance at 31 December 2018	**5,928**	**30,509**	**129**	**875**	**839**	**(33,585)**	**4,695**	**-**	**4,695**
Balance at 1 July 2019	**5,928**	**30,509**	**133**	**875**	**839**	**(35,625)**	**2,659**	**8**	**2,667**
Loss and total comprehensive income for the period	-	-	-	-	-	(1,046)	(1,046)	22	(1,024)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1,046)**	**(1,046)**	**22**	**(1,024)**
Equity-settled share-based payments	-	-	(21)	-	-	-	(21)	-	(21)
Shares issued	-	18	-	-	-	-	18	-	18
Conversion of preference shares	-	71	-	-	(71)	-	-	-	-
Deferred consideration paid in shares	-	-	-	65	-	60	125	-	125
Dividends paid	-	-	-	-	-	-	-	(12)	(12)
Total transactions with owners of the Company	-	89	(21)	65	(71)	(986)	(923)	10	(913)
Balance at 31 December 2019	**5,928**	**30,598**	**112**	**940**	**767**	**(36,611)**	**1,734**	**18**	**1,752**

Notes to the consolidated financial statements

1) GENERAL INFORMATION

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 7 Exchange Crescent, Conference Square, Edinburgh, EH3 8AN.

The Company is listed on the London Stock Exchange's AIM Market.

2) BASIS OF PREPARATION

The interim results for the six months ended 31 December 2019 have been prepared on the basis of the accounting policies expected to be used in the 2020 Zinc Media Group plc Annual Report and Accounts and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('EU') ('IFRS'). The interim results do not include all the information and disclosures required in financial statements prepared in accordance with IFRS and should be read in conjunction with the accounts for the year ended 30 June 2019.

The same accounting policies, presentation and methods of computation are followed in these interim condensed set of financial statements as have been applied in the Group's latest annual audited financial statements, with the exception of the changes in accounting policies detailed in note 3.

The interim results, which were approved by the Directors on 16 March 2020, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures for the year ended 30 June 2019 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

3) CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS

IFRS 16

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expenses recognition being accelerated for leases which would be currently accounted for as operating leases. Further, the expense will move from EBITDA to outside EBITDA.

Approach to transition

The new Standard has been applied using the modified retrospective approach. As at 1 July 2019 the asset and liability opening balances were adjusted to recognise the right of use assets and corresponding lease liabilities. Prior periods have not been restated.

As part of the Group's adoption of IFRS16 and application of the modified retrospective approach to transition, the Group also elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- for leases of low-value assets the Group has not recognised right-of-use assets but has accounted for the lease expense on a straight-line basis over the remaining lease term;
- not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.2%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

IFRS 16 Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Within the income statement, rent expense will now be replaced by depreciation and interest expense. This will result in a decrease to operating expenses and an increase to finance costs. Further, EBITDA will improve in the current year because of IFRS16 changes, however the comparative year will not as it is not being restated.

3) CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS CONTINUED

The Group has chosen to use the table below to set out the balance sheet adjustments recognised at the date of initial application of IFRS 16.

	As previously reported at 30 June 2019	Impact of IFRS 16	As restated at 1 July 2019
	£'000	**£'000**	**£'000**
Non-current assets			
Property, plant and equipment	49	399	448
Total impact on assets	**49**	**399**	**448**
Current liabilities			
Lease liabilities	(32)	(364)	(396)
Non-current liabilities			
Lease liabilities	(20)	(35)	(55)
Total impact on liabilities	**(52)**	**(399)**	**(451)**

The right-of-use assets of £399,000 recognised at 1 July 2019 all relate to leases of office space.

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019:

	£'000
Total operating lease commitments disclosed at 30 June 2019	**427**
Recognition exemptions:	
- Leases of low value assets	(22)
Operating lease liabilities before discounting	405
Discounted using incremental borrowing rate	(6)
Total lease liabilities recognised under IFRS 16 transition at 1 July 2019	**399**

Significant judgements and estimates

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Prior period errors

Deferred remuneration of £0.2m was accounted for incorrectly in the December 2018 unaudited interim financial statements and was accounted for correctly in the full year audited June 2019 financial statements. Within this report, the comparative December 2018 figures in the statement of financial position, statement of changes in equity and share capital note have been restated as follows:

	As previously reported at December 2018 £’000	Adjustment £’000	Corrected December 2018 balances £’000
Share premium	30,696	(187)	30,509
Retained earnings	(33,674)	89	(33,585)
Merger reserve	777	98	875

4) SEGMENTAL INFORMATION

The operations of the group are managed in two principle business divisions; Zinc TV and Zinc Communicate. These divisions are the basis upon which the management reports its primary segmental information.

Revenues by Business Division	**Unaudited Half Year to 31 Dec 2019 £'000's**	Unaudited Half Year to 31 Dec 2018 £'000's	Audited 12 months to 30 Jun 2019 £'000's
Zinc TV	**12,625**	8,102	21,230
Zinc Communicate*	**1,526**	1,762	3,403
Total	**14,151**	9,864	24,633

*In comparative years this category was split between three categories; Communications, Publishing and Central & plc. Operationally, communications and publishing are now combined and management determined it is more appropriate to report their information together. Revenue previously recognised as Central & plc relates to communications services and is now disclosed as Zinc Communicate revenue.

5) EXCEPTIONAL ITEMS

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

	Unaudited Half Year to 31 Dec 2019 £'000's	Unaudited Half Year to 31 Dec 2018 £'000's	Audited 12 months to 30 June 2019 £'000's
Impairment of carrying value of goodwill in respect of Zinc Communicate	**-**	-	(985)
Change in fair value of contingent consideration in respect of Tern Television	**(54)**	-	(138)
Reorganisation and restructuring costs	**(39)**	-	(313)
Contingent consideration treated as remuneration	**(101)**	(104)	(286)
Other exceptional items	**-**	(68)	(22)
Total	**(194)**	(172)	(1,744)

6) 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 divided by the weighted average number of issued ordinary shares.

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.

The number of shares disclosed below is prior to the share consolidation that took place post period end (see note 13).

	Unaudited Half Year to 31 Dec 2019 £'000's	Unaudited Half Year to 31 Dec 2018 £'000's	Audited 12 months to 30 Jun 2019 £'000's
Weighted average number of shares used in basic earnings per share calculation	**1,430,856,797**	1,380,068,743	1,399,591,089
Potentially dilutive effect of share options	-	2,973,799	2,014,248

6) EARNINGS PER SHARE CONTINUED

	Unaudited Half Year to 31 Dec 2019 £'000	Unaudited Half Year to 31 Dec 2018 £'000	Audited 12 months to 30 Jun 2019 £'000
Loss for the period	**(1,046)**	(700)	(2,740)
Amortisation of intangible assets post deferred tax impact	**355**	325	711
Restructuring costs	**39**	-	313
Exceptional transactions	**-**	68	22
Change in fair value of contingent consideration	**54**	-	138
Impairment of carrying value of goodwill in respect to Reef TV	**-**	-	985
Share-based payments	**(21)**	23	27
Contingent earnout consideration deemed remuneration	**101**	104	286
Adjusted loss for year attributable to shareholders	**(518)**	(180)	(258)
Continuing operations			
Basic Earnings per Share	(0.07)p	(0.05)p	(0.20)p
Diluted Earnings per Share	(0.07)p	(0.05)p	(0.20)p
Adjusted Basic Earnings per Share	(0.04)p	(0.01)p	(0.02)p
Adjusted Diluted Earnings per Share	(0.04)p	(0.01)p	(0.02)p

7) GOODWILL AND INTANGIBLE ASSETS

	Goodwill £000	**Brands £000**	**Customer Relationships £000**	**Multimedia Products & Websites £000**	**Distribution Catalogue £000**	**Total £000**
Cost						
At 31 December 2018	29,394	4,497	3,419	122	443	37,875
At 30 June 2019	29,394	4,497	3,419	122	443	37,875
Other changes*	(20,441)	(3,818)	(116)	-	-	(24,375)
At 31 December 2019	**8,953**	**679**	**3,303**	**122**	**443**	**13,500**
Amortisation						
At 1 July 2018	(25,354)	(4,046)	(1,284)	-	(59)	(30,743)
Charge for the period	-	(49)	(232)	-	(44)	(325)
At 31 December 2018	(25,354)	(4,095)	(1,516)	-	(103)	(31,068)
Charge for the period	-	(48)	(232)	(61)	(45)	(386)
Impairment charge	(985)	-	-	-	-	(985)
At 30 June 2019	(26,339)	(4,143)	(1,748)	(61)	(148)	(32,439)
Charge for the period	-	(49)	(232)	(30)	(44)	(355)
Other changes*	20,441	3,818	116	-	-	24,375
At 31 December 2019	**(5,898)**	**(374)**	**(1,864)**	**(91)**	**(192)**	**(8,419)**
Net Book Value						-
At 31 December 2019	**3,055**	**305**	**1,439**	**31**	**251**	**5,081**
At 31 December 2018	4,040	402	1,903	122	340	6,807
At 30 June 2019	3,055	354	1,671	61	295	5,436

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

8) PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings £000's	Motor vehicles £000's	Office and computer equipment £000's	Total £000's
As at 31 December 2019	**523**	**32**	**566**	**1,121**
As at 31 December 2018	33	51	275	359
As at 30 June 2019	21	41	307	369

£0.8m of assets held under leases are included within short leasehold land and buildings and office and computer equipment. Refer to details in note 10.

9) TRADE AND OTHER RECEIVABLES

	Unaudited 31 Dec 2019 £'000	Unaudited 31 Dec 2018 £'000	Audited 30 Jun 2019 £'000
Current			
Trade receivables	**3,225**	2,335	3,628
Less provision for impairment	**(101)**	(72)	(126)
Net trade receivables	**3,124**	2,263	3,502
Other receivables	**261**	141	136
Prepayments	**740**	720	891
Accrued income	**2,249**	1,928	2,329
Total	**6,374**	5,052	6,858

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

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

10) LEASES

The Group has leases for office space and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-us asset and a lease liability. The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

	No of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term (years)
Short leasehold land and buildings	7	<1 to 5	2
Office and computer equipment	8	<1 to 4	3

10) LEASES CONTINUED

Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

	Short leasehold land and buildings	Office and computer equipment	Total
	£'000	£'000	£'000
Balance as at 1 July 2019	399	49	448
Additions	402	304	706
Depreciation	(295)	(40)	(335)
Balance as at 31 December 2019	**506**	**313**	**819**

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned, which is property, plant & equipment.

Lease liabilities

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

	Unaudited	Unaudited	Audited
	31 Dec 2019	31 Dec 2018	30 Jun 2019
	£000's	£000's	£000's
Current	**405**	47	32
Non-current	**450**	-	20
	855	47	52

Additional information on the lease liabilities are as follows:

	Short leasehold land and buildings	Office and computer equipment	Total
	£'000	£'000	£'000
Balance as at 1 July 2019	399	52	451
Additions	402	304	706
Interest expense	10	7	17
Lease payments	(273)	(46)	(319)
Balance as at 31 December 2019	**538**	**317**	**855**

11) TRADE AND OTHER PAYABLES

	Unaudited	Unaudited	Audited
	31 Dec 2019	31 Dec 2018	30 Jun 2019
	£'000	£'000	£'000
Current			
Trade payables	**1,543**	1,288	1997
Other payables	**225**	90	83
Other taxes and social security	**866**	624	1010
Accruals	**3,329**	2,180	3523
Contract liabilities	**1,912**	1,270	1810
Total	**7,875**	5,452	8,423

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

12) SHARE CAPITAL

	Unaudited Dec-19		Unaudited Dec-18		Audited Jun-19	
Ordinary shares	**Number of Shares**	**Share Capital £'000**	Number of Shares	Share Capital £'000	Number of Shares	Share Capital £'000
At start of period	**1,419,113,435**	**3.5**	1,419,113,435	3.5	1,419,113,435	3.5
Shares issued	**70,460,174**	**0.2**	-	-	-	-
At end of period	**1,489,573,609**	**3.7**	1,419,113,435	3.5	1,419,113,435	3.5
Deferred shares						
At start and end of period	**276,666,012**	**5,506**	276,666,012	5,506	276,666,012	5,506
D Deferred shares						
At start and end of period	**419,397,339**	**418**	419,397,339	418	419,397,339	418
Total called up share capital	**2,185,636,960**	**5,928**	2,115,176,786	5,928	2,115,176,786	5,928
Preference shares						
At start of period	**838,633**	**839**	933,887	934	933,887	934
Conversion of preference shares to ordinary shares	**(71,279)**	**(71)**	(95,254)	(95)	(95,254)	(95)
At end of period	**767,354**	**767**	838,633	839	838,633	839

	Unaudited 31-Dec-19		Unaudited 31-Dec-19		Unaudited 31-Dec-19	
Ordinary shares	**Share Premium £'000**	**Merger Reserve £'000**	Share Premium £'000	Merger Reserve £'000	Share Premium £'000	Merger Reserve £'000
At start of period	**30,509**	**875**	30,414	777	30,414	777
Shares issued in lieu of fees	**18**	**-**	-	-	-	-
Consideration paid in shares	**-**	**65**	-	98	-	98
Shares issued in preference share conversion	**71**	**-**	95	-	95	-
At end of period	**30,598**	**940**	30,509	875	30,509	875

12) SHARE CAPITAL CONTINUED

Issue of shares

Following a strong trading performance by Tern Television Productions Limited ("Tern Television") in the year ended 30 June 2019, the second-year earnings target was achieved. The second year earnout payment, payable to the vendors of Tern Television in accordance with the terms of the share purchase agreement, was £0.5m, which was satisfied partially in cash and partially in new Zinc Media Group shares.

On 1 November 2019 £375,000 of the earnout payment was settled in cash and £125,000 was settled through the issue to the vendors of 41,597,336 new ordinary shares at a price of 0.3005p per share, being the average market price for the 30 business days prior to 31 October 2019.

On 1 November 2019, the Company also converted £71,279 of preference shares into 23,719,981 new ordinary shares at a price of 0.3005p per share to Herald Investment Trust plc ("Herald"). Herald converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that the current holding of approximately 34 per cent of the issued ordinary share capital in the Company was maintained.

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

13) POST BALANCE SHEET EVENTS

London office move

On 24 January 2020 the Company entered into a five-year office lease for the London head office. Signing the new lease will result in an increase to right of use assets of £1.0m which is mostly offset by the recognition of a lease liability of £0.9m. As part of the office move, the Company has committed to a fit-out of the office space and acquisition of new post-production equipment, budgeted at approximately £0.9m.

These commitments have been undertaken as the Company was required to move from its current office location, but importantly the lease costs are lower for the new office compared to the current office, the new office will provide an enhanced creative environment and the post production investment will help improve production margins.

Capital fundraise and balance sheet restructure

On 12 February 2020, the Company announced that it had raised £3.5 million (before expenses) by way of a placing of 3,888,889 New Ordinary Shares (the "Placing Shares"). The proceeds of the Placing will be used to fund various elements of the Company's transformational plan, launched in September 2019, and for general working capital purposes.

Alongside the placing, the Company has consolidated its ordinary share capital such that each 500 Ordinary Shares of 0.00025p have been consolidated into one New Ordinary Share of 0.125p (the "Share Consolidation"). The issued share capital of the Company has altered by (i) the Share Consolidation (ii) the issue and allotment of the Placing Shares and (iii) the issue and allotment of the Conversion Shares.

Additionally, in order to simplify the Group's capital structure, the Company agreed:

(i) To convert all the remaining preference shares and accrued dividends held by Herald, amounting to approximately £860,000, into New Ordinary Shares. As a result no preference shares remain on the Company's balance sheet; and

(ii) To extend the term of the long-term debt held by Herald and the John Booth Charitable Foundation and the term of the unsecured loan notes held by Herald from December 2020 to December 2022; and

(iii) To convert approximately £77,000 of long-term debt owing to John Booth into New Ordinary Shares.

The Company has received shareholder approval to carry out a capital reduction, which is expected to complete by April 2020, as follows:

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

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