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

Preliminary results
for the year ended 30 June 2019

Zinc Media Group plc, the TV and multimedia content producer, today announces its preliminary unaudited results for the financial year ended 30 June 2019.

Highlights

- 14% increase in revenues year-on-year
- Adjusted EBITDA* profit achieved for third year in succession
- Made outside London (MoL) revenues up 32% year on year driven by Tern Television
- International commissions now 20% of TV revenues with commissions from HBO, National Geographic and Smithsonian
- Commissions from all UK PSB channels, including the prestigious 9pm slot on ITV and a BAFTA award winning programme for BBC1
- First SVoD^ commission with Love Nature through specialist factual division Blakeway
- In 2019/20 new management have already identified 3% gross margin improvements. However, these are likely to be offset by losses in the non-TV businesses in the short term while actions already in train lead to profitability in the medium term.
- Mark Browning appointed as CEO and Will Sawyer appointed as CFO in the period. A proven team capable of building Zinc Media’s ambitions in global content markets.
- New board now in place. Christopher Satterthwaite (formerly Chime Communications plc) appointed Chairman and Andrew Garard (formerly ITV plc) appointed Non-Executive Director.

Financial performance

- Group revenues have grown by 14% to £24.63m (2018: £21.68m)
- Adjusted EBITDA* profit of £0.13m (2018: £0.49m)
- Operating loss (after exceptional items) for the year of £2.53m (2018: loss of £1.56m) driven by £1.74m of exceptional items, including a £0.99m impairment in the carrying value of goodwill in the Communications division, £0.42m of costs related to the earnout consideration in respect of Tern Television and £0.31m of restructuring costs
- Basic loss per share from continuing activities 0.20p (2018: loss per share 0.17p)
- Cash of £3.21m (2018: £3.55m) and net debt (being cash less borrowings) of £0.53m (2018: net debt £0.003m)
- £0.1m conversion of preference shares completed during the year

* Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation, share based payment charge and exceptional items

^ Subscription Video on Demand

Mark Browning, CEO, commented:

“*2019/20 will be a transition year for the Group as it addresses the profitability challenge it faces. I am confident that we now have good visibility of the issues within the Group and know where improvements need to be made. We will focus on diversifying and growing our revenue within TV and non-TV, improving margins and building cultural and operational excellence. The medium-term prospects for sustained profitability look good.*”

Christopher Satterthwaite, Chairman, commented:

"*I join Zinc Media Group at a pivotal point in its development. The Company is embarking on a far-reaching transformation plan to capitalise on its market opportunity and grow the business, in the longer term, into a significant content creation company. This transition is being led by a new management team with a proven and very recent track record of transforming underperforming TV businesses into highly profitable companies, supported by a refreshed board with far-reaching media expertise aligned to the needs of the company. With the recent appointment of Andrew Garard from ITV plc, we have someone who has been at the forefront of M&A activity on a global scale.*

The Board would like to thank Peter Bertram who stepped down as Chairman at the end of the financial year after 8 years with the company, and David Galan who resigned as CEO in November 2018 after 3 years with the company, as well as all our employees for their professional and dedicated work across the Group."

For further information please contact:

Zinc Media Group plc	+44 (0) 20 7878 2311
Christopher Satterthwaite, Chairman	
Mark Browning, Chief Executive Officer	
www.zincmedia.com	
N+1 Singer (NOMAD and Broker to Zinc Media Group plc)	+44 (0) 20 7496 3000
Mark Taylor / Lauren Kettle	
Peterhouse Corporate Finance Limited (Joint Broker)	+44 (0) 20 7469 0932
Martin Lampshire / Duncan Vasey / Eran Zucker	

Strategy and Outlook

The Company's new management team has adopted a wide-ranging transformation plan to address the issues that prevent the Group delivering the level of margin and profitability that should be expected in a business of this scale with good revenues.

The transformation plan will prioritise four areas:

1. Improvement in the gross margins of television production
2. Revenue growth and diversification
3. Cultural and creative renewal
4. Investment in operational excellence

A number of new initiatives are underway since the new management started which should address each of these four strategic priorities. Some of these include:

- Investment in technology, production workflow and management to increase gross Television production margins, initially by 3%; and
- New pipeline tools and management information to facilitate better margin management across the Group; and
- Investment in business development to grow revenues in the medium term; and
- Financial incentivisation and transparency on measurement of performance to reward margin and profit growth; and
- Investment to improve cash management and monitor newly introduced KPIs.

To support the new CEO and CFO, the company has refreshed the board with a new Chairman and Non-Executive Director.

The market opportunity is considerable, and the Group should be well placed to take advantage with the actions management have identified. Revenues from UK TV production companies grew to record levels in the last 12 months, the SVoD (Subscription Video on Demand) and multi-channel commissioning market is buoyant, MoL (Made outside London) factual commissioning continues to grow, and the non-TV revenues of UK indies are also delivering strong growth across the sector. As a leading producer in the UK nations and regions, with a growing reputation with the international multi-channels and untapped potential in non-TV content creation, the Group can become a vehicle for significant profit growth in the years ahead.

The London and Manchester television businesses start 2019/20 in line with previous years. Within weeks of joining the Group the new management began addressing the margin challenges that have held these television businesses back, and through some strategic investments, modernising workflows and organisational improvements have identified an initial 3% gross margin improvement with plans for further improvements over the coming 12 months. At current revenue forecasts this margin improvement should see a number of the London and Manchester TV businesses turn from divisional loss to profit in the forthcoming financial year.

In the period post year-end Tern TV has continued its excellent revenue and margin performance. Reef TV shows signs of recovery having picked up two returning series at the start of the 2019/20 financial year, both of which look set to deliver substantially better margins than their first series. Elsewhere, Brook Lapping and Blakeway are in a good position but are dependent on winning large second series recommissions from international broadcasters. Blakeway North has had a slower than anticipated start to the year.

International expansion, particularly within the growing SVoD market, remains a largely untapped growth area for Zinc's television business. In addition, there is further opportunity to grow revenues from international multi-channel networks and build on the recent well received productions from the likes of National Geographic. By their nature these programmes take a significant time in gestation, sometimes straddling financial years, but deliver big revenues when they eventually deliver.

Alongside prioritising margin management, the Group's television businesses need to diversify into new genres and amongst a wider client base. This will take investment and time but will create a better revenue and margin mix. It will also smooth out and reduce the Group's exposure to the inevitable peaks and troughs that come when a business is dependent on a low number of high value commissions from a small number of business generators.

The Group's two non-TV businesses, Zinc Communicate and Ten Alps Communications, are facing financial challenges in the 2019/20 financial year. In the short term these difficulties will create a drag on the wider Group performance as they are likely to offset growth and margin improvement in some of the Television businesses. Beginning this financial year, the company should start re-positioning both businesses into larger and more profitable markets by redefining the product proposition and investing in new business generating personnel. Based on the new management team's experience of building non-TV content businesses, the company is confident that these businesses can make a positive contribution to the Group and, indeed, that in the medium term they have the potential to deliver higher margin revenues than traditional TV.

The Group's property will be reviewed in the 2019/20 financial year as the Group moves from its current London office to alternative London premises in the first quarter of 2020.

CEO's Statement

Zinc Media Group's businesses in Television, Zinc Communicate and Ten Alps Communications produce some of the UK's most respected and most watched content. The Group is well-established as one of the country's premium content companies led by trusted producers, operating under familiar and respected labels.

The Group's top line revenue continued to perform well at £24.6m for the year, a year on year increase of 14%, driven by growth in Television where revenues were up £3.6m (21%) during the last 12 months. This top line growth came despite revenue decline in its non-TV businesses, Zinc Communicate and Ten Alps Communications. However, too many divisions struggled to deliver divisional profit so ensuring strong revenue translates into increased margins is one of the primary objectives for the new management team. Several initiatives have been taken since the period end to improve margins which are already bearing fruit. Modest increments to margin will translate into much improved long-term profitability with the correlating benefits to cashflow.

One of the highlights of the year has been the strong performance of the Group's most recent acquisition, Tern Television, driven by a combination of returning series, including series two of *Emergency Helicopter Medics* for More4, and a high volume of single commissions. With offices in Glasgow, Belfast and Aberdeen, Tern is well placed to continue capitalising on the trend for nations and regions commissions. Blakeway North, based in Manchester, had a flat revenue year but with investments now in place, and the fact the north of England attracts a large share of made outside London (MoL) factual commissioning, this company should deliver better performance in the coming years.

Elsewhere in the Group the London based current affairs and documentary indie Brook Lapping delivered two of the most impactful television programmes of the year with *Brexit: Behind closed doors*, and *Europe: Ten years of turmoil*, both of which had unrivalled access and were distributed widely in the UK and Europe. London based specialist factual indie Blakeway delivered some outstanding programmes, including the multi-million pound series *Lost Cities* for National Geographic that was shot in 4k and the access documentary and ratings hit *Fighter Pilots* which transmitted in the prestigious 9pm slot on ITV and is set to be sold globally in the years ahead. Brook Lapping also won a BAFTA in the specialist factual category for *Suffragettes with Lucy Worsley*.

Three of the Group's businesses saw revenue decline in 2018/19: the London based popular factual business Reef TV and the company's two non-TV businesses. Zinc Communicate's high value road safety contract with Transport for London for *Children's Traffic Club* ended in the summer of 2019 and Ten Alps Communications, based in Macclesfield and Manchester, experienced challenging market conditions.

I joined Zinc from ITN in May 2019 for the final two months of the 2018/19 year. Following the appointment of Will Sawyer as Group CFO in October 2018 my appointment reunites the management team that led the turnaround of ITN Productions over the last 10 years. Zinc Media Group has significant long-term growth potential and is a very attractive vehicle from which to build a scalable content creation company. Much work has already been done to address the company's profitability challenges, notably through initiatives to enhance margins in the London and Manchester TV businesses. Plans are in place to reverse the decline in non-TV revenues and capitalise on the significant market opportunity for content creation outside the traditional television model. By building sustainable revenues and improving margins, the Group should be well placed to deliver long term profitability.

Business Review

Tern Television – Popular Factual

Operating from three sites in Glasgow, Belfast and Aberdeen, Tern is financially the best performing division in the group and one of the two profitable divisions in 2018/19. It has over 20 different titles currently in production and a strong pipeline.

Tern is delivering well on its brief to be a first-choice factual producer for UK nations and regions public service broadcasting (PSB) commissioning. It secured a large Channel 4 commission *Bones*, which combines forensic science and history, made by Tern Belfast, and series two of *Emergency Helicopter Medics* for More4, as well as numerous single commissions.

The Group is working hard to deliver additional value to clients through its nations and regions footprint, and this was particularly evident through the success of the co-production of *Critical Incident* with Reef TV in London. This programme for the BBC was pitched by the Reef team in London and made by the Tern team in Belfast.

Other programme highlights from the past year include the *From Hell* strand for Channel 4 which comes from Tern Belfast and includes *Holidays from Hell* and *Roads from Hell. Great British Road Journeys* for Channel 4 reunited the stars of *All Creatures Great and Small*, Christopher Timothy and Peter Davison, and was recently Channel 4's biggest weekend ratings show.

Tern is well placed to benefit from planned group-wide investments in new production workflows which will further strengthen its already strong margins.

Blakeway North – Popular Factual

Blakeway North, the Group's regional indie based in Manchester, is also capitalising on the trend for UK PSB's to produce from the regions and is investing in new talent at the executive producer level in order to win more commissions. Blakeway North has continued to exploit a variety of markets, from Children's Television at the BBC to factual entertainment on Channel 5. It has also picked up non-TV revenues from enterprises including The Tate, Liverpool. Most recently it won a series from another new digital client, BBC Learning.

Series 4 of *Bargain Loving Brits* for Channel 5 delivered consistently high audiences and there is optimism it will be recommissioned. Blakeway North also picked up some high-profile awards for its work, including The Japan Prize 2018, an International Emmy Nomination 2018 for *Nikki Lilly* and Best Independent Production Company 2018 in the Prolific North Awards.

Blakeway London & Bristol – Specialist Factual

This unit has continued to grow revenue with a particular focus on natural history, history and archaeology. To capitalise on MoL commissioning and to attract the highly specialised talent required, we have opened a regional office in Bristol. The Bristol team is already in production on several series.

This business won its first commission from the international SVoD market this year with a commission from Love Nature. In a co-production with ARTE, a 4-part series, *The Farm* is being produced for international distribution. This is also being produced by the Bristol office.

Other highlights from Blakeway's specialist factual unit include a 4-part series for Channel 4, *History of Britain*, and National Geographic's five-part series '*Lost Cities'* with Albert Lin.

Brook Lapping – Factual & Current Affairs

Norma Percy's 3-part Europe series *Inside Europe: 10 years of turmoil* for BBC 2 received great critical acclaim and was one of a number of highly impactful programmes made by Brook Lapping. This was followed by *Brexit Behind the Scenes*, a two-part series for the BBC, ZDF, ARTE and NRK which had screenings at the European Commission in Brussels and at Chatham House in London. In keeping with its reputation for making some of the world's most impactful television, *Stolen Daughters: Kidnapped by Boko Haram* for HBO was a 75-minute documentary telling the story of the kidnap by the violent insurgent group of 276 Nigerian schoolgirls in 2014.

This business delivered other important documentaries which have attracted multiple international co-production partners. '*Gaddafi's Missing Millions*' for BBC, VPRO and ARTE and, *Blasphemy* for BBC, ARTE and Scandinavian broadcasters were all part of an impressive run of programmes from the last financial year.

Reef – Popular Factual & Formats

The London based popular factual business Reef underwent significant restructuring in 2018/19 in an effort to offset considerable losses in the year. This unit was heavily dependent on a particular genre of daytime television and on a single customer. When Channel 4 underwent new management, Reef lost many of its long-running series and had to develop new genres and customer relationships. There are signs the business is turning a corner as we enter the new financial year with two series re-commissions, *Police Code Zero* for Channel 5 and *Critical Incident* for BBC Daytime in a co-production with Tern in Belfast. There is further opportunity to build business through co-productions with other parts of the group who have offices in the nations and regions.

Zinc Communicate – Communications Content

Zinc Communicate experienced challenges this past year as spending on CSR (corporate social responsibility) was delayed while companies assess the uncertain economic climate. Zinc Communicate hopes to offset some of the downturn by putting a renewed focus on content with direct 'social purpose'; creating content that communicates the client's business, vision and social values to all its stakeholders.

The Children's Traffic Club (CTC) exemplifies this and was Zinc Communicate's largest contract, managed on behalf of TfL (Transport for London), solely focussing on delivering a road safety education programme for under 5's. This recently received a Prince Michael Road Safety Award in recognition of CTC's contribution toward TfL's Vision Zero, linked to the promotion of active travel and improvement in air quality. Due to budget constraints TfL did not renew this contract and it terminated at the end of the 2018/19 financial year. This will have a significant negative impact on the commercial performance of Zinc Communicate in 2019/20.

Ten Alps Communications – Publishing

The business traded profitably in 2018/19 but faces a difficult year ahead as its largest client is forced to transition its business model away from a commercial relationship which has lasted for over a decade. Post Grenfell, the LABC (Local Authority Building Control) is unable to operate with commercial partners in the way it has done for many years, and as a result is unable to renew its contract with Ten Alps Communications. The business therefore faces a year of transition as it repositions into new markets, with new product offerings. The other main contract in this division is also up for tender in the coming year.

Financial Review

Income statement

Revenue from operations for the year was £24.63m (2018: £21.68m) and gross profit was £6.91m (2018: £6.63m). Revenue has increased as a result of Tern Television's strong performance and its inclusion in the Group's accounts for a full year in 2018/19, having been acquired in November 2017. This has been partially offset by a £2.9m reduction in Reef's revenue as many of its long-running Channel 4 series came to an end, and a £0.4m reduction in Zinc Communicate's revenue.

Total gross margin decreased during the year from 31 per cent to 28 per cent, with operating expenses representing 28 per cent of revenues, remaining flat compared with FY18. The decrease in gross margin was a consequence of lower margin additional television production revenues, due to outsourcing some post production and production management services as in-house resources were at capacity. The Group has already begun to invest in and expand its in-house post production capability and capacity and increase its production management resource, which is expected to continue throughout 2019/20 with the expectation that this will deliver improvements in gross margins in the future.

Adjusted EBITDA (being earnings before interest, tax, depreciation, amortisation, share based payment charge and exceptional items) was £0.13m (2018: £0.49m), representing the third consecutive year of a return to underlying profit after several years of losses.

The operating loss increased to £2.53m (2018: £1.56m) due to significant exceptional items. These include an impairment of £0.99m in the carrying value of goodwill in the Communications division (2018: £1.19m impairment in Reef), a decision taken by the Board against a backdrop of the loss of the Transport for London contract which resulted in a restructure of the division. The Board is optimistic that Zinc Communicate will return to profitability in the medium term but given the need to reposition the business substantially it has taken the decision to write down the carrying value of goodwill to zero. Reorganisation and restructuring costs of £0.31m (2018: £0.19m) were incurred in the year as a result of restructures across all the businesses.

Within exceptional items there is a £0.14m charge relating to the change in fair value of contingent consideration payable on the acquisition of Tern Television (2018: £0.7m credit in relation to Reef). The charge relates to the over achievement that the Board considers likely in respect of the three year earnout consideration due to the former Tern Television shareholders. Exceptional items also include earnout consideration due to the former Tern Television shareholders who remained as senior management which has been treated as remuneration of £0.29m (2018: £0.49m). This treatment of earnout consideration is explained in Note 3.

The Board does not recommend the payment of a dividend for FY19 (2018: £nil).

Earnings per share

Basic and diluted loss per share from continuing operations in the year was 0.20p (2018: loss per share of 0.17p). These measures were calculated on the losses for the year attributable to Zinc Media Group shareholders of £2.74m (2018: loss of £1.86m) divided by the weighted average number of shares in issue during the year being 1,399,591,089 (2018: 1,086,267,290).

Statement of Financial Position

Assets

The Group's non-current assets comprise goodwill and intangibles of £5.44m (2018: £7.13m). The decrease reflects the impairment of the carrying value of goodwill relating to Zinc Communicate of £0.99m and amortisation of intangibles of £0.71m during the year. Non-current assets comprise property and plant and equipment of £0.37m (2018: £0.36m), which has remained flat compared to the prior year.

Inventories have decreased to £0.24m (2018: £0.33m), reflecting the net IFRS 15 adjustments through work-in-progress in the Television division and movement in inventories in Zinc Communicate. Trade and other receivables have increased by £1.64m to £6.86m (2018: £5.22m), due to an increase in Television trade debtors and accrued income in respect of two specific productions for Channel 4 and ITV.

The Group had a cash balance of £3.21m as at 30 June 2019 (2018: £3.55m). The reduction of £0.34m reflects the cash outflows from operating activities, payment of deferred consideration to former Tern Television shareholders, tax and capital purchases of £1.12m being partially offset by a working capital improvement of £0.78m.

Equity and Liabilities

Total shareholders' equity at the year end was £2.66m (2018: £5.38m). Retained losses have risen by £2.93m to £35.71m, reflecting the £2.74m loss for the period plus an opening balance adjustment relating to the change in IFRS 15 accounting policy on revenue recognition of £0.19m (see note 1.4).

In November 2018, the Company converted £0.1m of preference shares into ordinary shares. This conversion is explained in Note 8.

Current liabilities consisting of trade and other creditors have increased to £8.98m (2018: £7.08m). This reflects a high level of production activity at the year end for which there were a high level of accrued costs, particularly on two multi-million pound productions for National Geographic, and an increase in deferred revenue relating to a Tern Television production for Channel 4 for which a significant amount was billed pre year-end prior to production commencing. Current liabilities include £0.50m which is the second year earnout consideration payable to the former Tern Television shareholders, which is payable shortly.

Long term liabilities consist of the Company's long term debt obligations and potential earnout payments to the former Tern Television shareholders. The Group had an outstanding balance on long term debt of £3.74m at the year end (2018: £3.55m), held by two of the Company's shareholders and with no financial covenants relating to the debt. The repayment date on all the Company's long-term debt obligations is a bullet repayment on 31 December 2020.

Cash Flows

The Group generated cash of £0.53m (2018: £2.35m outflow) in its operations during the year due to a decrease in working capital offsetting a cash outflow of £0.21m. The net movement in the year was a decrease in cash of £0.32m (2018: increase of £0.57m) after other cash outflows, mainly comprising the payment of the second year earn-out to the Tern Television shareholders of £0.56m and equipment purchases of £0.19m.

Comparative information

The Group has adopted IFRS 15 "Revenue from contracts with customers" for the first time in the results for the year ended 30 June 2019. As a result, the Group has changed its accounting policy for revenue recognition as detailed in note 1.4. The cumulative effect of initially applying IFRS 15 is recognised as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Consolidated income statement

Zinc Media Group plc consolidated statement of comprehensive income
For the year ended 30 June 2019

	Notes	**2019 (unaudited) £'000**	2018 (audited) £'000
Continuing operations			
Revenue	2	**24,633**	21,683
Cost of sales		**(17,725)**	(15,055)
Gross Profit		**6,908**	6,628
Operating expenses		**(6,781)**	(6,137)
Adjusted EBITDA		**127**	491
Depreciation and amortisation		**(889)**	(711)
Share based payment charge		**(27)**	(74)
Exceptional items	3	**(1,744)**	(1,264)
Operating loss		**(2,533)**	(1,558)
Finance costs		**(327)**	(253)
Finance income		**1**	-
Loss before tax		**(2,859)**	(1,811)
Taxation		**127**	(44)
Loss for the year		**(2,732)**	(1,855)
Continuing operations attributable to:			
Equity holders		**(2,740)**	(1,855)
Non-controlling interest		**8**	-
Loss for the year		**(2,732)**	(1,855)
Earnings per share from continuing operations	5	**(0.20)p**	(0.17)p
Basic		**(0.20)p**	(0.17)p
Diluted		**(0.20)p**	(0.17)p

Consolidated statement of comprehensive income

Zinc Media Group plc consolidated statement of comprehensive income
For the year ended 30 June 2019

	2019 (unaudited) £'000	2018 (audited) £'000
Loss for the year and total comprehensive income for the year	**(2,732)**	(1,855)
Attributable to:		
Equity holders	**(2,740)**	(1,855)
Non-controlling interest	**8**	-
	(2,732)	(1,855)

Consolidated statement of financial position

Zinc Media Group plc consolidated statement of financial position
As at 30 June 2019

	Note	**30 June 2019 (unaudited) £'000**	30 June 2018 (audited) £'000
Assets			
Non-current			
Goodwill and intangibles	6	**5,436**	7,132
Property, plant and equipment		**369**	355
		5,805	7,487
Current assets			
Inventories		**236**	333
Trade and other receivables	7	**6,858**	5,224
Cash and cash equivalents		**3,213**	3,545
		10,307	9,102
Total assets		**16,112**	16,589
Equity			
Shareholders' equity			
Called up share capital	10	**5,928**	5,928
Share premium account		**30,696**	30,414
Share based payment reserve		**133**	106
Merger reserve		**777**	777
Preference shares		**839**	934
Retained earnings		**(35,714)**	(32,781)
Total equity attributable to equity holders of the parent		**2,659**	5,378
Non-controlling interests		**8**	-
Total equity		**2,667**	5,378
Liabilities			
Non-current	9		
Borrowings		**3,743**	3,548
Contingent consideration		**595**	583
Deferred tax		**128**	300
		4,466	4,431
Current			
Trade and other payables	8	**8,423**	5,929
Contingent consideration		**500**	750
Current tax liabilities		**4**	45
Secured finance leases		**52**	56
		8,979	6,780
Total equity and liabilities		**16,112**	16,589

Consolidated statement of cash flows

Zinc Media Group plc consolidated statement of cash flows
For the year ended 30 June 2019

	Note	**2019 (unaudited) £'000**	2018 (audited) £'000
Cash flows from operating activities			
Loss for the year before tax		**(2,859)**	(1,811)
Adjustments for:			
Depreciation		**178**	138
Amortisation and impairment of intangibles		**1,696**	1,763
Finance costs		**327**	253
Finance income		**(1)**	-
Share based payment charge		**27**	74
Loss / (gain) on remeasurement of deferred contingent consideration		**138**	(700)
Contingent consideration recognised as remuneration		**286**	487
Gain on disposal of assets		**-**	(6)
		(208)	198
Decrease / (increase) in inventories		**97**	(125)
Increase in trade and other receivables		**(1,634)**	(1,100)
Increase / (decrease) in trade and other payables		**2,275**	(1,327)
Cash generated from / (used) in operations		**530**	(2,354)
Finance costs		**(4)**	(3)
Finance income		**1**	-
Tax paid		**(87)**	(4)
Net cash flows used in operating activities		**440**	(2,361)
Investing activities			
Acquisition of subsidiary undertakings, net of cash and overdrafts		**-**	86
Payment of contingent consideration		**(563)**	-
Purchase of property, plant and equipment		**(192)**	(65)
Proceeds of sale of property, plant and equipment		**-**	6
Purchase of intangible assets		**-**	(122)
Net cash flows used in investing activities		**(755)**	(95)
Financing activities			
Issue of ordinary share capital and preference shares		**-**	3,066
Capital element of finance lease payments		**(4)**	(23)
Net cash flows from financing activities		**(4)**	3,043
Net (decrease) / increase in cash and cash equivalents		**(319)**	587
Translation differences		**(13)**	(15)
Cash and cash equivalents at beginning of year		**3,545**	2,973
Cash and cash equivalents at the end of the year		**3,213**	3,545

Consolidated statement of changes in equity

Zinc Media Group plc consolidated statement of changes in equity

For the year ended 30 June 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 at 1 July 2017	**5,926**	**25,013**	**47**	**27**	**2,909**	**(30,926)**	**2,996**	**-**	**2,996**
Loss and total comprehensive income for the year	-	-	-	-		(1,855)	(1,855)		(1,855)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1,855)**	**(1,855)**	**-**	**(1,855)**
Equity-settled share-based payments	-	-	74	-	-	-	74	-	74
Issue of shares on acquisition	-	-	-	750	-	-	750	-	750
Conversion of preference shares	1	2,277	-	-	(1,975)	-	303	-	303
Deferred tax on share options	-	-	(15)	-	-	-	(15)	-	(15)
Shares issued	1	3,506	-	-	-	-	3,507	-	3,507
Expenses of issue of shares	-	(382)	-	-	-	-	(382)	-	(382)
Total transactions with owners of the Company	**2**	**5,401**	**59**	**750**	**(1,975)**	**(1,855)**	**2,382**	**-**	**2,382**
Balance at 30 June 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**	**-**	**5,378**
Balance at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**	**-**	**5,378**
Change in accounting policies in respect of IFRS 15	**-**	**-**	**-**	**-**	**-**	(193)	**(193)**	**-**	(193)
Restated balance as at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,974)**	**5,185**	**-**	**5,185**
Loss and total comprehensive income for the year	-	-	-	-		(2,740)	(2,740)	8	(2,732)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,740)**	**(2,740)**	**8**	**(2,732)**
Equity-settled share-based payments	-	-	27	-	-	-	27	-	27
Issue of shares on acquisition	-	187	-	-	-	-	187	-	187
Conversion of preference shares	-	95	-	-	(95)	-	-	-	-
Total transactions with owners of the Company	**-**	**282**	**27**	**-**	**(95)**	**(2,740)**	**(2,526)**	**8**	**(2,518)**
Balance at 30 June 2019	**5,928**	**30,696**	**133**	**777**	**839**	**(35,714)**	**2,659**	**8**	**2,667**

Notes to the preliminary financial statements
For the year ended 30 June 2019

1) ACCOUNTING POLICIES

1.1) General Information

Zinc Media Group plc and its subsidiaries (the Group) is a multi-media Group which produces high quality TV together with communications and publishing content.

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

1.2) Basis of Preparation

The annual 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 under the historical cost convention.

The preliminary consolidated financial information for the year ended 30 June 2019 does not constitute the company's statutory accounts as defined in Section 434 of the Companies Act 2006.The preliminary financial information for the year ended 30 June 2019 has been prepared in accordance with the accounting policies adopted in the preparation of the Group's annual financial statements but does not contain all the information required to be disclosed in the financial statements prepared in accordance with IFRS. The Group's full financial accounts for the year ended 30 June 2019 are in the process of being audited.

Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditors have reported on the Group statutory accounts for the year ended 30 June 2018; their report was (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.

1.3) Going Concern

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.

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

The Group had an outstanding balance on long term debt of £3.74m at the year end, held by two of the Company's major shareholders. The current repayment date is a bullet repayment on 31 December 2020. The Directors' are confident the Group will receive continued support from the loan providers.

In light of the forecasts, the expectation of support from the loan providers, along with mitigating measures available to be used if needed, the Directors believe that the going concern basis upon which the financial

statements have been prepared is reasonable. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.4) Changes in accounting policies

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 “Revenue from Contracts with Customers” and the related “Clarifications to IFRS 15 Revenue from Contracts with Customers” (hereinafter referred to as “IFRS 15”) replaced IAS 18 “Revenue”, IAS 11 “Construction Contracts” and several revenue-related Interpretations.

IFRS 15 is effective from 1 January 2018 and the Group adopted IFRS 15 for the first time in its full year results for the year ended 30 June 2019. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

In accordance with IFRS 15, the amount which is expected to be received from customers as consideration for the transfer of goods and services to the customer is to be recognised as revenue. In determining the point of time or over-time criteria, it is no longer a question of the transfer of risks and rewards but of the transfer of control over the goods and services to the customer.

Revenue is derived from television production, television distribution, publishing and communications production and design. Adoption of IFRS15 has not resulted in any changes to timing or measurement of revenue except in regard to television distribution advances.

When the Group has recognised revenue, but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. A contract liability is recognised when the consideration is received in advance of the satisfaction of the Group’s performance obligations.

TV – production revenue

Production revenue from contracts with broadcasters comprises work carried out to produce and deliver television programmes and broadcaster licence fees. Under IFRS 15 these are combined performance obligations because the production and licence are indistinct, and the licence is not the primary or dominant component of the combined performance obligation. The Group considers the combined performance obligation to be satisfied over time as it does not create an asset with an alternative use at contract inception and the Group has an enforceable right to payment for performance completed to date.

The Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation, in line with transferring control of goods or services promised to a customer. The Group transfers control of the programme over time, and costs are incurred in line with performance completed. The percentage of completion is calculated as the ratio of the contract costs incurred up until the end of the period to the total estimated programme cost.

TV – distribution revenue

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

Advances are fixed sums receivable at the beginning of exploitation that are not dependent on the sales performance of the programme. They are no longer recognised when contracted, but are recognised when all the following criteria have been met:

i) an agreement has been executed by both parties; and
ii) the programme has been delivered; and

iii) the licence period has begun.

Royalty revenue is dependent on the sales performance of the programme and will continue to be recognised when receivable.

Publishing

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

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

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

Communications

Communications revenue mainly comprises production and design. The Group considers the performance obligation of each contract to be satisfied over time as it does not create an asset with an alternative use at contract inception and the Group has an enforceable right to payment for performance completed to date. Recognition of revenue will continue to be by reference to stage of completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Impact on reported numbers

The Group has opted for the modified retrospective method, which means the cumulative effect of initially applying IFRS 15 is recognised as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Applying IFRS 15 has the following impact on shareholders' equity as at 1 July 2018:

Statement of financial position as at 1 July 2018

	IFRS 15 30 Jun 2018	**Application of IFRS 15**	**IAS 18 1 Jul 2018**
	£'000	**£'000**	**£'000**
Inventories	333	132	465
Trade and other receivables	5,224	-	5,224
Other assets	11,032	-	11,032
Total assets	**16,589**	**132**	**16,721**
Deferred income	388	325	713
Other liabilities	10,823	-	10,823
Total liabilities	**11,211**	**325**	**11,536**
Retained earnings	(32,781)	(193)	(32,974)
Other equity	38,159	-	38,159
Total equity	**5,378**	**(193)**	**5,185**
Total liabilities and equity	**16,589**	**132**	**16,721**

In the initial year of application, the Group presents revenue both as reported (applying IFRS 15) and adjusted (applying IAS 18 and IAS 11). The following tables summarize the impact of adopting IFRS 15 on the Group's consolidated financial statements for the period ending 30 June 2019.

Income statement

	IFRS 15 Year to 30 Jun 2019 £'000	IAS 18 Year to 30 Jun 2019 £'000	Adjustment £'000
Revenue	24,633	24,413	**220**
Cost of sales	(17,725)	(17,647)	**(78)**
Gross profit	6,908	6,766	**142**
Operating expenses	(6,781)	(6,781)	-
Adjusted EBITDA	**127**	**(15)**	**142**
Depreciation & amortisation	(889)	(889)	-
Share based payment charge	(27)	(27)	-
Exceptional items	(1,744)	(1,744)	-
Finance costs	(327)	(327)	-
Finance income	1	1	-
Tax	127	127	-
Loss for the period	**(2,732)**	**(2,874)**	**142**

Statement of financial position as at 30 June 2019

	IFRS 15 30 Jun 2019 £'000	IAS 18 30 Jun 2019 £'000	Adjustment £'000
Inventories	236	314	(78)
Other assets	15,876	15,876	-
Total assets	**16,112**	**16,190**	**(78)**
Deferred income	1,810	2,030	(220)
Other liabilities	11,635	11,635	-
Total liabilities	**13,445**	**13,665**	**(220)**
Retained earnings	(35,714)	(35,856)	142
Other equity & non-controlling interest	38,381	38,381	-
Total equity	**2,667**	**2,525**	**142**
Total liabilities and equity	**16,112**	**16,190**	**(78)**

2) SEGMENTAL INFORMATION

Management currently identifies the Group's three service lines as three operating segments: TV, Publishing and Communications. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Items included under 'Central and plc' relate mainly to Group activities based in the UK.

	TV		Publishing		Communications		Central and plc		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Continuing Operations	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**21,230**	17,598	**1,858**	2,132	**1,463**	1,864	**82**	89	**24,633**	21,683
Adjusted EBITDA	**394**	26	**177**	298	**(48)**	227	**(396)**	(60)	**127**	491
Depreciation	**(150)**	(120)	**(12)**	(13)	**(4)**	(4)	**(12)**	(1)	**(178)**	(138)
Amortisation	**(711)**	(573)	**-**	-	**-**	-	**-**	-	**(711)**	(573)
Share based payment charge	**-**	-	**-**	-	**-**	-	**(27)**	(74)	**(27)**	(74)
Exceptional items	**(236)**	(1,362)	**(36)**	(13)	**(1,250)**	(72)	**(222)**	183	**(1,744)**	(1,264)
Operating (loss) / profit	**(703)**	(2,029)	**129**	272	**(1,302)**	151	**(657)**	48	**(2,533)**	(1,558)
Segment Assets	**13,770**	12,343	**1,336**	1,275	**543**	1,765	**463**	1,206	**16,112**	16,589
Segment Liabilities	**(7,063)**	(4,421)	**(706)**	(647)	**(92)**	(226)	**(5,584)**	(5,917)	**(13,445)**	(11,211)
Other Segment Items:										
Expenditure on intangible assets	-	2,864	-	-	-	122	-	-	**-**	2,986
Expenditure on tangible assets	**147**	53	**-**	2	**-**	8	**45**	2	**192**	65

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 £19.67m (2018: £20.30m), and the total revenue from external customers in other countries was £4.97m (2018: £1.38m) highlighting our growth this year in international markets.

3) 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 year, to facilitate comparison with prior years and to assess better the trends of financial performance.

	2019	2018
	£'000	£'000
Impairment of carrying value of goodwill in respect of Reef Television	**-**	(1,190)
Impairment of carrying value of goodwill in respect of Zinc Communicate	**(985)**	-
Change in fair value of contingent consideration in respect of Reef Television	**-**	700
Change in fair value of contingent consideration in respect of Tern Television	**(138)**	-
Reorganisation and restructuring costs	**(313)**	(190)
Earnout consideration treated as remuneration	**(286)**	(487)
Other exceptional items	**(22)**	(97)
Total	**(1,744)**	(1,264)

Reorganisation and restructuring costs

Zinc Communicate was restructured towards the end of the financial year due to its contract with Transport for London not being renewed. The Publishing and Television divisions were reorganised during the year to streamline their management structures. The non-recurring element of the costs has been presented as exceptional to enable a more refined evaluation of financial performance.

Zinc Communicate impairment

Following Zinc Communicate's disappointing trading and restructure of the business, the Board undertook a detailed impairment review and, despite being optimistic that Zinc Communicate will return to profitability, they have taken a view that the substantial repositioning of the business necessitates a write off to £nil of the carrying value of the goodwill pertaining to Zinc Communicate.

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

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

The minimum earnout targets are likely to be exceeded, resulting in a potential overachievement amount to be paid of £0.27m, of which £0.14m has been booked as a change in fair value of contingent consideration in the year ended 30 June 2019 and £0.13m is recognised as remuneration. Of the £0.13m recognised as remuneration, £0.08m has been expensed to the income statement in the year ended 30 June 2019 and £0.05m will be recognised in the year ending 30 June 2020.

A total of £0.29m has been expensed to the income statement in the second year of acquisition in relation to earn out consideration linked to remuneration. As this is a non-operational expense item, it has been presented as exceptional for the purposes of an accurate evaluation of financial performance for the year.

4) TERN TELEVISION DEFERRED CONSIDERATION AND PREFERENCE SHARE CONVERSION

Issue of Consideration Shares

Following a strong trading performance by Tern Television in the period since acquisition in November 2017, the first-year earnings target was achieved. The first year earnout payment of £0.75m, payable to the vendors of Tern Television, was satisfied partially in cash and partially in new Zinc Media Group shares. £0.56m was paid in cash and £0.19m was settled through the issue of 39,473,685 new ordinary shares at a price of 0.475p per share.

Preference share conversion

In November 2018, the Company converted £0.95m of preference shares into 20,053,469 new ordinary shares at 0.475p.

5) EARNINGS PER SHARE

Basic earnings per share (EPS) for the year equals the loss after tax from continuing operations attributable to the Company's ordinary shareholders of £2.74 million (2018: loss of £1.86 million) divided by the weighted average number of issued ordinary shares of 1,399,591,089 (2018: 1,086,267,290).

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.

	2019	2018
	Number of Shares	Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**1,399,591,089**	1,086,267,290
Potentially dilutive effect of share options	2,014,248	1,999,431
	£'000	£'000
Loss for the year from continuing operations attributable to shareholders	**(2,740)**	(1,855)
Continuing operations		
Basic loss per share	(0.20)p	(0.17)p
Diluted loss per share	(0.20)p	(0.17)p

6) INTANGIBLE ASSETS

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Multimedia Products & Websites £'000	Distribution Catalogue £'000	Total £'000
Cost						
At 1 July 2017	27,950	4,318	2,621	-	-	34,889
Additions	1,444	179	798	122	443	2,986
At 30 June 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**
Amortisation						
At 1 July 2017	(24,164)	(3,958)	(858)	-	-	(28,980)
Charge for the year	-	(88)	(426)	-	(59)	(573)
Impairment charge	(1,190)	-	-	-	-	(1,190)
At 30 June 2018	(25,354)	(4,046)	(1,284)	-	(59)	(30,743)
Charge for the year	-	(97)	(464)	(61)	(89)	(711)
Impairment charge	(985)	-	-	-	-	(985)
At 30 June 2019	**(26,339)**	**(4,143)**	**(1,748)**	**(61)**	**(148)**	**(32,439)**
Net Book Value						
At 30 June 2019	**3,055**	**354**	**1,671**	**61**	**295**	**5,436**
At 30 June 2018	4,040	451	2,135	122	384	7,132

Goodwill

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

Distribution Catalogue

The distribution catalogue intangible asset arose on the acquisition of Tern Television.

Brands and Customer Relationships

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

Multimedia Products and Websites

Multimedia products and websites relate to the development of applications and websites within the Communications Division, which will be amortised on the completion of the product.

Impairment Tests for Goodwill

The carrying amount of goodwill by cash generating unit ("CGU") is:

	2019 £'000	2018 £'000
TV CGU (TV operating segment)	**1,611**	1,611
Tern TV CGU (TV operating segment)	**1,444**	1,444
Communications	**-**	985
Total	**3,055**	4,040

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 cash generating units based on financial forecasts approved by management.

An impairment charge of £0.99m was made during the year in respect of the carrying value of goodwill relating to the Communications CGU.

7) TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	£'000
Current		
Trade receivables	**3,631**	2,508
Less provision for impairment	**(129)**	(102)
Net trade receivables	**3,502**	2,406
Other receivables	**136**	159
Prepayments	**891**	756
Accrued income	**2,329**	1,903
Total	**6,858**	5,224

8) TRADE AND OTHER PAYABLES

	2018	2017
	£'000	£'000
Current		
Trade payables	**1,997**	2,048
Other payables	**83**	95
Other taxes and social security	**1,010**	694
Accruals	**3,523**	2,704
Deferred income	**1,810**	388
Total	**8,423**	5,929

9) NON-CURRENT LIABILITIES

An analysis of the amounts presented as non-current liabilities in these financial statements is given below:

	2019	2018
	£'000	£'000
Borrowings	**3,743**	3,548
Contingent consideration	**595**	583
Deferred tax	**128**	300
Total	**4,466**	4,431

The borrowings are repayable on 31 December 2020. Other non-current liabilities relate to the deferred contingent consideration payable to the Tern Television former shareholders.

10) SHARE CAPITAL

	2019				2018			
	Number of Shares	**Share Capital**	**Share Premium**	**Merger Reserve**	Number of Shares	Share Capital	Share Premium	Merger Reserve
Ordinary shares		**£'000**	**£'000**	**£'000**		£'000	£'000	£'000
At start of year	**1,359,586,281**	**3.4**	**30,414**	**777**	619,775,478	1.5	25,013	27
Share placing and subscription for cash	**-**	**-**	**-**	**-**	389,603,280	0.97	3,505	-
Consideration paid in shares	**39,473,685**	**0.09**	**187**	**-**	93,750,000	0.23	-	750
Shares issued in lieu of fees	**-**	**-**	**-**	**-**	3,333,333	0.01	30	-
Expenses of issue of shares	**-**	**-**	**-**	**-**	-	-	(412)	-
Shares issued in preference share dividend conversion	**-**	**-**	**-**	**-**	33,708,222	0.08	304	-
Shares issued in preference share conversion	**20,053,469**	**0.05**	**95**	**-**	219,415,968	0.55	1,974	-
At end of year	**1,419,113,435**	**3.5**	**30,696**	**777**	1,359,586,281	3.4	30,414	777

In November 2018, the Company issued 39,473,685 new ordinary shares at 0.475p per share as part of the consideration for the acquisition of Tern Television, to the Tern Television selling shareholders. The difference between the nominal value of the shares issued and the issue price gives rise to a premium of £0.19m, which has been added to the share premium reserve.

In November 2018, the Company converted £0.95m of preference shares into 20,053,469 new ordinary shares at 0.475p. Herald Investment Trust plc and the John Booth Charitable Foundation, the holders of the Company's preference shares, converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that the combined current holding of ordinary shares of approximately 38 per cent of the issued ordinary share capital in the Company was maintained.

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

- Share capital represents the nominal value of shares issued;
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account;
- Merger reserve is used where more than 90 per cent of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006;
- Share based payment reserve arises on recognition of the share based payment charge in accordance with IFRS2 'Share Based Payment Transactions';
- Retained earnings include the realised gains and losses made by the Group; and
- Preference shares represents the value of preference shares issued.

11) AVAILABILITY OF REPORT AND ACCOUNTS

The Company's annual report and accounts for the year ended 30 June 2019 will be posted to those shareholders who still receive printed copies in due course and a soft copy will be available to download from the Company's website at www.zincmedia.com at the same time.