



2020

Annual report and financial statements
for the period ended 31 December 2020

Emergency Helicopter Medics for Channel 4

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Highlights for the year

Headlines

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

- H2 2020 revenues increased by 33% to £9.7m and adjusted EBITDA losses reduced by 40% to £0.5m compared to H1 2020
- Gross cash increased to £6.8m at 31 December 2020 (30 June 2019: £3.2m) and was £6.6m at 13 April 2021
- Net cash increased to £3.4m at 31 December 2020 (30 June 2019: Net debt of £0.5m) with net cash at 13 April 2021 of £3.2m
- The Group has booked £12.2m of revenue which is forecast to deliver in 2021, an increase of £2.9m since January. This includes a significant commission from a new customer, commissioned from new label Supercollider
- TV gross margins have increased by almost 5% to 29.6% in the 18 months to December 2020. They are currently tracking at 6% higher than FY 19 which equates to a £0.8m improvement in profitability based on FY 19 pre-Covid-19 revenues
- The Group has a healthy pipeline of new business totalling £39m for 2021 and £21m for 2022. For 2021 £6m is highly advanced, £17m in engaged conversation, and £16m in early discussion
- All elements of the transformation plan laid out in September 2019 have now been activated
- With all critical elements of the transformation plan activated, the Group is now confident it can be profitable and cash generative when revenues recover to pre-Covid levels
- The Group has closed or significantly restructured two loss-making businesses, the Zinc Communicate CSR (Corporate Social Responsibility) division and the Manchester based TV business Blakeway North, which in total accounted for £0.5m or 40% of the total Adjusted EBITDA losses in the 18 month reporting period. The CSR business, which has been closed, accounted for £0.4m of this.
- To help mitigate the impact of Covid-19 the Group immediately implemented a short-term cost reduction plan. Between April and June 2020 £0.7m of savings were generated from a combination of furloughing staff, staff being on reduced hours, non-executive Directors taking no pay and senior management, including the CEO and CFO, taking pay cuts of up to 40%. As a result of these savings the Covid-driven Adjusted EBITDA loss in the 18 month period was almost halved.
- The Group has made significant structural changes to promote the long-term financial stability of the business. Between February and November 2020, the Company completed a balance sheet restructure that included:
 - o £7.5m of new capital raised;
 - o Conversion of all preference shares to ordinary shares;
 - o Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022;
 - o A share consolidation at a ratio of 500:1; and
 - o A court approved reduction of part of its share capital and share premium account and merger reserve which has resulted in the Group having positive distributable reserves at 31 December 2020.
- The move to new headquarters in March 2020 aided cashflow due to the initial rent free period.

Financial Headlines

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

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

- For the 18 months to December 2020 the Group generated revenue of £30.6m (FY 19: £23.2m) and a loss of £0.8m at Adjusted EBITDA* level (FY 19: profit of £0.2m) from continuing operations.

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

Operational Headlines

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

Chairman's Statement

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

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

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

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

Christopher Satterthwaite
Chairman, Zinc Media Group plc

22 April 2021

Strategic Report

The Directors of the Company and its subsidiary undertakings (which together comprise “the Group”) present their Strategic Report for the period ended 31 December 2020.

CEO's Report

Strategy and Outlook

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

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

1. Improvement in London and Manchester TV gross margins

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

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

2. Revenue Growth and Diversification

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

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

3. Cultural and Creative Renewal

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

Significant changes include:

- a) The creation of one single, collaborative television team in London and Manchester, operating under one Managing Director, where previously there were four.
- b) The creation of a single, collaborative Zinc Communicate division, operating under one Managing Director, where previously there were two.
- c) The creation of a single unified workflow for creative development, financial reporting and forecasting.
- d) The closure or significant restructuring of two previously loss-making businesses which accounted for £0.5m or 40% of the Group's total Adjusted EBITDA losses in the 18 months to December 2020. The CSR business, which has been closed, accounted for £0.4m of this.
- e) The implementation of a performance management regime that rewards profitability and margin management.

4. Investment in operational excellence

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

- a) Investment of £0.5m in post-production facilities, enabling audio finishing and 4k production along with improved gross TV margins
- b) The relocation of the London businesses into a new creative HQ, saving the Group £0.1m per annum
- c) Investment in HR to drive continual improvements in performance, retain high performing talent, and deliver the required change management programme; this was a very timely investment given the hugely complex and demanding challenges associated with Covid-19

CEO's Report (continued)

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

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

Five strategic priorities for 2021

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

1. Revenue growth and diversification

Rebuilding revenues to pre-Covid-19 levels is now the Group's primary priority. Much of this will be market dependent. The third lockdown at the start of 2021 has further delayed existing production and the speed of new commissions but this is expected to strengthen in H2 2021. To maximise the probability of revenue recovery, and in anticipation of accelerated opportunity towards the end of 2021 and into 2022, the Group will continue to pursue new business winning hires as opportunities arise in the year ahead.

2. Gross margin growth

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

3. Cash generation and cash management

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

4. Performance culture

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

5. Shareholder engagement and communication

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

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

Market and Outlook

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

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

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

A simpler and better structured Group

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

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

- **Public Service Broadcasters (PSBs):** These channels are publicly funded as in the case of the BBC in the UK, or commercial PSBs which are predominantly funded by advertisers, as in the case of ITV, Channel 4 and Channel 5. The majority of original commissioned hours come from this market.
- **Multi-channel networks:** These channels sit on a variety of platforms including satellite and cable networks and are often owned and managed by large international broadcasters. These channels include those owned by large global media owners including Sky, Comcast and Viacom, and includes channels such as Sky One, Smithsonian, Discovery and A+E. These channels increasingly commission original content from the production sector.

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

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

- **Brand and advertiser funded content:** Channel 4 and Sky are both examples of channels which commission content for television from the production sector in partnership with brands and advertisers, but many more clients commission content for distribution via digital and social channels or for their own platforms.
- **Corporate video:** This is video content for use by business and industry to promote products and services through business to business distribution or to engage the end consumer.
- **Digital publishing:** Brands, businesses, public bodies and institutions commission production services for digital and print solutions.

Demand for new content

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

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

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

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

Factual television remains a growing market for channels. UK PSBs are facing increasing competition from the multi-channel networks and SVoDs, while at the same time seeing their advertising revenues decline. Factual television provides them with high rating programmes with which to compete, but which are cheaper to commission than large scale dramas or sport. SVoDs and multi-channels are increasingly looking to invest in original content to differentiate in a crowded market and factual television provides them with a more cost-effective way of doing this alongside expensive original dramas or sports rights.

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

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

Divisional performance in the 18 months ending December 2020

London & Manchester Television

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

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

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

CEO's Report (continued)

Brook Lapping – Current Affairs and Investigations

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

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

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

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

Blakeway – Specialist Factual Television

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

Strong relationships with UK terrestrial broadcasters have continued to bear fruit with programmes like *The Sound of Music TV with Neil Brand* transmitting on the BBC to both critical acclaim ("exactly what television should be" – Grayson Perry) and high ratings. A second series of *Tony Robinson's History of Britain* was produced in 2020 for transmission in 2021, and *Barenboim in his Own Words* was produced for the BBC.

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

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

Films of Record – Access and Observational Documentaries

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

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

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

Red Sauce – Popular Factual

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

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

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

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

Tern – Nations factual television, from Scotland and Northern Ireland

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

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

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

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

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

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

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

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

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

Zinc Communicate – Branded Content

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

Zinc Communicate – Video Marketing

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

Zinc Communicate – Publishing

This business formerly reported as Ten Alps Communications and traded profitably in the year 2018/19. At the end of 2019 the division faced the possibility of closure as its largest partnership with the LABC terminated, and its second largest contract with the RIBA was put out to tender. The Group won the RIBA tender on a new multi-year contract and developed its own product and commercial proposition to replace the LABC partnership.

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

Mark Browning

Chief Executive Officer, Zinc Media Group plc

CFO's Report

Income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings per share

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

Statement of Financial Position

Assets

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

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

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

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

Equity and Liabilities

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

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

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

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

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

Cash Flows

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

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

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

Post Balance Sheet Events

There are no post balance sheet events to disclose.

Key Performance Indicators (KPIs)

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

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

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

Will Sawyer

Chief Financial Officer, Zinc Media Group plc

22 April 2021

Principal Risks and Uncertainties

Risk Matrix Overview

Sound risk management is an essential discipline for running the business efficiently and pursuing the Group's strategy successfully.

The Group operates in a highly competitive environment that is subject to constant and unpredictable changes in client demand and the advertising economy. To remain competitive, it must continue to invest in and adapt its businesses.

Risk is reduced by creating and maintaining a balanced portfolio of products which evolves to meet the needs of our clients. Investing internally in people and infrastructure while maintaining the highest quality in the media content produced will further mitigate these risks.

The Group maintains a risk register to evaluate and monitor the changing risk profile of the organisation. The register contains the risks as set out below, together with a quantitative

assessment of each risk to assess impact and probability. This calculates a risk rating which is combined with a control rating to reach a residual risk calculation.

The Audit & Risk Committee is comprised as set out in the Corporate Governance section on page 12 and meets to review and update the risk register for new and emerging risks, evaluate current risks by revisiting the inputs to reach the residual risk rating and assess the effectiveness of the risk management and control systems in place. Meetings typically include an update from the CEO or CFO on any new systems or process adopted to identify, mitigate or manage risks.

Zinc's approach is to minimise its exposure to reputational, health & safety and compliance risks, many of which relate to programme making, as well as IT security, whilst being more open to risks relating to the pursuit of increasing revenue and diversifying the Group's services and customer base.

Risk	Impact	Mitigation
<p>Cashflow and going concern risk</p> <p>The Group relies on several key customers, such as Channel 5, National Geographic and the BBC.</p> <p>The business plan produced by management assumes new and continuing revenue from such key customers.</p>	<p>There are several factors which could materially affect the Group's cashflows, particularly the underlying performance of the business, winning new commissions with the uncertainty surrounding Covid-19, and uncertainty regarding the timing of receipts from customers.</p> <p>The Group had an outstanding balance on long term debt of £3.4m at the year end, held by two of the Company's major shareholders. The current repayment date is a bullet repayment on 31 December 2022.</p>	<p>Since the beginning of 2020 the Board has done several things to reduce the going concern risk, including:</p> <ul style="list-style-type: none"> • Raising new equity funding of £7.5m (before costs) • Making significant structural changes to ensure the long-term financial stability of the business. Between February and September 2020, the Company completed a balance sheet restructure that included: <ul style="list-style-type: none"> • Conversion of all preference shares to ordinary shares • Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022 • A share consolidation at a ratio of 500:1 • A court approved reduction of part of its share capital, and share premium account and merger reserve, which has resulted in the Group having positive distributable reserves as at period end • Putting in place an overdraft facility of £0.6m • Delivering a programme of permanent cost reductions which will generate annualised savings of £0.7m per annum compared to pre-Covid-19 levels. This includes closure of the CSR business and restructure of Blakeway North, both of which have been loss making. <p>Management have prepared forecasts and scenarios under which cashflows may vary and believe there are sufficient mitigating actions that can be employed to enable the Group to operate within its current level of financing for the foreseeable future.</p> <p>The Board continually reviews cashflow forecasts to enable action to be taken if required. Cash is utilised across Group companies when required to ensure the most efficient use of the Group's cash resources.</p>

Risk	Impact	Mitigation
<p>Pandemic risk A pandemic similar to Covid-19 could occur again in the future.</p>	<p>The impact of a pandemic could be that, due to an economic downturn, television commissioning budgets are reduced. The production of content, particularly television programmes, could also be affected due to restrictions to access, movement of people and filming.</p>	<p>In addition to the stronger balance sheet already put in place (detailed above), the improved forecasting of cash, better visibility of potential issues via clear KPIs, and mitigating actions has put the Group in a stronger position to deal with another pandemic.</p> <p>Revenue is being diversified into new channels less impacted by a pandemic within TV and into brand-funded, unscripted film and audio content across television and digital platforms. In times of economic contraction brands and advertisers look to make their spend go further, and branded content, content marketing and advertiser funded programmes come to the fore.</p>
<p>Key customers and potential impact on Group cashflows The Group relies on several key customers, such as the BBC and National Geographic.</p> <p>The business plan produced by management assumes new and continuing revenue from such key customers.</p> <p>There is currently additional pressure on some broadcasters' budgets, particularly those reliant on advertising revenue, as a result of Covid-19.</p>	<p>If existing contracts were terminated, or new revenue streams failed to materialise, this could affect the projected growth of the Group.</p> <p>Furthermore, the Group's television production businesses are dependent on the BBC, Channel 4, ITV, Channel 5 and various international broadcasters as key clients and as such are vulnerable to BBC budget cuts, advertising pressure on commercial broadcasters and market trends.</p> <p>Given the significance of this concentration, the revenue profile of the Group and the nature of the projects, particularly in Zinc Television, mean that any delay in commissions, which may or may not be in the control of the Group, could have a material impact on the revenue, forecasting and cash flow.</p>	<p>We seek to mitigate this customer concentration risk by:</p> <ul style="list-style-type: none"> • establishing good relations with clients; and • enhancing our reputation and delivery to the end customer; and • adhering to all codes of conduct; and • ensuring the quality of our creative output <p>all with a view to winning repeat business.</p> <p>In addition, we actively strive to broaden our customer base where possible through building new relationships to minimise customer concentration risk and the impact on revenue and cash flows that a loss of a significant customer would have.</p>
<p>Ability to attract and retain employees The Group depends on its key management and qualified and experienced employees, especially in relation to its creative and development staff, to enable it to generate and retain business. The business is currently dependent on a relatively small, albeit expanding, number of new business winners.</p>	<p>Loss of key management and staff could inhibit the ability of the Group to win, secure and deliver revenue and profit contribution to the Group's performance with a resulting impact on cash generation.</p> <p>Should the Group be unable to attract the required calibre of new employees this could have a material adverse effect on the Group's ability to grow or maintain its business.</p>	<p>Key staff are incentivised through a mixture of sales commissions, profit related bonuses and participation in employee share incentive plans.</p> <p>Management have delivered on the first phase of a strategy plan which includes diversification of the business and reducing the reliance on a small number of new business winners, and this will continue into 2021. The plan includes returning the business to profitability which will help in attracting new employees.</p> <p>The Group is building a more collaborative culture with cross-divisional meetings and support functions. During the period the Group established a more proactive HR function and has supported staff during the pandemic with access to wellbeing resources and seminars.</p>

Principal Risks and Uncertainties (continued)

Risk	Impact	Mitigation
<p>Market and competition risk The Group operates in highly competitive markets which are rapidly evolving and adapting, due to factors such as consumer tastes, trends and technology advancements, and which may become more competitive.</p> <p>SVoD platforms have disrupted the traditional broadcast marked in recent years and taken increasing market share.</p> <p>A public service broadcasting review has been set up that will explore if current funding and governance models are fit for purpose.</p>	<p>If funding or governance models change for public service broadcasters, it could impact on the commissioning decisions and budgets available to spend with the Group.</p> <p>Key clients can change programming, strategy and advertising priorities at short notice, which could lead to volatility in revenues, or in the predictability thereof, for the Group.</p> <p>Competition in the marketplace can lead to unpredictable revenue streams and potential margin erosion should commissions be won.</p> <p>Furthermore, there is a risk that the UK TV market's terms of trade could change which could lead to independent production companies retaining less of the programme rights.</p>	<p>The Zinc Television sales teams maintain regular contact with their customers, ensuring that they are constantly apprised of emerging trends and issues within each broadcaster's organisation, enabling the TV division to reposition its service offering if required.</p> <p>In the same way the sector is sufficiently transparent that new market entrants and potential competitors are known about at an early stage, which does present a strong barrier to entry in the marketplace.</p> <p>The success of SVoD platforms in recent years has put pressure on PSB audiences and budgets, although it has also presented the Group with an opportunity to diversify its customer base and the Group has been building strong relationships with SVoD commissioners.</p> <p>The Group has launched a new branded content business which will create programmes and content for advertisers and brands and support the Group's traditional TV business with potential new revenue models. This diversification helps to mitigate against adverse changes in the traditional TV market.</p>
<p>Key relationships held by Group employees The Group operates in a people driven environment.</p> <p>We rely on the strong relationships that our key employees have established with clients.</p>	<p>The loss of one or more of these key business relationships may have a material adverse effect on the Group's revenues. Equally, the loss of key management or other key personnel who manage these relationships, particularly to competitors, and, consequently, the loss of these key relationships, could have adverse consequences for the Group.</p>	<p>We seek to mitigate this by continually fostering strong relationships with key clients, ensuring that client relationships are spread across client service teams where possible and by incentivising key relationship holders to retain them within the Group.</p>
<p>Geopolitical Brexit is the most prominent geopolitical risk. Scottish independence could also have an impact if it were to happen as the Group operates a material part of its TV operations from Scotland.</p>	<p>Brexit could affect funding of TV productions, some of which rely on EU money, albeit this is relatively small. Funding and licensing from European broadcasters isn't likely to be impacted as copyright and European Work regulations are largely not impacted. Brexit may impact on the ability to raise funding from investors in the future, due to the uncertainty negatively impacting the investment market. Brexit may also impact negatively on the wider economy and broadcaster budgets.</p> <p>If Scottish independence were to occur it could result in different laws or priorities in Scotland that impact on the broadcast and production sectors, for example resulting in lower broadcaster spend with independent production companies.</p>	<p>The TV division is highly experienced in co-production funding models and finding a variety of funding sources to make programmes viable. The TV division continues to foster strong relationships with international broadcasters which will help to plug any funding gaps if EU funding is no longer available.</p> <p>The Group will continue to monitor the political situation in Scotland.</p> <p>Zinc continues to receive strong support from its major shareholders and has completed two successful fundraises totalling £7.5m (before costs) in 2020. The Board's objective is to continue to have a broad investor base and mitigate the impact as far as is possible from any downturn in the investor market.</p>

Risk	Impact	Mitigation
<p>Reputational risk Zinc operates in a public environment and is exposed to media and investor interest, coupled with producing TV programmes which may be contentious and may have health and safety or safeguarding risks.</p>	<p>A failure to meet legal or publicly expected standards could result in severe reputational and brand impact.</p>	<p>Risk assessment procedures are followed for all programmes (see “Health & Safety and Safeguarding” below). Legal and compliance advice is taken if a programme is considered to be contentious.</p>
<p>Cyber security, data and business continuity With increasingly sophisticated technology and proliferation of cyber hacking tools, along with increased amounts of company data, the risk of a cyber-attack has increased across the world. There is a growing volume of software and hardware vulnerabilities being identified by technology providers in their own products.</p>	<p>A sustained cyber incident could result in system denial or loss of data.</p> <p>Legacy technology systems could restrict our ability to respond to business changes and maintain system security. Our system requirements change as we continue to rebalance the business and grow new revenue streams. The pace of technological change could outstrip our capacity to respond and migrate away from legacy systems.</p> <p>The impact of non-compliance with GDPR could be financial penalties and reputational damage.</p>	<p>To reduce the risk of cyber security incidents occurring Zinc utilises security hardware and software protection and adopts a deny-by-default policy across network, application and file systems. We utilise the AAA (Authentication, Authorisation and Accounting) system to control activities on business systems. A number of security enhancements have been planned in 2021 in relation to cyber security and progress has been made to migrate away from a number of legacy systems. Planned improvements include patch management, DNS security, cyber security training/testing and enhanced traffic management.</p> <p>A restructure of the Group’s technology team is underway. A highly experienced CTO has been recruited, who will take up his position mid-2021, and additional resource has been recruited in the short-term.</p> <p>Legacy systems are regularly reviewed to ensure suitability and maintenance agreements are in place for all business-critical systems. A new finance system was implemented in 2020 which is a modern cloud-based solution. Financial data and documents such as invoices are saved and backed up in the cloud.</p> <p>The Group’s publishing business is subject to regular GDPR compliance reviews, with the next scheduled for 2021.</p> <p>Business continuity plans are in place for all divisions and include plans for remote and home working which have been enacted during the Covid-19 pandemic and have worked very well. The IT upgrades in London that were carried out in Q1 2020 have significantly helped with this approach and enable more effective remote working via cloud-based solutions.</p>

Principal Risks and Uncertainties (continued)

Risk	Impact	Mitigation
<p>Health & Safety and safeguarding</p> <p>There are potential health and safety issues for the Group's employees or contractors when making TV programmes, including occasional travel to countries that have heightened risks of terrorism, civil unrest or natural disasters. TV production companies must also ensure that the welfare of participants is appropriately safeguarded.</p> <p>The Covid-19 pandemic has posed a particular threat during the period, both to production teams and office-based workers.</p>	<p>The Group prioritises the health & safety of its staff, freelancers and all participants in its programmes and works hard to protect them.</p> <p>In addition to the immediate risk to individuals, a significant health and safety or safeguarding issue could damage the Group's reputation with customers, suppliers and employees. This in turn could have a negative financial impact on the Group.</p>	<p>A detailed location risk assessment is undertaken ahead of all TV filming travel or where safeguarding issues are anticipated to arise. Advice is taken from local fixers, our retained third-party health & safety advisors and insurers to assess risk and identify appropriate actions and protocols.</p> <p>Where significant health and safety risk is identified client broadcasters' risk teams are involved in the discussion and sign off any risk assessment.</p> <p>All the UK broadcasters jointly agreed industry Covid-19 protocol procedures when production activities were allowed to resume in June 2020 and all our TV companies have adopted these as part of their planning and logistics. In addition, the Group's third party specialist health & safety advisors have provided extra guidance and supplied representatives to attend on location for larger scale projects when risk assessments require it.</p>
<p>Diversity</p> <p>UK Public Service Broadcasters (PSBs) are increasingly prioritising commissioning spend towards independent production companies that demonstrate a proactive approach to diversity and inclusion. The BBC in particular has set specific Diversity and Inclusion (D&I) targets for independent production companies, and Channel 4 and Channel 5 also place specific demands on indies to deliver D&I within productions with Channel 5 stating 'no diversity, no commission'.</p>	<p>The increasing market demands for greater D&I within productions could result in Zinc failing to win new commissions if it cannot demonstrate a robust D&I strategy, which is evidenced through accurate and timely data on the relevant requirements.</p>	<p>The Group HR Director is leading on a series of initiatives designed to improve diversity and inclusion across Zinc Media Group companies and comply with or exceed the requirements placed on indies from channels. This work is supported by a diversity and inclusion steering group.</p>

Risk	Impact	Mitigation
<p>Integration of Acquisitions The Group may not be able fully to realise the benefits of recent and future acquisitions.</p> <p>The Group's success will partially depend upon the Directors' ability to integrate recent and future acquisitions without significant disruption.</p> <p>This integration process may divert management's attention from the ordinary course of business and raise unexpected issues and may take longer or prove costlier than anticipated.</p> <p>Although the Directors believe that such disruption is unlikely, issues may come to light during integrations that may have an adverse effect on the financial condition and results of operations of the Group.</p>	<p>There is no certainty that customers of Zinc or of its future or recent acquisitions will continue to be customers of the Group following the acquisitions, particularly if customer service is affected whether before or after completion of the acquisitions or if strategic decisions taken by the Board after completion of the acquisitions cause customers to terminate contractual relations.</p> <p>There is a risk that its ability to target, execute and integrate such acquisitions may fail and thereby reduce the Group's growth and profitability targets. Further, it may require additional funding to pursue such acquisitions through the issue of equity or debt.</p> <p>There is no assurance that the Company will realise the potential benefits of acquisitions including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated).</p>	<p>To mitigate these risks the Group follows:</p> <ul style="list-style-type: none"> • Application of strict financial criteria to any potential acquisition • A formal legal, financial and tax due diligence process • Constant monitoring and review of the acquisition's performance • Long-term incentivisation of key employees of acquired companies • A strategy for acquired companies to operate semi-autonomously whilst benefiting from group synergies, resource and infrastructure <p>This strategy has been successful so far in relation to the acquisition of Tern Television and its subsequent integration.</p>

Section 172 Statement

Section 172 of the Companies Act 2006 requires the directors to act in a way that they consider would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard to the various stakeholders. The Group's key stakeholders and the ways of engagement are set out below.

The likely consequences of any decisions in the long-term

The Board has five strategic pillars for FY21 and beyond, as detailed earlier in the Strategic Report which are: revenue growth and diversification, gross margin growth, cash generation and cash management, performance culture and shareholder engagement. These pillars reflect the need to consider the interests of our staff alongside other stakeholders, and the need to keep pace with market developments, so the business is appropriately positioned to take best advantage of market conditions over the longer term. The strategic pillars are cascaded down to all the divisions and individuals within the business through regular staff meetings and regular financial reporting processes.

Investors

The Board has an on-going dialogue with major shareholders through roadshows to formally communicate the Group's financial results on a yearly and half-yearly basis, as well as periodically. Investor feedback is also provided by the Company's Nominated Advisor (NOMAD) following investor roadshows, in order for the Board to build on its alignment of the Group's strategy to business objectives and communicate these in a clear manner.

The Group's annual general meeting enables it to gather shareholders' views while also particularly giving the non-institutional shareholders the opportunity to hear directly from the Chairman and the Board. Shareholders can access press releases and regulatory news via its website. The Company has recently begun using the Investor Meets Company platform, with live Q&A sessions, to create more opportunities for smaller shareholders and potential investors to engage with management.

Employees

Engaged, enabled, empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. Zinc employs and develops high calibre staff and we maintain oversight of their performance through performance review processes. The Group is an employer which actively supports diversity and inclusivity and does as much as it can to ensure a positive environment for health and wellbeing. Employees' thoughts and ideas and two-way communication are actively sought and encouraged. A staff survey was conducted during the year, the results of which helped to inform and guide subsequent strategic decisions. The Group has implemented wellbeing seminars, where we focus on activities to promote mental health.

During the Covid-19 pandemic, the Group has taken advice from each of the local governments in the countries that it operates in to safeguard its employees and subcontractors, the majority of which are working remotely, with regular check-ins with other members of staff. To maintain mental health and connectedness in this difficult time, staff have had access to wellbeing resources, and regularly meet online to support each other. The Group will be guided by the advice of governments on maintaining measures to protect its employees' health as the Covid-19 social distancing restrictions are adjusted.

Customers and suppliers

Zinc's customers are key to the long-term success of the business and the Group works closely with all its clients, from the channels who commission television content, to the brands and partners that it works with in Zinc Communicate. Zinc develops relationships with its customers based on credibility and its ability to meet their needs effectively. The Group focuses on understanding what they want and puts that at the centre of its decision-making to create meaningful partnerships so that it understands how its customers' requirements evolve. The Group is committed to treating our suppliers and freelancers fairly and conducting business in an ethical fashion. For example, during the first Covid-19 lockdown 86% of the Group's freelancers were either furloughed, continued to work with the Group or were able to find other employment.

Social and Environment

The Board is cognisant of its responsibilities to the viewers of the Group's programmes, the consumers of its non-broadcast output and to society at large. We take account of feedback generated in response to our programmes and use it to inform future projects.

We aim to minimise the negative impact of our activities on the environment, for instance through utilisation of remote workflows that require reduced travel, investment in environmentally friendly offices including energy saving equipment, cycling facilities and waste recycling.

The Strategic Report was authorised for issue by the Board of Directors on 22 April 2021 and was signed on its behalf by:

Mark Browning

Chief Executive Officer, Zinc Media Group plc

Directors' Report

Results

The results for the period ended 31 December 2020 are set out on page 32.

The Group made an operating loss in the period of £3.67m from continuing operations (2019: loss of £1.39m) and a retained loss for the period after interest, taxation and discontinued operations of £4.91m (2019: loss of £2.73m).

Business relationships

The Section 172 Statement on page 18 summarises how the Group engages with its stakeholders.

Dividends

The Directors do not recommend the payment of a final dividend for the period (2019: Nil).

Directors and their interests

The Directors who served during the period and up to the date of this report (unless otherwise stated) were as follows:

Nicholas Taylor
Will Sawyer
Mark Browning
Christopher Satterthwaite (appointed 1st July 2019)
Andrew Garard (appointed 2nd September 2019)
Peter Bertram (resigned 31st July 2019)
David Galan (resigned 2nd September 2019)
Harry Bell (resigned 6th December 2019)

Directors' emoluments are disclosed in Note 4 of the accounts.

According to the register of Directors' interests maintained under the Companies Act, the following interests in the shares of Group companies were held by the Directors in office at the period end:

	Nature of interest	Ordinary shares of 0.125p each	
		1 July 2019 or date of appointment if later	31 December 2020
Mark Browning	Beneficial	–	58,333
Christopher Satterthwaite	Beneficial	–	80,555
Andrew Garard	Beneficial	–	41,666
Nicholas Taylor	Beneficial	5,555	13,889
Will Sawyer	Beneficial	2,628	17,352

Options over 0.125p ordinary shares of the Company were held by the following:

	Year Granted	Exercise Price	As at 1 July 2019	As at 31 December 2020	Dates Exercisable
Will Sawyer	2018	212.5p	18,000	–	2021 to 2028
Mark Browning	2019	159p	157,233	–	2022 to 2029
Will Sawyer	2020	0.125p	–	237,115	2023 to 2030
Mark Browning	2020	0.125p	–	474,230	2023 to 2030

The options that were granted to Mark Browning and Will Sawyer in 2018 and 2019 were cancelled in the period and new options granted.

Qualifying third party indemnity provisions

The Group has granted an indemnity to its directors against liability of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' report.

Directors' Report (continued)

Substantial Shareholdings

As at 31 March 2021 the following investors held 3% or more of the Company's issued share capital:

	No of Ordinary Shares	%
Herald Investment Management	6,406,518	40.13
Cannacord	1,583,333	9.92
Premier Miton	1,512,084	9.47
Edale Europe Absolute Master Fund	1,095,932	6.87
Ruffer Investment Management	766,665	4.80
John Booth and The John Booth Charitable Foundation	658,812	4.13

Share Capital

Details of share capital are given in Note 25 to the financial statements.

Going Concern

The Group's business activities and analysis for the period are detailed in the Strategic Report on pages 5 to 11. The financial results and cash position including borrowing facilities are described in the CFO's Report on pages 10 to 11 with further details in the Notes to the Accounts numbers 2.1, 20 and 21.

As disclosed in the going concern section of note 2.1 of the consolidated financial statements, forecasts and scenarios have been prepared, focussing on the impacts of Covid-19 and the actions the Board can take to mitigate those impacts. Whilst the sales pipeline is healthy, decision-making has been protracted and the timing of new sales is hard to predict. The scenarios include a recovery starting mid-2021 and a recovery pushed until early 2022, and when the recovery comes that revenues are 10% down on pre-Covid-19 levels of 2019. The directors remain confident that the Group will have sufficient cash resources for a period of at least 12 months from issuing the financial statements in these scenarios. The directors have already taken mitigating actions with a programme of cost reductions and putting in place an overdraft facility and are confident that they have identified cost saving actions to mitigate reductions in revenue. As a result, the Directors have formed a judgement that, at the time of approving these financial statements, there is a reasonable expectation that the Group has adequate resources and likely income to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Strategic Report

Future developments and the outlook for the Group are discussed on page 5. In accordance with the Companies Act s414C(11) information in relation to post balance sheet events and future developments are included in the Strategic Report.

Financial risk management objectives and policies

The Group uses various financial instruments. These include loans, cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations.

An analysis of the Group's financial assets and liabilities together with the associated financial risks, are set out in note 21.

The principal financial risks to which the business is exposed are set out below (also see Risk Matrix on page 12). Although not exhaustive, this highlights the risks that are currently considered to be of most significance to the Group's activities.

The main risks arising from the company's financial instruments are foreign currency, interest rate and liquidity risks which are summarised below.

Currency risk

The Group's sales are primarily invoiced in sterling and occasionally in US dollars and Euros. The Group does not use derivatives to hedge translation exposures, although typically revenue and costs are in the same currency which provides a natural hedge and currency exposure is monitored by management. All gains and losses are recognised in the income statement on translation at the reporting date.

Interest rate risk

The Group is partially financed through borrowings that are subject to a variable interest rate. £2.46m of the long-term debt accrues interest based on monthly LIBOR plus a margin of 4%.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The maturity of borrowings is set out in note 20 to the financial statements.

Auditors

A resolution to reappoint RSM UK Audit LLP as auditor for the ensuing year will be proposed at the AGM (as defined below) in accordance with Section 487(2) of the Companies Act 2006.

Disclosure of information to auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Annual General Meeting 2021

The 2021 Annual General Meeting is to be held at 10.00am on 28 May 2021 (the "AGM"). Notice of the AGM is set out at the end of the Report and Accounts. As a result of the social distancing measures implemented by the UK Government to manage the impact of the Covid-19 pandemic (the "Government Measures"), as at the date of this document and as set out in the roadmap out of lockdown announced by the UK Government on 22 February 2021, our expectation is that there will be limitations to our ability to host the AGM with shareholders in attendance in person. As a result of the Government Measures, shareholders may not be permitted to attend the AGM in person if they wish to do so or, if attendance at the AGM is permissible at the relevant time under Government Measures, it is likely to be restricted in terms of numbers. If shareholders are not permitted to attend the AGM because of Government Measures, the AGM will be limited to the minimum number required to form a quorum (which will be facilitated by the Company). Accordingly, given the uncertainty, we strongly encourage shareholders not to attend in person and to complete and return their proxy votes by the time required appointing the Chairman of the meeting as your proxy. The Directors are continuously monitoring the evolving nature of the situation and will ensure that arrangements at the AGM are in accordance with the latest Government Measures. Whilst the AGM is an important event for the Company, the health of our shareholders, workforce and officers is paramount.

If Government Measures at the time of the AGM permit attendance in person by shareholders, any shareholders who wish to attend are strongly encouraged to advise the Company before 5.00 p.m. on 21 May 2021 by emailing the Company Secretary, Will Sawyer, at will.sawyer@zinmedia.com. Any such confirmation however shall not provide a guarantee that admittance to the AGM will be permitted where to do so would be in breach of Government Measures and/or where there is the need to protect the health and safety of all attendees.

The Directors would normally welcome the AGM as an opportunity to meet shareholders in person and to listen to and respond to your questions in person. We are keen to hear your views, and to answer your questions on the business of the AGM. Shareholders may submit questions to the Directors prior to the AGM by emailing the Company Secretary at will.sawyer@zinmedia.com with the subject line "2021 AGM". We recommend that you submit your questions as soon as possible and before 5.00 p.m. on 21 May 2021 to enable us to respond to all questions at the AGM.

The Company will continue to update shareholders on arrangements for the AGM through a Regulatory Information Service and the Company's website at www.zinmedia.com/investors. Shareholders are advised to check the Company's website regularly for updates.

Previous General Meeting

At the Annual General Meeting on 12 December 2019 all resolutions were passed.

Historical annual reports and other governance-related material, including notices of all general meetings over the last five years can be found at www.zinmedia.com/investors.

On behalf of the Board

Will Sawyer

Company Secretary

22 April 2021

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- d. for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Zinc Media Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

(see also <https://www.zincmedia.com/investors/corporate-governance/>)

Chairman's Corporate Governance Statement

The Company has adopted and applied the Quoted Companies Alliance (QCA) Corporate Governance Code with effect from 1 September 2018. The company's business model and strategy are described in the Strategic Report together with the risks facing our business and how we seek to mitigate them.

In my role as independent chair, from an external perspective, I engage with shareholders in formal and informal meetings to reinforce the fact that the Board is being run with the appropriate level of engagement and time commitment. From an internal perspective, I ensure that the information which flows within the Board and its sub committees is accurate, relevant and timely and that meetings concentrate on key operational and financial issues which have a strategic bias, together with monitoring implementation plans surrounding commercial objectives.

In relation to corporate governance, my responsibility is to lead the Board effectively and to oversee the adoption, delivery and communication of the company's corporate governance model. I also aim to foster a positive governance culture throughout the company.

The Company's good corporate governance permeates the culture of the organisation. It is manifested by regular engagements and interactions between the Board and senior management. These interactions are documented with action points and deliverables assigned to attendees to ensure clarity of expectations. In addition, senior management objectives are aligned with the corporate strategy in terms of sales targets, desired margins and profitability. Transparency in verbal and written communication is also paramount both from an outward looking perspective with shareholders, customers, suppliers and other external stakeholders and with employees and project teams from an internal perspective.

The following things help the Board assess the corporate governance culture of the Group:

- The Board reviews the principles of incentivisation schemes to ensure that senior management are aligned with corporate strategy;
- The Board has visibility of many of the key communications with stakeholders;

- Senior management provide the Board with verbal updates on their business units; and
- The board has a high proportion of Executive Director representation which means communication and feedback between the business and the Board is well established.

The Board's shared view of the Group's purpose, business model and strategy, and the values underpinning them, are detailed in the Strategic Report within pages 5 to 11 as follows:

- "Strategy and outlook" considers how the Group seeks to realise its vision of improving profitability and becoming cash generative and it addresses the Group's approach to delivering long-term value for shareholders.
- "Our business" reviews the Groups' position and capabilities.
- "Principal risks and uncertainties" details the key risks faced by the business and how these continue to be addressed.

The application of the QCA Code supports the Company's medium to long term success by creating frameworks to enable the divisional teams to operate effectively whilst remaining focussed on the critical success factors (such as sales generation and project delivery) to enable the growth and development of the business. These structures have been implemented whilst at the same time allowing a culture of entrepreneurial spirit to reside within this creative organisation.

I am pleased to report that there have not been any key governance related matters that have occurred during the period nor any significant changes in governance arrangements required in adoption of this revised QCA code.

Board of Directors

Board Composition

The Company is controlled through a Board of Directors, comprising a non-executive Chairman, two executive directors and two independent non-executive directors. Short biographies of each director that served on the Board as at 22 April 2021 are below. Peter Bertram (former Chairman), David Galan (former Executive and Non-Executive Director) and Harry Bell (former Executive Director) served on the Board for some or all of the financial year and have subsequently resigned. Their biographies can be found in the annual report for the financial year 2019.

Chairman:

Christopher Satterthwaite

Until 2017 Christopher was group CEO of Chime Communications, overseeing its sale to Providence Equity in 2015 for £374 million, having grown the business to a global sports entertainment and communications group employing over 2,500 people in 27 countries. Christopher is currently chairman of AIM-quoted technology group Access Intelligence and Spacehive, a private technology start-up, and was a non-executive director of Centaur Media plc from 2007 to 2015. Christopher was awarded a C.B.E. for services to the arts in 2017.

Chief Executive Officer:

Mark Browning

Mark became CEO in April 2019. Prior to this he was the Group Managing Director of ITN Productions which was founded in 2010 and grew to become one of the top 5 independent TV production companies in the UK. Before joining ITN Productions he was the Director of Programmes for Heart 106.2, taking the radio station from a challenger brand to the market leader. He is a trustee of BFBS, the media provider to the British Armed Forces, a trustee of Jerusalem Productions, part of Sainsbury's Family Trusts, and a former Director of IRN Ltd, the news provider to the UK commercial radio industry. He is a founding investor in Blend Media, a Virtual Reality (VR) and 360 content specialist, and in Deckchair.com.

Chief Financial Officer:

Will Sawyer

Will joined Zinc Media Group in October 2018. Will was previously the Finance Director of ITN Productions, where he worked alongside Mark Browning for 9 years to execute a turnaround strategy and grow it into one of the top independent production companies in the UK. Whilst there he also sold a digital start-up called Diagonal View to Sky. Prior to this he was a corporate finance manager at the BBC and qualified as a Chartered Accountant at Deloitte, where he specialised in media businesses.

Independent Non-Executive Director:

Nicholas Taylor

Nicholas has extensive experience of working with growing organisations, principally in the TMT sector. He has worked as a consultant and in-house and has held senior positions in both private and public businesses and in the not for profit sector. His involvement in the media industry started over 20 years ago when he was Head of Finance at Brighter Pictures (now Remarkable Television, part of Endemol Shine) and encompasses film and television; production, post-production and special effects; factual and entertainment. Between 2011 and 2013 he was Managing Director of The Imaginarium Studios. He is also non-executive director of Maintel Holdings Plc.

Independent Non-Executive Director:

Andrew Garard

Andrew was previously Group Legal Director and Company Secretary for ITV plc, having spent over a decade at the company, where he was also a Board member of ITV plc and chairman of ITN. While at ITV, Andrew was responsible for an international team overseeing global legal and business affairs. He helped lead ITV's rapid expansion in the UK production market and ITV Studios' expansion into the USA. During his time he also had management responsibility for ITV's Interactive Business. Prior to ITV, Andrew held a number of General Counsel roles, including at Cable and Wireless plc and Reuters Asia, and positions at legal firms, including Clifford Chance, Freshfields and LeBoeuf, Lamb, Greene & MacRae.

Senior Independent Director

The Board has determined that the formal appointment of a senior independent Director is not necessary given the current structure and composition of the Board. Furthermore, given the size of the Company, the shareholdings in the Company that the current Board members hold and the active dialogue with institutional shareholders that takes place throughout the year, the Board is of the view that an appointment of a senior independent Director would not currently provide any further benefit in assisting with communication with shareholders.

Company Secretary

Will Sawyer is the Company Secretary and advises and supports the Board in this capacity alongside his role of CFO.

Board Function

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chairman also ensures that the directors receive accurate, timely and clear information and that there is effective communication with shareholders.

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group.

The Board, which is chaired by Christopher Satterthwaite (previously by Peter Bertram), meets a set number of times a year and at other times as necessary, to discuss a formal schedule of matters specifically reserved for its decision.

These matters routinely include:

- the Group's strategy and associated risks
- financial performance of the business and approval of annual budgets, the half year results, annual report and accounts and dividends
- changes relating to the Group's capital structure
- appointments to and removal from the Board and Committees of the Board
- risk management strategy and risk appetite
- acquisitions, disposals and other material transactions
- remuneration strategy
- actual or potential conflicts of interest relating to any Director

Number of Board Meetings attended

	Board meetings in the financial period
Will Sawyer	17
Mark Browning	17
Christopher Satterthwaite	17
Nicholas Taylor	16
Andrew Garard	14
Harry Bell	4
Peter Bertram	1
David Galan	1

In addition, there were several informal meetings of the Board.

The Company confirms that the Chief Executive Officer and the Chief Financial Officer commit 100% of their working time to the Company and Group. The Company anticipates that the Chairman commits no less than 4 working days each month and the independent non-executive directors between them commit 20 working days each year.

All directors are expected to keep their skillset up-to-date through attendance at seminars and technical briefings from their advisers and other professional organisations plus through their own reading on topical issues which impact AIM listed organisations and the media sector.

Board evaluations

Board evaluations take place on a bi-annual basis. A board evaluation last took place in February 2021. The key criteria against which board, committee, and individual effectiveness is considered is as follows:

- A positive contribution to setting strategy
- Board relationships and engagement with major investors and stakeholders
- Enabling effective decisions and implementation
- Board contribution including matters raised in capacity as independent non-executive directors and the manner in which these matters have been addressed by the executive board members and senior management team
- Active and robust approach to risk including controls and frameworks
- Effective administration of the Board and Committees
- Composition of the Board
- Succession planning and evaluation of gaps in skills-sets

Financial reporting

The Board places considerable emphasis on ensuring that all communications with shareholders present a balanced and transparent assessment of the Group's position and prospects. The Board or a subcommittee of the Board reviews and approves results announcements, interim reports, annual reports, the Chairman's AGM statement and trading updates prior to their release.

The Statement of Directors' Responsibilities in respect of the preparation of financial statements is set out on page 19 and the auditor's statement on the respective responsibilities of directors and the auditor is included within their report on pages 28-31.

Internal controls and risk management

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Board of Directors *(continued)*

The Board has considered the need for an internal audit function but has concluded that the internal control systems in place are appropriate for the size and complexity of the Group.

The Board is also responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks. This is detailed in the Principle Risks and Uncertainties section of the Strategic Report.

Committees of the Board

The Board operated two formal committees, being the Audit & Risk Committee and the Remuneration Committee during the period.

Audit & Risk Committee Report

The audit & risk committee is charged with making recommendations to the Board on the appointment of auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It has responsibility for reviewing financial statements prior to publication. The attendees also identify, assess and manage risk and investigate and evaluate the risk management and related control systems which are in place.

The committee has satisfied itself that the risk and control framework and processes are operating properly through review and challenge of the risk register and mitigations with executive directors and senior management, and review of financial controls and processes with the Chief Financial Officer and other senior finance management who attend committee meetings by invitation and via unrestricted access to the Company's auditor.

The members of the Audit & Risk Committee are currently:

Nicholas Taylor (Chairman of the Audit & Risk Committee)
Christopher Satterthwaite

The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit & Risk Committee in its meetings with the external auditor reviews the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence and assess the effectiveness of the external audit. The Group's policy on non-audit services performed by the external auditor is to address any issues on a case by case basis.

The Committee met four times in the financial period. The attendance record is as follows:

Audit & Risk Committee Meetings

	Audit & Risk Committee meetings in the financial period
Nicholas Taylor	4
Christopher Satterthwaite	4

Remuneration Committee Report

It is the role of the remuneration committee to ensure that remuneration arrangements are aligned to support the implementation of company strategy and effective risk management for the medium to long-term, and to take into account the views of shareholders. The Group's remuneration policy has been designed to ensure that it encourages and rewards the right behaviours, values and culture.

The remuneration committee reviews the performance of the executive directors, sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and reviews and approves any proposed bonus entitlement. It also determines the allocation of share options to employees. The committee is supportive of both in year and longer term incentives for meeting targets that will realise the longer term goals of the Group, albeit within the confines of it being within market levels, which are benchmarked, and in the interests of shareholders.

The members of the Remuneration Committee are currently:

Andrew Garard (Chairman of the Remuneration Committee)
Christopher Satterthwaite

Prior to Andrew Garard's appointment, Nicholas Taylor served as Chairman of the committee.

The remuneration committee met three times in the financial period. The attendance record is as follows:

Remuneration Committee Meetings

	Remuneration committee meetings in the financial period
Andrew Garard	2
Christopher Satterthwaite	3
Nicholas Taylor	1

Constructive use of the AGM

The Board uses the Annual General Meeting to communicate with both institutional and private shareholders. Resolutions are proposed on each substantially separate issue and the agenda includes a resolution to adopt the Group's Annual Report and Accounts.

Senior Management Team

This comprises the CEO and CFO together with the Managing Directors of each business unit, the Group HR Director and the Director of Operations.

The Board interacts with the Senior Management team regularly and through the team ensures that the company has the means to determine that ethical values and behaviours are recognised and respected, with feedback coming from the team on any instances which the Board needs to address.

On behalf of the Board

Christopher Satterthwaite

22 April 2021

Independent auditors' report – To the members of Zinc Media Group

Opinion

We have audited the financial statements of Zinc Media Group plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, consolidated statement of cash flows, consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters

Group

- Revenue recognition
- Goodwill and intangible assets impairment

Parent Company

- No key audit matters
-

Materiality

Group

- Overall materiality: £237,000 (2019: £200,000)
- Performance materiality: £178,000 (2019: £150,000)

Parent Company

- Overall materiality: £82,000 (2019: £88,000)
 - Performance materiality: £61,000 (2019: £66,000)
-

Scope

Our audit procedures covered 91% of revenue, 89% of total assets and 90% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description

The group's largest operating segment, the TV division, has two major revenue streams within it; TV production revenue and distribution revenue. See notes 3.1, 3.13 and 4 for further details.

TV production revenue is recognised on a percentage completion basis. Productions can be individually significant to the results of the group and measurement of revenue includes an element of judgement in estimating the expected costs to complete and therefore the percentage completion of the production at each period end. Distribution revenue is recognised at a point in time once the recognition criteria have been met. We therefore consider there to be a risk around the recognition of TV revenue based on percentage completion estimates and also in respect of the cut off of TV revenue.

On the basis of the value of transactions in the TV division, the element of judgement and estimation in measuring revenue and time spent on this area by the audit team, we have determined revenue recognition to be a key audit matter.

How the matter was addressed in the audit

In order to address the risk of misstatement related to recognition of revenue based on percentage completion estimates and cut off around TV revenue we performed testing focusing in particular on the major contracts not complete at the year end and on distribution agreements entered into in the period.

Our audit tests of detail focused on testing whether the percentage complete calculation was appropriate based on costs incurred at the period end compared to budgeted costs to complete the production and whether this percentage had then been appropriately applied to the revenue as set out in the underlying contracts. For distribution revenue, we have tested a sample of revenue transactions recognised for the period ended 31 December 2020 to underlying agreements and support.

We also reviewed disclosure in the financial statements of the revenue recognition policies and key estimates and judgements in respect of revenue recognition.

Goodwill and intangibles impairment

Key audit matter description

The Group has completed a number of past acquisitions, the most recent being in relation to Reef Television Limited in July 2015 and Tern Television Productions Limited in November 2017. The recoverability of the goodwill and intangibles assets arising on acquisitions is dependent on individual cash-generating units to which the goodwill and intangible assets are allocated generating sufficient cash flows in the future. Due to the inherent uncertainty involved in forecasting future cash flows and selection of an appropriate discount rate, which are the basis of the assessment of recoverability, this is considered a key audit matter.

Refer to notes 3.13 and 13 to the financial statements for the disclosures relating to the goodwill and the related impairment calculations.

How the matter was addressed in the audit

Our audit procedures included reviewing the discounted cash flow models, testing and challenging the judgements and assumptions used by management in their assessment of whether goodwill and intangibles had been impaired and assessing management's sensitivity analysis on the cash flow model.

We have challenged the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flow.

We assessed management's forecast earnings assumptions in the models by comparison to current period and post year end performance and pipeline. We have reviewed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate.

We have further considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions were adequate and properly reflected the risks inherent in the valuation of the cash generating units.

Independent auditors' report – To the members of Zinc Media Group (continued)

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£237,000 (2019: £200,000)	£82,000 (2019: £88,000)
Basis for determining overall materiality	5% of loss before tax adjusted for the loss on discontinued operations	1.2% of net assets
Rationale for benchmark applied	Profit measure used for the trading activities of the Group	Parent company is a holding company so net assets used as the benchmark
Performance materiality	£178,000 (2019: £150,000)	£61,000 (2019: £66,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £11,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £4,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Overall group materiality for the period ended 31 December 2020 was set at £256,000 during planning and performance materiality was set at £192,000. These were revised during the audit to £237,000 and £178,000, respectively.

The parent company materiality for the period ended 31 December 2020 was set at £121,000 during planning and performance materiality was set at £90,750. These were also revised during the audit to £82,000 and £61,000, respectively.

An overview of the scope of our audit

The group consists of 9 components, all of which are based in the UK.

Full scope audits were performed for 4 components, specific audit procedures for 1 component and analytical procedures at group level for the remaining 4 components.

	Number of components	Revenue	Total assets	Loss for the period
Full scope audit	4	82%	89%	85%
Specific audit procedures	1	9%	0%	5%
Total	5	91%	89%	90%

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Clark

(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London EC4A 4AB

22 April 2021

Financial Statements

Consolidated income statement

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

Adjusted EBITDA is defined as EBITDA before share based payment charge, loss on disposal of fixed assets and exceptional items. The loss for the period attributable to equity holders from continued operations is £4,320k (2019: £1,499k) and the loss to equity holders from discontinued operations is £624k (2019: £1,241k).

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

Consolidated statement of comprehensive income

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

Consolidated statement of financial position

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

The consolidated financial statements were authorised for issue and approved by the Board on 22 April 2021 and are signed on its behalf by Will Sawyer.

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

Company registration number: SC075133

Consolidated statement of cash flows

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

Consolidated statement of changes in equity

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

Notes to the consolidated financial statements

1. General information

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

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

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

2. Basis of preparation

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

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

2.1) Going concern

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

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

- Raising new equity funding of £7.5m (before costs)
- Making significant structural changes to ensure the long-term financial stability of the business. Between February and September 2020, the Company completed a balance sheet restructure that included:
 - o Conversion of all preference shares to ordinary shares
 - o Part conversion of the long-term debt and extension of the term of the remaining debt from December 2020 to December 2022
 - o A share consolidation at a ratio of 500:1
 - o A capital reduction which means the Group had positive distributable reserves at 31 December 2020
- Putting in place an overdraft facility of £0.6m
- Delivering a programme of permanent cost reductions which will generate annualised savings of £0.7m per annum compared to pre-Covid levels. This includes closure of the CSR business and restructure of Blakeway North, both of which have been loss making.

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

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

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

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

Notes to the consolidated financial statements *(continued)*

2. Basis of preparation *(continued)*

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

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

2.2) Basis of consolidation

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

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

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

2.3) Adoption of new and revised standards

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

IFRS 16 – Leases

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

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

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

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

	At 1 July 2020 (under IAS 17) £'000	IFRS 16 Adjustment £'000	At 1 July 2020 (Adjusted) £'000
Non-current assets			
Right-of use assets	–	448	448
Current liabilities			
Lease liability	(32)	(318)	(425)
Non-current liabilities			
Lease liability	(20)	(80)	(23)

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

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

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendment to IFRS 3 Business Combinations (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)
- Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020)
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 1 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021, endorsed 13 January 2021)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021, endorsed 15 December 2020)
- Amendments to, IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (effective 1 January 2022)
- IFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective 1 January 2023)

3) Accounting policies

3.1) Revenue

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

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

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

Notes to the consolidated financial statements (continued)

3) Accounting policies (continued)

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

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

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

TV – production revenue

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

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

TV – distribution revenue

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

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

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

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

Zinc Communicate

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

1. Publishing: advertising revenue is recognised on the date publications are dispatched to customers which is when control transfers.
2. Online: revenue is recognised at the point of delivery or fulfilment for single/discrete services which is when control transfers.
3. Content production: recognition of revenue is by reference to stage of completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided, which is done on the same basis as TV production revenue.

3.2) Property, plant and equipment

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

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

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

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

3.3) Intangible assets

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

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

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

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

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

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

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

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

3.4) Leased assets

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(continued)*

3) Accounting policies (continued)

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

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

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

3.5) Inventories

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

Inventories in Zinc Communicate comprise:

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

3.6) Impairment of assets

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

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

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

3.7) Cash and cash equivalents

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

3.8) Current and deferred taxation

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

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

Deferred tax is not recognised in respect of:

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates and laws that are expected to apply to their respective year of realisation, provided they are enacted or substantively enacted at the reporting date.

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

3.9) Financial instruments

Recognition of financial instruments

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

Financial assets

Initial and subsequent measurement of financial assets

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of trade receivables

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

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

Financial liabilities and equity

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

Initial and subsequent measurement of financial liabilities

Trade and other payables

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

Loan notes

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

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

Contingent consideration

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

Notes to the consolidated financial statements *(continued)*

3) Accounting policies (continued)

Equity instruments

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

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

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

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

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

3.10) Employee benefits

Equity settled share-based payments

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

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

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

Retirement benefits

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

3.11) Provisions

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

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

3.12) Foreign currencies

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

3.13) Significant judgements and estimates

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Revenue recognition

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

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

Impairment of goodwill and intangible assets

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

Deferred tax asset on losses

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

3.14) Segmental reporting

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

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

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

4) Segmental information and revenue

Segmental information

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

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

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

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

Notes to the consolidated financial statements (continued)

4) Segmental information and revenue (continued)

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

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

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

Revenue

Contract balances

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

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

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

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

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

Transaction price allocated to the remaining performance obligations

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

Contract costs

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

5) Expenses by nature

Costs from continuing operations consist of:

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

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

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

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

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

6) Staff costs

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

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

Notes to the consolidated financial statements (continued)

6) Staff costs (continued)

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

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

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

Directors' emoluments

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

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

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

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

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

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

Key management personnel compensation

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

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

7) Share based payments

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

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

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

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

Share Option Schemes

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

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

Unapproved share option scheme

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

EMI Share option scheme

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

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

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

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

Notes to the consolidated financial statements (continued)

7) Share based payments (continued)

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

Options issued in February 2020

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

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

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

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

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

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

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

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

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

8) Exceptional items

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

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

Reorganisation and restructuring costs

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

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

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

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

A total of £0.16m has been expensed to the income statement in the third year of acquisition in relation to 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.

9) Finance costs

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

10) Income tax expense

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

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

Notes to the consolidated financial statements (continued)

10) Income tax expense (continued)

Reconciliation of taxation expense:

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

11) Discontinued operations

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

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

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

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

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

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

12) Earnings per share

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

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

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

13) Intangible assets

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

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

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

Notes to the consolidated financial statements (continued)

13) Intangible assets (continued)

Impairment Tests for Goodwill

Goodwill by cash generating unit is:

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

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

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

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

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

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

London & Manchester TV and Tern TV CGUs

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

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

14) Property, plant and equipment

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

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

15) Inventories

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

16) Trade and other receivables

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

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

Notes to the consolidated financial statements *(continued)*

16) Trade and other receivables (continued)

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

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

Impairment of financial assets

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

Definition of default

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

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

Determination of credit-impaired financial assets

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

- Significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- A breach of contract, including receipts being more than materially past due;
- It becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy

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

Impairment of trade receivables and contract assets

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

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

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

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

No expected credit loss is expected for contract assets.

Television

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

CSR (discontinued)

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

Zinc Communicate

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

17) Cash and cash equivalents

	31 December 2020 £'000	30 June 2019 £'000
Total Cash and cash equivalents	6,805	3,213

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

18) Trade and other payables

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

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

Notes to the consolidated financial statements (continued)

19) Leases under IFRS 16

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

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

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

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

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

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

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

20) Borrowings and other financial liabilities

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

Maturity of Financial Liabilities

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

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

Notes to the consolidated financial statements (continued)

20) Borrowings and other financial liabilities (continued)

Debt Facility

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

Loan notes – unsecured

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

Finance leases

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

Overdraft

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

Change in liabilities arising from financing activities

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

21) Financial instruments

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

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

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

Capital management policy and risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

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

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

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

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

Financial instruments by category

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

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

Notes to the consolidated financial statements (continued)

22) Business combinations

Issue of consideration shares

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

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

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

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

23) Deferred tax

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

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

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

24) Provisions

	31 December 2020 £'000	30 June 2019 £'000
Provisions	75	–

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

25) Share capital and reserves

	31 December 2020	30 June 2019
Ordinary shares with a nominal value of:	0.125p	0.00025p
Authorised:		
Number	Unlimited	Unlimited
Issued and fully paid:		
Number	15,963,039	1,419,113,435
Nominal value (£'000)	20.0	3.5
Deferred shares with a nominal value of 1.99p		
Authorised, issued and fully paid:		
Number	–	276,666,012
Nominal value (£'000)	–	5,506
D Deferred shares with a nominal value of 0.09975p		
Authorised, issued and fully paid:		
Number	–	419,397,339
Nominal value (£'000)	–	418
Preference shares with a nominal value of 0.01p		
Authorised, issued and fully paid:		
Number	–	838,633
Paid up value (£'000)	–	839

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

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

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

November 2019

Tern Television Earn Out

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

Issue of shares

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

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

Notes to the consolidated financial statements *(continued)*

25) Share capital and reserves (continued)

February 2020

Capital fundraise and balance sheet restructure

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

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

- (i) The Company consolidated its ordinary share capital such that each 500 Ordinary Shares of 0.00025p were consolidated into one New Ordinary Share of 0.125p (the "Share Consolidation"); and
- (ii) Converted all remaining preference shares and accrued dividends held by Herald, amounting to £852,000, into New Ordinary Shares. As a result no preference shares remain on the Company's balance sheet; and
- (iii) Converted £77,000 of long-term debt owing to John Booth into New Ordinary Shares; and
- (iv) Extended the long-term debt held with the Herald and the John Booth Charitable Foundation and the term of the unsecured loan notes held with Herald from December 2020 to December 2022.

Issue of shares

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

September 2020

Balance sheet restructure

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

- (i) The amount standing to the credit of the Company's share premium account, the Deferred Shares and D Deferred Shares have been cancelled; and
- (ii) The amount of £0.9m, being the entire amount standing to the credit of the Company's merger reserve, has been capitalised by issuing capital reduction shares and thereafter such capital reduction shares were immediately cancelled.

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

November 2020

Capital fundraise

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

Tern Television Earn Out

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

Issue of shares

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

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

Nature and purpose of the individual reserves

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

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

26) Commitments

Capital commitments

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

27) Related party transactions

Herald Investment Trust plc and John Booth Charitable Foundation

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

28) Post balance sheet events

There are no post balance sheet events to disclose.

29) Guarantee in relation to subsidiary audit exemption

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

Blakeway Productions Limited (02908076)

Zinc Television London Limited (formerly Brook Lapping Productions Limited) (02800925)

Zinc Communicate CSR Limited (formerly Zinc Communicate Limited) (06271341)

Films of Record Limited (01446899)

Reef Television Limited (03500852)

Zinc Television Regions Limited (formerly Ten Alps TV Limited) (02888301)

Zinc Communicate Productions Limited (formerly Ten Alps Communications Limited) (03136090)

Tern Television Productions Limited (SC109131)

Company statement of financial position

		31 December 2020		30 June 2019	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Investments	32		9,073		9,073
Intangible assets	33		104		–
Tangible assets	34		747		37
			9,924		9,110
Current assets					
Debtors	35	2,498		1,151	
Cash at bank		2,869		6	
			5,367		1,157
Creditors					
Amounts falling due within one year	36	(4,985)		(3,903)	
Net current assets/(liabilities)			382		(2,746)
Total assets less current liabilities			10,306		6,364
Creditors					
Amounts falling due after more than one year	37		(3,439)		(4,353)
Net assets			6,867		2,011
Capital and reserves					
Called up share capital	25		20		5,928
Preference shares	25		–		839
Share premium account	25		4,654		30,509
Share based payment reserve	25		155		133
Merger reserve	25		–		848
Profit and loss account	25		2,038		(36,246)
Shareholders' funds			6,867		2,011

As permitted by S408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £3.44m (2019: loss £2.79m).

The financial statements were authorised for issue and approved by the Board on 22 April 2021 and are signed on its behalf by Will Sawyer.

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Preference shares £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2018	5,928	30,414	934	750	106	(33,548)	4,584
Loss for the year and other comprehensive income	-	-	-	-	-	(2,787)	(2,787)
Total comprehensive income	-	-	-	-	-	(2,787)	(2,787)
Equity-settled share-based payments	-	-	-	-	27	-	27
Issue of shares on acquisition	-	-	-	98	-	89	187
Conversion of preference shares	-	95	(95)	-	-	-	-
Balance at 30 June 2019	5,928	30,509	839	848	133	(36,246)	2,011
Balance at 1 July 2019	5,928	30,509	839	848	133	(36,246)	2,011
Loss for the period and other comprehensive income	-	-	-	-	-	(3,443)	(3,443)
Total comprehensive income	-	-	-	-	-	(3,443)	(3,443)
Equity-settled share-based payments	-	-	-	-	22	-	22
Shares issued in placing	13	7,259	-	-	-	-	7,272
Capital reduction	(5,931)	(34,823)	-	(913)	-	41,667	-
Consideration paid in shares	1	489	-	65	-	60	615
Shares in lieu of fees	-	48	-	-	-	-	48
Shares issued in debt conversion	1	427	-	-	-	-	428
Conversion of preference shares	8	923	(839)	-	-	-	92
Expenses of issue of shares	-	(178)	-	-	-	-	(178)
Balance at 31 December 2020	20	4,654	-	-	155	2,038	6,867

Notes to the company financial statements

30) Accounting policies – Company

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006 including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared on the historical cost basis.

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

(a) Reduced disclosure

The company is a qualifying entity for the purposes of FRS 102, being the parent of a group that prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit and loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures
- share based payments in terms of expense charged to the income statement, fair value measurement techniques and reconciliation of option numbers and prices
- key management personnel compensation
- reconciliation of the opening and closing number of shares

(b) Going concern

The Going concern is addressed in the consolidated financial statements of the Group per note 2.1 and in the Directors’ Report page 19.

(c) Investments

Investments held as fixed assets are stated at cost less provision for impairment.

(d) Pensions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account when they are due.

(e) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Financial instruments

The Company has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Group and other debtors

Group and other debtors (including accrued income) which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

Financial liabilities and equity

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

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Borrowings

Borrowings (debt facilities and loan notes) are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(g) Contingent consideration

Contingent Consideration is initially measured at fair value and subsequently measured at amortised cost, adjusted for any changes in the amounts estimated to be paid.

(h) Share based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "profit and loss account".

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

(i) Impairment of investments

At each reporting period end date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an investment, the company estimates the recoverable amount of the cash-generating unit to which the investment belongs.

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment for which the estimates of the future cash flows have not been adjusted.

If the recoverable amount of an investment (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the investment (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss.

Notes to the company financial statements (continued)

30) Accounting policies – Company (continued)

(j) Significant judgements and estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Where the Company has receivables from other Group entities, the recoverability of the receivables are assessed at the end of each accounting period. Where there is doubt in regard to the recoverability, the receivable is considered to be impaired and written down to its recoverable value. This assessment is made using past experience; however subjectivity is involved when assessing the level of recoverability and impairment.

31) Employees

	31 December 2020 £'000	30 June 2019 £'000
Wages and salaries	1,526	288
Social security costs	193	32
Other pension costs	43	35
Total	1,762	355
Average number of employees		
Management	5	4
Administration	3	1
Total	8	5

The costs related to the Directors are disclosed in note 6 to the Group financial statements.

32) Investments

	£'000
Total investments in subsidiaries at 1 July 2019	9,073
Investment in subsidiaries at 31 December 2020	9,073

The subsidiaries of the Company are as follows:

	Country of incorporation, registration and operation	Class of capital	% held	Registered office address	Description of activity
Tern Television Productions Limited	Scotland	Ordinary	100% Direct	^	TV Production
Blakeway Productions Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Zinc Television London Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Zinc Communicate CSR Limited	England & Wales	Ordinary	100% Direct	^^	Communications
Films of Record Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Reef Television Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Zinc Communicate Productions Limited	England & Wales	Ordinary	100% Direct	^^^	Contract Publishing
Zinc Television Regions Limited	England & Wales	Ordinary	100% Direct	^^^	TV Production
Gadabout Films Limited	England & Wales	Ordinary	50% Indirect	^	TV Production
Children's Traffic Club Limited	England & Wales	Ordinary	100% Indirect	^^	Dormant
The Story Mechanics Limited	Scotland	Ordinary	100% Indirect	^	Dormant
Ten Alps Communicate Limited	England & Wales	Ordinary	100% Indirect	^^^	Dormant

^ 73 Crown Street, Aberdeen, AB11 6EX

^^ 17 Dominion Street, London, EC2M 2EF

^^^ Kings House Royal Court, Brook Street, Macclesfield SK11 7AE

33) Intangible fixed assets

	Total £'000
Cost	
At 1 July 2019	–
Additions	108
At 31 December 2020	108
Accumulated Depreciation	
At 1 July 2019	–
Charge for period	(4)
At 31 December 2020	(4)
Net Book Value	
At 31 December 2020	104
At 30 June 2019	–

Notes to the company financial statements (continued)

34) Tangible fixed assets

	Short leasehold land and buildings £'000	Office and computer equipment £'000	Total £'000
Cost			
At 1 July 2019	21	38	59
Additions	371	498	869
At 31 December 2020	392	536	928
Accumulated Depreciation			
At 1 July 2019	(9)	(13)	(22)
Charge for period	(76)	(83)	(159)
At 31 December 2020	(85)	(96)	(181)
Net Book Value			
At 31 December 2020	307	440	747
At 30 June 2019	12	25	37

35) Debtors

	31 December 2020 £'000	30 June 2019 £'000
Amounts owed by subsidiary undertakings	2,315	338
Other debtors	–	30
Deferred taxation	–	266
Prepayments and accrued income	183	517
Total	2,498	1,151

36) Creditors: amounts falling due within one year

	31 December 2020 £'000	30 June 2019 £'000
Trade creditors	41	452
Amounts due to subsidiary undertakings	4,077	2,784
Accruals and deferred income	867	163
Finance leases	–	4
Contingent consideration payable	–	500
Total	4,985	3,903

37) Creditors: amounts falling due after more than one year

	31 December 2020 £'000	30 June 2019 £'000
Debt facilities	2,455	2,759
Loan notes	971	984
Finance leases	13	15
Contingent consideration payable	–	595
Total	3,439	4,353

See note 20 for details of company borrowings.

38) Share based payments

The Company has granted equity settled share-based payment to key management and staff under an EMI option scheme and an unapproved option scheme. For details of share-based payments please see note 7 of the Group financial statements.

39) Share capital and reserves

For details of share capital and reserves please see note 25.

40) Related party transactions

For details of related party transactions please see note 27.

41) Post balance sheet events

For details of post balance sheet events please see note 28.

Notice of Annual General Meeting

This Notice of Annual General Meeting (the "Notice") is important and requires your immediate attention.

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in Zinc Media Group plc (the "**Company**"), please forward this Notice, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale.

NOTICE IS HEREBY GIVEN that the annual general meeting ("AGM") of the Company will be held at the Company's offices at 17 Dominion Street, London EC2M 2EF at 10.00 a.m. on Friday 28 May 2021 to transact the below business. In accordance with the Articles of Association of the Company, the chairman of the meeting has determined that all resolutions to be put to a vote are to be decided on a poll. Resolutions 1 to 9 inclusive will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed more than 50% of the votes cast must be in favour of the resolution. Resolutions 10 to 12 inclusive will be proposed as special resolutions: This means that for each of those resolutions to be passed, at least 75% of the votes cast must be in favour of the resolution.

Ordinary Resolutions

1. THAT the Company's audited financial statements for the period to 31 December 2020, and the directors' reports and the auditors' report on those financial statements, be received and adopted.
2. THAT RSM UK Audit LLP be reappointed as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.
3. THAT the directors be authorised to determine the Company's auditor's remuneration.
4. THAT Mark David Browning be reappointed as a director of the Company.
5. THAT Andrew Sheldon Garard be reappointed as a director of the Company.
6. THAT Christopher James Satterthwaite be reappointed as a director of the Company.
7. THAT Will Sawyer be reappointed as a director of the Company.
8. THAT Nicholas James Taylor be reappointed as a director of the Company.
9. THAT the directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all of the powers of the Company to allot shares and to make

offers or agreements to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company (together, "**Relevant Securities**"):

- (a) up to an aggregate nominal amount of £6,651.27, equal to approximately one third of the issued ordinary share capital as at 21 April 2021 (being the last practicable date prior to the publication of this Notice), (whether in connection with the same offer or issue as under (b) below or otherwise); and
- (b) comprising equity securities (as defined in section 560(1) of the Companies Act 2006), up to a further aggregate nominal amount of £6,651.27 in connection with an offer by way of a rights issue to:
 - (i) ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and
 - (ii) holders of other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities,

such authority to be in substitution for and to the exclusion of any previous authority to allot Relevant Securities conferred upon the directors and such authority to expire at the conclusion of the Company's next annual general meeting or, if earlier, on 26 August 2022, save that the Company may before such expiry make an offer or agreement which might require Relevant Securities to be allotted after such expiry date and the directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolutions

10. THAT conditional upon and subject to the passing of Resolution 9 above, the Company's directors be generally and unconditionally authorised pursuant to sections 570 and 573 of the Act to make allotments of equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the Act did not apply to any such allotment provided that such power shall be limited to:
 - (a) the allotment of equity securities in connection with or pursuant to any issue or offer by way of rights or other pre-emptive offer to the holders of ordinary shares of 0.125p each in the capital of the Company ("**Ordinary Shares**") and other persons entitled to participate therein in proportion (as nearly as practicable) where the equity securities respectively attributable to the interest of holders of the Ordinary Shares are proportionate as nearly as maybe practicable to the respective amounts of Ordinary Shares held by them on a fixed record date, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in

relation to legal or practical issues under the laws of, or as a requirement of, any regulatory or stock exchange authority in any jurisdiction or territory or in relation to fractional entitlements; and/or

- (b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to subparagraph (a) of this resolution) to any person up to an aggregate nominal value of £997.69

such authority to expire (unless previously revoked, varied or renewed by the Company in general meeting) at the conclusion of the Company's next annual general meeting or, if earlier, on 26 August 2022, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry date and the directors may allot equity securities (or sell treasury shares) in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution had expired.

11. THAT in addition to any authority granted under Resolution 10 above, the Company's directors be generally and unconditionally authorised pursuant to sections 570 and 573 of the Act to make allotments of equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the Act did not apply to any such allotment provided that such power shall be:

- (a) limited to any such allotment and/or sale of equity securities having, in the case of ordinary shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal value, not exceeding the sum of £997.69; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Company's directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to expire (unless previously revoked, varied or renewed by the Company in general meeting) at the conclusion of the Company's next annual general meeting or, if earlier, on 26 August 2022, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry date and the directors may allot equity securities (or sell treasury shares) in pursuance of such offer or agreement

notwithstanding that the power conferred by this resolution had expired.

12. THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares upon such terms and in such manner as the directors of the Company shall determine, provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 1,596,304 (representing approximately 10% of the Company's issued Ordinary Share capital as at 21 April 2021 (being the last practicable date prior to the publication of this Notice));
- (b) the minimum price which may be paid for each Ordinary Share (exclusive of expenses) shall be 0.125 pence per Ordinary Share;
- (c) the maximum price which may be paid for an Ordinary Share (exclusive of expenses) shall be an amount equal to the higher of:
- (i) 105% of the average of the middle market closing price for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased; and
- (ii) the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the trading venue or venues where the purchase is carried out
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or, if earlier, on 26 August 2022; and
- (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of such contract or contracts.

By order of the Board

Will Sawyer
Secretary

Date: 22 April 2021

Registered office: 7 Exchange Crescent, Conference Square,
Edinburgh EH3 8AN

Notice of Annual General Meeting (continued)

Notes for the AGM:

PLEASE READ NOTES 1-13 BELOW IN CONJUNCTION WITH THE REST OF THIS DOCUMENT TO WHICH THIS NOTICE IS ATTACHED REGARDING THE PROPOSED PROCEDURE FOR THE AGM IN VIEW OF THE GOVERNMENT MEASURES IN PLACE AS A RESULT OF COVID-19. IN PARTICULAR, PLEASE NOTE THAT SHAREHOLDERS, THEIR PROXIES AND CORPORATE REPRESENTATIVES MAY NOT BE PERMITTED TO ATTEND THE AGM IN PERSON IF GOVERNMENT MEASURES PROHIBIT IT. THE COMPANY WILL CONTINUE TO UPDATE SHAREHOLDERS ON ARRANGEMENTS FOR THE AGM THROUGH A REGULATORY INFORMATION SERVICE AND THE COMPANY'S WEBSITE AT WWW.ZINCMEDIA.COM/INVESTORS. SHAREHOLDERS ARE ADVISED TO CHECK THE COMPANY'S WEBSITE REGULARLY FOR UPDATES.

1. This year, you will not receive a form of proxy for the AGM in the post. Instead, you will find instructions in note 10 below to enable you to vote electronically. Submission of a proxy vote will not preclude you from attending and voting at the AGM in person and you may request a paper form of proxy from our Registrars, Link Group.
2. A member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at www.signalshares.com and if paper proxy forms are required, the member should contact the registrars' Link Group helpline on 0371 664 0300 (calls cost 12p per minute plus network extras). If you are outside the United Kingdom, please call +44 371 664 0300 (calls will be charged at the applicable international rate). The lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.
3. To be effective, the proxy vote must be submitted at www.signalshares.com so as to have been received by the Company's registrars no less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL to be received not less than 48 hours before the time of the meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand on the Register of members in respect of the relevant joint holdings.
5. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those members registered on the Register of members of the Company as at close of business on 26 May 2021 or, if the AGM is adjourned, on the Company's Register of members 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and/or vote at the AGM in respect of the number of shares registered in their names at that time. Changes to entries on the Register of members after close of business on 26 May 2021 or, if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM, shall be disregarded in determining the rights of any person to attend or vote at the AGM.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 28 May 2021 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have been appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with specifications of Euroclear UK and Ireland Limited ("EUKI") and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUKI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a

voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s) such an action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

7. The quorum for the AGM will be two persons entitled to vote upon the business to be transacted, each being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation which is a shareholder.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
9. Any electronic address provided either in this Notice or in any related documents may not be used to communicate with the Company for any purposes other than those expressly stated.
10. You may vote your shares electronically at www.signalshares.com. On the home page, search 'Zinc Media Group Plc' and then log in or register, using your Investor Code, which can be found on your share certificate. To vote, click on the 'Vote Online Now' button.
11. Voting on all resolutions at the meeting will be conducted by way of a poll rather than on a show of hands. This gives all shareholders the opportunity to participate in the decision-making of the Company and have their votes recorded in proportion to the number of shares they hold. This includes those who are not able to attend the AGM in person but who have appointed proxies. The results of the poll votes will be announced to the London Stock Exchange and published on the Company's website as soon as possible after the AGM.
12. As at 21 April 2021 (being the last practicable date, prior to the publication of this Notice) the Company's issued share capital consists of 15,963,039 ordinary shares of 0.125 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 21 April 2021 are 15,963,039.
13. In accordance with section 311A of the Companies Act 2006, a copy of this Notice details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice can be found on the Company's website www.zincmedia.com.

Notice of Annual General Meeting *(continued)*

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 9 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 10 to 12 are proposed as special resolutions. This means that for these resolutions to be passed, at least three-quarters of the votes cast must be in favour of each of them respectively.

Resolution 1 (annual report and accounts)

The directors of the Company must present to the meeting the audited financial statements for the year to 31 December 2020, and the directors reports and the auditors' report on those financial statements.

Resolutions 2 and 3 (appointment and remuneration of auditors)

The Company is required to appoint auditors at each general meeting at which accounts are presented to shareholders to hold office until the conclusion of the next such meeting. Resolution 2 seeks shareholder approval to reappoint RSM UK Audit LLP as auditors to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.

Resolution 3 seeks authority for the Company's directors to fix the auditors' remuneration. In accordance with best practice in corporate governance, separate authorities are being sought to appoint the auditors and to fix their remuneration.

Resolutions 4 to 8 (re-election of Directors)

Resolutions 4 to 8 inclusive deal with the re-election of the directors.

In keeping with the Board's aim of following best corporate governance practice, each of Mark David Browning, Will Sawyer, Andrew Sheldon Garard, Christopher James Satterthwaite and Nicholas James Taylor are standing for re-election by the shareholders at this year's Annual General Meeting.

Biographical information for each of the directors is shown on page 24 of the annual report and accounts.

The Board of directors believes that each of the directors standing for re-election has considerable and wide-ranging experience, which will be invaluable to the Company. Each of the directors has given an assurance to the Board of directors that they remain committed to their role and will ensure that they devote sufficient time to it, including attendance at board of directors and committee meetings.

Resolution 9 (authority to allot)

Under section 549 of the Companies Act 2006, the directors are prevented, subject to certain exceptions, from allotting

shares in the Company or granting rights to subscribe for, or convert any security into, shares in the Company, without the authority of the shareholders in general meeting. In accordance with institutional investor guidelines, resolution 9 is proposed as an ordinary resolution to authorise the directors to allot shares, or to grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal value of £6,651.27 such amount representing approximately one third of the ordinary share capital of the Company in issue as at 21 April 2021 (being the last practicable date prior to the publication of this Notice). Additionally, and in accordance with institutional investor guidelines, resolution 9 will also allow directors to allot further shares in the Company, in connection with a pre-emptive offer by way of a rights issue, up to an aggregate nominal amount of £6,651.27, again representing approximately one third of the ordinary share capital of the Company in issue as at 21 April 2021 (being the last practicable date prior to the publication of this Notice).

The directors' authority under Resolution 9 will expire at the conclusion of the next annual general meeting or 26 August 2022, whichever is the earlier.

The directors have no immediate plans to make use of this authority except in relation to, or in connection with, the exercise of options or the remuneration of executives. As at the date of this Notice, the Company does not hold any ordinary shares in the capital of the Company in treasury.

Resolutions 10 and 11 (statutory pre-emption rights)

Under section 561(1) of the Companies Act 2006, subject to certain exemptions, when new shares are allotted or treasury shares are sold for cash, they must first be offered to existing shareholders pro rata to their holdings. Resolution 10 seeks shareholders' approval to allot shares of the Company in connection with an issue or offer by way of rights or other pre-emptive offer.

In addition, there may be circumstances when the directors consider it in the best interests of the Company to allot shares or to sell treasury shares for cash on a non pre-emptive basis and accordingly Resolution 11 is to authorise the directors to allot shares or to sell treasury shares for cash up to an aggregate nominal value of £997.69, representing approximately 5% of the ordinary share capital in issue as at 21 April 2021 (being the last practicable date prior to the publication of this Notice) as if the pre-emption rights of section 561(1) did not apply.

Under Resolution 11, it is proposed that the Company's directors be authorised to disapply statutory pre-emption rights in respect of an additional 5% of the Company's issued share capital (as at 21 April 2021 (being the last practicable date before publication of this Notice)). The Company's directors consider that proposing this resolution is appropriate for the Company's circumstances and, in accordance with the Pre-Emption Group's Principles, the Company's directors

confirm that the authority will be used only in connection with an acquisition or specified capital investment that is announced contemporaneously with the issue, or that has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

If passed, the authorities in Resolutions 10 and 11 will expire at the conclusion of the next annual general meeting or 26 August 2022, whichever is the earlier.

Before any exercise of the authority sought under Resolutions 10 and 11, the Company would consult its Nominated Advisor regarding the terms and conditions of any issue.

The Company's directors confirm that it is their intention to follow the best practice set out in the Pre-emption Group's Principles which provides that these authorities should not be relied on to allot more than 7.5% of a company's issued share capital on a non-pre-emptive basis in any rolling three-year period without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to above.

Resolution 12 (authority for market purchases of own shares)

This resolution renews the Company's current authority to make limited market purchases of the Company's ordinary shares. The authority is limited to a maximum aggregate number of 1,596,304 ordinary shares (representing 10% of the issued ordinary shares as at 21 April 2021 (being the last practicable date prior to the publication of this Notice)) and sets out the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this resolution will expire at the conclusion of the Company's next annual general meeting or on 26 August 2022, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange.

Pursuant to the Companies Act 2006, companies are allowed to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. The directors may use the authority to purchase shares and hold them in treasury (and subsequently sell or transfer them out of treasury as permitted in accordance with legislation) rather than cancel them, subject to institutional guidelines applicable at the time.

If passed the directors have no present intention of exercising the authority to purchase the Company's ordinary shares. The directors would only purchase shares if, in their opinion, the expected effect would be to result in an increase in earnings per ordinary share or net asset value and would benefit shareholders generally.



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