media group plc

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED **30 JUNE 2017**

'**Inside Obama's White House**' for BBC, Al Jazeera America and Arte France. Photo credit: Pete Souza/White House

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Company no SC075133

Overview and Financial Highlights

We are a leading TV and multimedia content producer. We bring insight and clever strategic thought together with compelling ideas and stories, combining these with top creative and technical skills.

Financial performance

- Group revenues from continuing operations of £19.76m (2016: £22.62m)
- Adjusted EBITDA* profit of £0.44m (2016: loss of £0.43m)
- Operating loss for the year of £0.03m (2016: loss of £3.75m)
- Basic loss per share from continuing activities 0.01p (2016: loss per share 0.91p)
- Total assets £12.55m (2016: £15.23m)
- Cash of £2.97m (2016: £3.54m) and net debt at £0.40m (2016: net cash £0.76m)
- £1.27m fundraising and debt restructuring carried out during the year

* Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items.

Operational highlights

- Restructuring completed, with profitability at adjusted EBITDA level achieved for the first time in several years; growth in revenues and increased profitability is now the objective
- Company renamed Zinc Media Group plc during the year, representing a break from the past and a new strategy and rejuvenated business model
- Decisive action taken to return the Group to profitability at adjusted EBITDA level with a significantly simplified product offering
- Majority of the Group's loss-making publishing business now exited; all remaining divisions are now expected to operate profitably
- Main focus of the Group now on its award winning TV division, with a complementary digital communications business alongside
- Strategy is to become one of the UK's leading independent factual TV producers, with both an organic growth strategy and acquisitions
- Senior management team in TV division strengthened during the year with several senior hires to position the division for growth and to satisfy the demands of a fast changing landscape
- Strategic shift in TV programming, with a move towards higher value series for international broadcasters
- Successful year for the digital communications division with improved level of profitability, continuing to serve a blue chip client roster with an increased suite of products, including short form video
- Strong order book in the TV division, 76 per cent higher at year end than the previous financial year

Outlook

The level of activity in the TV division is higher than in previous years at this stage in the financial year, with the current TV commissioned order book at £8.00m, circa 35 per cent of budgeted TV revenues for the year. This gives us a basis for confidence in the outlook for the full year, given the strong development slate and multiple programme ideas which are at an advanced stage with commissioners.

The Group's focus over the coming months will be to ensure that there is a spread of production work across the different TV divisions. Our overriding aim is to secure bigger budget, long-running series and formats; but at the same time, we are mindful of ensuring that there is also a mix of fast turnaround 'one-offs' that can help to smooth out the peaks and troughs of the sales process in winning the bigger budget commissions.

The Digital and Publishing divisions continue to trade in line with management expectations.

We remain committed to our growth strategy, both organically through the hiring of new executive TV talent and by seeking acquisitions of carefully selected complementary TV businesses to achieve scale in our sector of the market.

Chairman, Peter Bertram commented:

"In this transitional year, we have seen a very welcome return to profitability at the adjusted EBITDA level. The decisions taken in the last twelve months mean that the business is now well placed to grow and deliver the substantially higher profits that we know it is capable of, reflecting the high quality and well-regarded creative engine that is our business.

The TV industry is fast evolving and innovative content producers are in much demand. We believe that we have the best talent in place to be at the forefront of the changing industry and play a part in what we see as the inevitable consolidation of the independent producers into 'super indies'.

We are seeing multiple deal opportunities for consolidation and we are seeking to acquire smaller independent TV production companies that are profitable and specialise in factual programming.

We are extremely grateful to all our stakeholders, including our talented and dedicated employees, and our shareholders for their continuing support."

Chairman's Statement

The past year has been one of much change. The business has returned to profitability at an adjusted EBITDA level and we are focused on a clear strategy of growing our TV business, both organically through hiring new talent and through acquisition of carefully selected complementary TV businesses. We have invested heavily in people during the past year, as key to growth is having a team of the best talent in the industry. Where we felt we had gaps and weaknesses in the senior management team across the different TV businesses, we have recruited and reorganised to put the right structure in place.

Although we have three divisions post the restructuring, the largest segment and our primary focus is TV production, which is split across five different TV production brands. In the past year, TV accounted for 77 per cent of the business by revenue, with digital communications at 13 per cent and publishing at 10 per cent.

The continuing integration of Reef Television Limited ("Reef") has helped to scale and improve the commerciality of our TV operation and we intend it to be the first of several deals in our scale-up strategy. Reef continues to be profitable, although it did not quite reach the demanding earn-out target set for the second year of the three year earn-out. Therefore, there is no liability due to the Reef vendors in respect of the second year earn-out. Increased profitability in Reef is expected in the current financial year, which should see earn-out payments due in respect of this financial year (the third and final year of the earn-out).

The Board is pleased to report the successful restructuring of its debt obligations and an equity placing, which was completed in December 2016. We raised new funds of approximately £1.2 million (gross); £0.4 million as a new long term loan and £0.8 million through an equity placing. Furthermore, we have restructured the repayment dates on all of the Group's short and long-term debt with a bullet payment due on 31 December 2020. This has had a significant positive effect on the working capital profile of the Group.

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

We are delighted to welcome Nicholas Taylor who joined as a new non-executive Board member in April 2017. Nicholas' experience in working with growing companies, particularly in the TMT sector, will be a valuable resource for the business.
I have been spending more time within the business on an operational basis, working closely with David Galan. David has taken on responsibility for the COO role, alongside his role as CFO. Each division and TV brand has its own managing director, so that David and myself are supported by a strong and semi-autonomous operational team. Due to his numerous other time consuming commitments in other businesses, Luke Johnson stepped down from the Board in March 2017. Luke has played a pivotal part in the Group turnaround and the rest of the Board is very grateful for his involvement and wise counsel over the last two years.

We continue to review the management function of the Group, but we are confident that the current structure is well positioned to lead the renamed Zinc Media as it moves into this new phase of growth.

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

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

Peter Bertram
Chairman

17 November 2017

Business Review

The first quarter of the year saw the final stages of the restructuring, which closed down the vast majority of the various publishing operations of the Group. With the TV production and digital communications businesses strategically housed together in the same office, and the standalone remaining publishing business based in Macclesfield, the business is in the shape we want it, to grow and prosper.

The directors believe that there is a clear opportunity for the Group to expand its position as one of the UK's leading independent television production businesses. Furthermore, there is the opportunity to capitalise on this position in the more lucrative international marketplace. The Group is known and recognised for being a leader in the production of factual television content, spanning heavily formatted daytime TV series to single high production value landmark documentaries, supplying its content to the majority of broadcasters in the UK and now also a preferred supplier to certain key international broadcasters.

We aim to grow by producing higher revenue programmes; this means focussing on securing larger budgets for higher quality productions and longer running series, which have the capacity to deliver a strong royalty stream through international distribution. We aim to grow organically, through focussing more on the Group's relationships with international broadcasters who are able to commission or co-produce higher value series and through recruiting more executive talent to push new ideas and expand our traditional content boundaries into new factual genres and formats. The directors also believe that there exists an opportunity to grow through carefully selected acquisitions. The independent television production market is consolidating as there is a drive towards scale, in what is a cyclical industry which is dependent upon a relatively small number of customers/broadcasters. Post year end, on 13 November 2017, we announced the acquisition of Tern Television Limited, which is detailed further in the post balance sheet events note 24. This is an important acquisition for our business and one that will provide us with a strong position and platform on which we can build, as we continue to expand in the industry.

The key driver of organic growth is the Group's ability to attract, grow and retain commercial and creative talent. The past year has seen a focus on senior hires in the TV division, bringing new creative talent and management into the Group. Key hires include Roy Ackerman as the new Managing Director of Films of Record and a newly created role as Director of International Strategy. His ambitions are to help grow Films of Record, whilst working with the rest of the senior management team to build on and accelerate the good work that has already started growing the Group's business in the US and the wider global market. Roy has a track record as a successful leader of three independent television companies and has had recent breakthroughs with major commissions in the US including as Managing Director at Pulse Films, where he rapidly rebooted its TV division with a slate of big commissions. Prior to that, he led the transformation of Jamie Oliver's Fresh One Productions from a celebrity vehicle into a global multi-genre independent production company, creating award-winning content in commercials, drama, factual formats and documentaries. Emma Hindley also joined as Creative Director of Brook Lapping. A former creative director at Silver River, Emma has specialised in documentaries, arts and history programmes. Her credits include: '*Great Ormond Street 2*'; '*Dancing Cheek To Cheek*'; '*Confessions*'; '*Rape: The Unspeakable Crime'* as well as '*Six Wives With Lucy Worsley*', '*Back In Time For Brixton*', '*Extraordinary Dream Homes*' and '*David Beckham: For the Love of the Game*'. Emma was previously Joint Chair of the Grierson Trust.

Our first major TV acquisition, as part of our new strategy, Reef Television, continues to perform well and to operate profitably. The integration continues and we are delighted to have Reef's management team on board playing a major role within the senior management of the Group. Reef's focus on popular factual and specialist factual programming, both for daytime and peak time viewing slots, has helped to diversify our TV business. Although Reef is operating profitably, it did not reach the challenging second year earn-out target set as part of the acquisition and therefore there is no liability payable by the Company to the Reef vendors in respect of the second year of the earn-out.

Television – delivering engaging, intelligent and entertaining content

Core television

The core television division (Blakeway, Brook Lapping and Films of Record) produced better results in comparison to a poor prior year. The highlights included very strong performances from Brook Lapping and Blakeway North. The year was impacted by significant changes made to the core TV management team: two managing directors left the Group and were replaced with an internal hire for Blakeway (Lucy van Beek) and an external hire for Films of Record (Roy Ackerman). Whilst we strongly believe these changes will drive growth and increased profitability, there was some inevitable hiatus whilst these changes were implemented. There was a mixed set of results between the brands but the core television division was profitable as a whole. The benefit of having multiple TV brands is that risk is diversified as different factual genres come in and out of favour with commissioners and individual commissioners move between channels. This underpins our belief that scale is necessary to build a consistently profitable and valuable business.

TV activity is encouraging, with a good spread of programming across the different factual television genres, including daytime and long running popular factual series. This is a positive trend away from the narrow specialisation in current affairs programming that characterised the past Ten Alps TV businesses. Current affairs programming still plays an important part in our product offering and while all core TV companies have produced either '*Panoramas*' or '*Dispatches*' during the year, it is now only one part of our business across the factual spectrum. Our ability to deliver excellence in our TV product and our journalistic integrity has meant that we are now pitching ideas and being commissioned by international broadcasters such as National Geographic, Smithsonian and HBO and, for the first time, we are in paid development for a series for A & E Networks.

Domestically, we are in strong business relationships with all the main UK broadcasters and have produced programmes this year for BBC One, Two, Three and Four, CBBC, ITV, Channel 4 and Channel 5. In line with our objectives, we have successfully focused on higher budget singles and series. Blakeway North has taken full advantage of the regional quotas now demanded by all broadcasters and won long running series from Channel 5 and Channel 4 plus high end singles from ITV. Their continuing success means they have already had 79 per cent of their FY18 budget commissioned.

We have upheld our award winning reputation across the Group. We received a BAFTA nomination for '*Inside Obama's White House*' (Brook Lapping), an RTS North West award for Blakeway North's '*1966: A Nation Remembers*' and Films of Record picked up Best Documentary Series for '*The Murder Detectives*' at the Grierson Awards. Blakeway has received two Emmy (US) Nominations for their two films on Ebola for HBO.

Our strong reputation for quality programme making and integrity has meant we have been able to attract top talent both on and off screen this past year, including award winning directors such as Kevin Sim and Ursula MacFarlane and also presenters such as Jeremy Paxman, Lucy Worsley and Stephen Hawking. In a competitive market place, the ability to attract such talent has given us an edge over rivals in winning commissions and it is a strategy that we intend to build on in the coming year.

Reef Television
Reef has achieved success this year with a multitude of titles and has managed to create new formats to help refresh its catalogue. Whilst there has been some investment in this process, we expect that these formats will ensure enduring success for the company over a number of years ahead. Key new format titles include; '*Village of the Year*', a 24-episode new series for Channel 4, '*Flying High*', a four part series for Channel 4 and '*Getting the Builders In*', a 15-episode series for BBC One.

Returning shows and one-offs have also played their part and these include a new landmark commission for BBC Music, a further series of Penelope Keith's '*Hidden Villages*' and a previously announced second series with star baker Paul Hollywood.

Reef has cemented its reputation for dealing with leading factual talent including Paul Hollywood, Penelope Keith and Lucy Worsley.

The television division as a whole delivered revenues of £15.17m (2016: £16.33m) and adjusted EBITDA of £0.41m (2016: £0.82m).

Digital Communications – creating content that counts

Zinc Communicate Limited ("Zinc Communicate"), the digital communications division of the Group, traded strongly over the past year, delivering revenues of approximately £2.57m (2016: £2.21m) and adjusted EBITDA of £0.31m (2016: £0.19m).

Zinc Communicate rebranded during the year, changing its name from Ten Alps Communicate to Zinc Communicate and in July 2017 launched a new website with a redefined focus on its credentials as a change agency. Zinc Communicate works predominantly with blue chip companies and organisations to design, create and execute change campaigns that engage, educate and activate wider audiences, pushing their clients' branded content and storytelling through digital communications and short-form film.

Zinc Communicate achieved major industry recognition during the past year, with wins at the EVCOM Screen Awards 2017, held at BAFTA where it collected gold, silver and bronze awards for Best Drama, Best Health & Safety Film, Best Direction and Best Training Film. Zinc Communicate also won a bronze award for Best Drama for 'Get Real with Money', a series of films on money management for Nationwide Building Society.

Publishing

Continuing Publishing Operations – Macclesfield based LABC contract (home and build consumer content)
The remaining publishing unit is Ten Alps Communications Limited ("Ten Alps Communications"), which is based in Macclesfield. The restructuring of Ten Alps Communications is now complete, with the business having exited many unprofitable titles and contracts; it now primarily consists of the LABC (Local Authority Building Control) publishing business, which is operating profitably. Whilst Ten Alps Communications is a non-core business of the group, we do see small scale growth opportunities for the business.

Progress is being made in securing new contract publishing clients and we are pleased to announce that we have been awarded a contract by the Royal Institute of British Architects ("RIBA") to publish certain of their annual directories. We have also secured a contract to sell trader advertising and provide content to the Planning Portal. The Planning Portal is a joint venture between the Department for Communities and Local Government and a private company which works in partnership with every local authority across England and Wales focused on providing an online portal that is intended to be the national home of planning and building regulations information and the national planning application service.

It is early days with these new clients, but we are hopeful that they will further cement the good progress made by the publishing division towards becoming a consistently profitable and cash generative business.

Revenue from continuing publishing operations for the year was £1.96m (2016: £4.00m) and adjusted EBITDA from continuing publishing operations was £0.28m (2016: loss of £0.64m).

Closed/Exited Publishing Operations

The decision taken by management during the prior financial year to exit from loss making publishing operations, rather than invest more funds and management time in continuing efforts to turn these businesses around, was implemented during the first half of the year.

Highlights of the year:

Television

Zinc Media produces television programming under the Blakeway, Brook Lapping, Films of Record and Reef TV brands:

- *'The Murder Detectives'* – a series following a real murder investigation in Bristol, won Best Documentary Series at the prestigious Grierson Awards.
- *'Spy in the IRA'* – a one hour Panorama investigation with journalist John Ware, was longlisted for Best Current Affairs in the Grierson Awards.
- *'Secrets of a Deathly Tomb'* – a landmark drama documentary on the First Emperor of China was commissioned by the BBC and National Geographic. This was one of the largest ever commissions produced by Brook Lapping and rated extremely highly both on the BBC and National Geographic. This commission highlights the success of our strategy to seek commissions from international broadcasters for higher budget productions. Blakeway and Brook Lapping are now considered preferred suppliers to National Geographic. We are now in paid development for two big follow up projects for Nat Geo.
- *'Bargain Loving Brits in the Sun'* – an eight part series for Channel 5 was commissioned as a follow up to the highly successful 20-part series Benidorm ER and has been swiftly followed by another 8 part series – 'Bargain Brits in Blackpool'.
- *'The People's Vet'* – a 20 part series commission for Blakeway North from C4 Features.
- *'Julian Clary's Greatest Ever Christmas Ads'* – a 90 minute film from Blakeway North for Channel 5.
- *'9/11 Truth, Lies and Conspiracies'* – 9pm special for ITV from Blakeway, which delivered higher than average audiences for current affairs.
- *'Inside Obama's White House'* – a four part series including an exclusive interview with President Obama, originally commissioned for BBC Two, ARTE and Al Jazeera US was rebroadcast on National Geographic in the week of the inauguration of Donald Trump and was BAFTA nominated.
- Following the success and critical acclaim of *'Inside Obama's White House'*, Norma Percy, the executive producer responsible, has secured another major documentary commission to make a three part series about Europe for the BBC and international co-production partners from around the world.
- *'The Search For a New Earth'* – a landmark space exploration 90 minute documentary special commissioned by the BBC, Smithsonian and France 5, presented by the eminent scientist Stephen Hawking, about the challenges and possibilities involved in the human race colonising the planet Mars.
- *'Diana: 7 Days that Shook the Windsors'* – 90 minute anniversary film for Channel 5 from Blakeway delivered high audiences and critical acclaim.
- *'Lord Lucan: My Husband, the Truth'* – an ITV Special commission for Brook Lapping which achieved high audiences and critical acclaim.
- 2 x 60 minute films on President Trump presented by Jeremy Paxman for BBC One through Brook Lapping delivered higher than average audiences.
- *'Origins of Violence'* – 90 minute documentary about ISIS with eminent historian Tom Holland and award winning director Kevin Sim for Channel 4, longlisted for Best Presenter and Best Documentary in the Grierson Awards.
- *'Put Your Money Where Your Mouth Is'* – series 14 delivered to BBC Daytime and new 60 minute versions played to strong audiences in peak time at 7.00pm.
- New BBC One Daytime format *'Getting the Builders In'* from Reef Television, commissioned and in production from a new regional satellite office in Bristol.
- *'West Side Stories'* broadcast on Boxing Day on BBC Two to great acclaim.
- New landmark two part opera series with Lucy Worsley commissioned by BBC Two.

Digital Communications

- *The BMW Group*
  Zinc Communicate launched the revamped BMW Group Education programme, www.bmweducation.co.uk with a suite of new digital learning resources to help teachers bring a hands-on and smarter approach to sustainability and road safety lessons.

- *Transport for London (TfL)*
  Since the launch of The Children's Traffic Club London, a bespoke multi-media cross platform resource, in September 2015, Zinc Communicate has been successful in delivering its KPI of reaching over 85 per cent of pre-school children living in Greater London.

- *Thames Water*
  Zinc Communicate created a fun and inspiring, eye catching and 'on-brand' animation to encourage and attract education practitioners to visit the Thames Water Education centre at a sewage works and ultimately to direct traffic to their website and social media sites, to gain traction with this very specific audience.

- *Centre for the Protection of National Infrastructure (CPNI)*
  The CPNI works in areas of national security and advises organisations on how to remain secure – in this instance, against the threat of terrorism. Zinc Communicate devised a drama documentary as a training film, *'Danger Home Made Explosives'* to make companies aware of the threat and to provide them with the know how to spot forged or fake ID. This film won gold awards for Best Drama and Best Health & Safety Film, silver award for Best Training Film and bronze award for Best Direction at the EVCOM event.

- *Vodafone*
  Zinc Communicate produced a short film to celebrate the 10th anniversary and highlight the success of M-Pesa – a mobile technology used throughout the developing world which allows billions of people without a bank account to pay bills, move money and get their wages via text. Vodafone used the film across social media to promote the message that their mobile technology is at the forefront of combatting financial exclusion across the world.

Publishing

- Our Macclesfield unit has completed the third year of a 5-year contract to produce planning guidelines for local authorities across the UK and sell trader advertising. The successful transition continues from print products to e-books and digital through the 'Home & Build' website, a nationwide directory of trusted (and council endorsed) tradespeople. New initiatives and revenue streams have been developed including the production of short form films for local authorities to use as informative and educational tools to raise awareness around building control and planning permission issues.

Financial Review

The main focus of the Group is now television production and facilitating organic and acquisitive growth. With the restructuring behind us all the remaining units are operating profitably. The challenge now is to drive margin improvements throughout the business, and particularly within the core TV unit.

Revenue from continuing operations for the year was £19.76m (2016: £22.62m) and gross profit was £6.31m (2016: £6.39m). The main variance in revenues (from continuing operations) was in the Group's publishing division, which saw a decrease of 49 per cent or £2.04m year on year. This was predominantly due to the remaining Macclesfield publishing unit withdrawing from the vast majority of its contract publishing titles and owned titles to focus on the LABC contract. TV revenues were down £1.16m, 7 per cent, reflecting lower revenues mainly in Reef. However, the prior year represented exceptional performance by Reef and was therefore a tough comparator. Zinc Communicate achieved an increase in revenue of 16 per cent to £2.57m compared to £2.21m.

Gross margin increased from 28 per cent to 32 per cent in the year, with operating expenses representing 30 per cent of revenues, consistent with FY16. The increase in gross margin was a consequence of the completion of the significant restructuring undertaken by the Group over the prior year resulting in each division trading profitably.

Adjusted EBITDA was £0.44m (2016: loss of £0.43m), representing a return to profit after several years of losses. Operating loss decreased significantly to £0.03m (2016: £3.75m) after depreciation and amortisation of £0.52m (2016: £3.28), primarily relating to the amortisation of intangible assets in Reef. Exceptional items include an impairment charge of £1.00m relating to the impairment of the carrying value of goodwill in respect of Reef as a result of the lower level of profitability of Reef compared to the prior year. Within exceptional items there is a £1.30m credit relating to the change in fair value of contingent consideration payable to the Reef selling shareholders due to the second year earn-out not being payable and a reduction in the fair value of the third year contingent earn-out liability as well. The taxation credit of £0.25m (2016: taxation charge of £0.05m) arose due to movements in deferred taxation.

Discontinued operations relate to Ten Alps Media and the parts of the remaining publishing company (Ten Alps Communications Limited) which were closed down. The Board attempted to sell Ten Alps Media, but a successful outcome was ultimately not achieved and the company was placed into creditor's voluntary liquidation in August 2016. Therefore Ten Alps Media is accounted for as a discontinued operation.

The Board does not recommend the payment of a dividend for FY17 (2016: Nil).

Earnings per share

Basic and diluted loss per share from continuing and discontinued operations in the year was 0.01p on both measures (2016: loss per share of 0.91p and 0.65p respectively). These measures were calculated on the losses for the year from continuing and discontinued operations attributable to Zinc Media Group shareholders of £0.07m and £0.04m respectively (2016: loss of £3.71m and £2.66m respectively) divided by the weighted average number of shares in issue during the year being 544,171,445 (2016: 406,760,864).

Statement of Financial Position

Assets

The Group's non-current assets comprise goodwill and intangibles of £5.91m (2016: £7.33m), the reduction reflecting amortisation and the impairment of the carrying value of goodwill in Reef, which was impaired by £1.0m. Non-current assets also comprise property and plant and equipment of £0.23m (2016: £0.21m).

Inventories have remained static at £0.21m (2016: £0.20m) now reflecting the low level of inventories that the Group holds due to the much smaller size of the publishing business. Trade receivables have reduced by nearly £1m to £1.33m (2016: £2.34m), again due to the change in mix of the business to a focus on TV. Debt collection in publishing tends to be far slower than in the TV business, with publishing characterised by lots of small clients, whilst the TV business has far fewer clients, primarily blue chip broadcasters from whom cash collection is relatively straight forward. Other receivables have increased to £1.90m (2016: £1.36m) reflecting an increase in accrued income in the year.

The Group had a cash balance of £2.97m as at 30 June 2017 (2016: £3.54m). The balance reflects the financing activities during the year, the cash payment made during the year to satisfy the first year Reef earn-out payment and the impact of a reduction in trade creditors.

Total assets for the Group were £12.55m (2016: £15.23m).

Equity and Liabilities

Retained losses as at 30 June 2017 were £30.93m (2016: £30.55m) and total shareholders' equity at that date was £3.00m (2016: deficit of £1.65m).

In November 2016 the Company raised £0.84m by way of a placing of 111,711,471 new ordinary shares at 0.75 pence per share (before expenses) with certain institutional and other investors. The Company also secured a long term loan of £0.43m. The Company also issued 66,666,667 new ordinary shares to the Reef sellers in line with the terms of the deferred consideration due under the Reef share purchase agreement, which was entered into in June 2015. 10,666,667 settlement shares were also issued to the former CEO and 11,333,334 new ordinary shares were issued in lieu of fees. The Company also carried out a debt variation through the amendment of the repayment dates of all the short and long term debt; the repayment is now a single lump sum (of both principal and interest) due to be repaid on 31 December 2020.

Current liabilities consisting of trade and other payables and taxation have reduced significantly, with a decrease of £4.09m to £5.48m (2016: £9.57m). The decrease reflects a fall of £0.78m in trade payables, the payment during the year of £1m in respect of deferred consideration payable to the Reef sellers for the first year earn-out and lower levels of social security and taxes owing at period end. Deferred income has also decreased to £0.84m (2016: £1.31m).

Cash flows

The Group used cash of £1.25m in the year (2016: £3.38m) in its operations. The net movement in the year was a decrease in cash of £0.54m (2016: increase of £1.62m) after financing activity cash inflow of £1.17m (2016: £5.13m) and cash used in investing activities of £0.46m (2016: £0.13m).

Post Balance Sheet Events

Acquisition of Tern Television, Placing and Conversion of Preference Shares

The Company announced in October 2017 that it had entered into an agreement to acquire Tern Television Limited ("Tern"), a leading regional television production company with production bases in Scotland and Northern Ireland, for total consideration of up to £5.45 million and had placed 389,603,280 new ordinary shares at 0.9 pence per share with certain of the Company's shareholders and new investors. The placing raised gross proceeds for the Company of £3.5 million. The consideration for the Acquisition comprises an initial consideration of £2.35 million in cash (which comprises £1.25 million plus £1.1 million for the surplus cash remaining in Tern) and £0.75 million satisfied by the issue of the consideration shares and earnout consideration of up to £2.35 million. The proceeds of the placing will be used principally to finance the initial cash consideration due in respect of the acquisition and provide additional growth capital for the enlarged business. The issue of the placing shares was conditional, upon shareholder approval and was approved at a general meeting of the Company on 13 November 2017. Management are in the process of assessing the fair value of the assets and liabilities acquired in respect of Tern and will update in this respect in due course.

In conjunction with the placing, Herald Investment Trust plc and the John Booth Charitable Foundation ("JBCF"), holders of the Company's preference shares, converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that the combined current holding of ordinary shares of approximately 40 per cent of the issued ordinary share capital in the Company was maintained. The preference share conversions by Herald Investment Trust plc and JBCF constituted related party transactions by virtue of their substantial shareholdings in the Company. The issue of placing shares to Artemis Alpha Trust plc constituted a related party transaction by virtue of their substantial shareholding in the Company.

Strategic report

The Directors of the Company and its subsidiary undertakings (which together comprise "the Group") present their Strategic Report for the year ended 30 June 2017.

This report is a key component of the annual report and accounts which provides an opportunity for the directors to communicate our strategy and goals (**Our Strategy**), the measures we use to determine how well the business is performing (**Key Performance Indicators**) and the principal risks (**Principal Risks**) faced by the business which could prevent these goals being achieved.

We also provide an overview of how our business is structured. The business and financial review, which forms a component of the Strategic Report can be found on pages 4 to 9.

Our Strategy and Business – *storytelling through compelling content*

Our strategy is to create the UK's leading independent television production business, specialising in factual programming genres. We are also active through our communications division in the digital content market.

The Group has three business divisions: Television, Digital Communications and Publishing.

TV production is under five brands: Reef TV, Blakeway, Blakeway North, Brook Lapping and Films of Record. Our strengths are in factual programming, where we are one of the UK's market leaders. We are active across the different factual programming genres, including current affairs, specialist factual, popular factual and documentaries. Reef TV is strong in daytime TV, producing a number of long-running popular factual series. The acquisition of Reef TV has helped to create an 'indie' television business with suitable scale. The ambition is to pitch for larger-budget, repeatable series across serious factual and factual entertainment programming. Another objective is to increase significantly non-UK revenues through co-production partnerships and a drive to sell series and formats into other major markets, including the US.

The Digital Communications division, which trades as Zinc Communicate, manages a digital, cross-platform education programme for Transport for London (The Children's Traffic Club) and educational websites for Siemens, BMW, Nationwide, AstraZeneca and other major organisations. The aim is to make the Group a bigger player in the fast-growing corporate and commercial market for high-quality digital content. It intends to expand into content marketing, brand building and corporate communications, targeting large-scale international organisations seeking high-quality content and editorial production.

The Publishing division is now based in Macclesfield only and concentrates primarily on one contract in the home and build sector for LABC (Local Authority Building Control, a not for profit membership organisation that represents all local authority building control teams in England and Wales).

The Board aims to focus the Group on growing revenues primarily in the expanding, high-margin television and digital content markets. As well as bringing in the commercial and creative talent needed to drive organic growth, the Group will continue to review further opportunities for growth through strategic acquisitions, where it sees relevant opportunities at acceptable valuations.

Key performance indicators (KPIs)

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

- Sales, sales conversion and sales cycle time;
- Adjusted EBITDA;
- Pipeline and order book growth;
- Programme profitability and performance against budgets;
- Audience and market response to programming content (viewing ratings, industry awards etc); and
- Customer feedback.

Whilst revenues decreased during the year to £19.76m from £22.62m in the prior year, this is reflective of the decision to withdraw from the majority of the publishing operations of the Group. Adjusted EBITDA profitability of £0.44m was achieved (2016: EBITDA loss of £0.43m) which represents a significant improvement. The order book in the TV division was 76 per cent higher at year end than the previous financial year. Reference is made in the Business Review on page 4 to the continued industry recognition and numerous awards that the TV division has received during the past year. Viewer figures and television ratings are constantly monitored by management.

Risks and uncertainties

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 TV, Publishing and Communication 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 factual media content we produce and manage will further mitigate these risks.

Key customers and potential impact on Group cashflows

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. The business plan produced by management assumes new and continuing revenue from such key customers. In the event that existing contracts were terminated or new revenue streams were to fail to materialise, this could affect the projected growth of the Group.

The significance of this concentration, the revenue profile of the Group and the nature of the projects, particularly in the TV and Communications divisions, means that any delay in commissions, which may or may not be in the control of the Group, could have a material impact on revenue, forecasting and cash flow. We seek to mitigate this by establishing good relations with clients, enhancing our reputation for delivery and quality of creative output.

Royalty income

Across the TV industry royalty income can be a significant profit generator for the intellectual property holder. This income can vary in amounts, be difficult to forecast, require continuous monitoring and upgrading with new products to maintain a steady stream of income. There is a risk that the development of new programmes and formats will not generate the same level of income in the future, as is derived from current products in the portfolio. To mitigate this risk the Group invests in the development of new ideas and intellectual property assets that will, hopefully, be attractive to its client base.

Key relationships

The TV businesses rely on the strong relationships that their key employees have established with broadcasting clients. The loss of one or more of these key business relationships may have a material adverse effect on the Group's revenues. Furthermore, the loss of key management or other key personnel, particularly to competitors, and, as a consequence, the loss of these key relationships, could have adverse consequences for the Group. Again, we seek to mitigate this by continually fostering strong relationships with key clients.

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. Furthermore, the Group's ability to manage its financing and development activities will depend in large part on the efforts of these individuals.

Key staff are incentivised through a mixture of sales commissions, profit related bonuses and participation in employee share incentive plans. However should the Group be unable to attract new employees or retain existing employees this could have a material adverse effect on the Group's ability to grow or maintain its business.

Terms of trade

The Group's TV division trades with UK broadcasters who are bound by the Terms of Trade of the Code of Practice introduced under the 2003 Communications Act. Due to recent consolidation of the UK TV independent sector, the Directors expect that certain broadcasters will lobby OFCOM for these Terms of Trade to be renegotiated in the coming years, one potential consequence of which being that the current position relating to intellectual property rights may change. There is, therefore, a risk that the share of revenue generated from intellectual property rights which the Group is currently entitled to could be reduced in the future, which could have a subsequent impact on the financial performance of the Group. Our individual TV subsidiaries are all members of the Producers Association of Cinema and Television (PACT), a trade body that lobbies to secure the best possible regulatory and legislative environment for the independent production sector and defend their members' position, particularly in respect of any changes to these Terms of Trade.

International sales, geographic expansion and foreign exchange risk

The Group intends to increase sales in new and existing overseas markets. This inevitably brings risk such as capacity, managerial, operational and financial issues. The ability to manage future growth will depend on the Group's ability to implement and manage these issues efficiently and adequately. Geographic expansion, which may be a potential strategy the Group could deploy, brings with it economic, foreign exchange, legislative and political risks. All these factors and risks may affect the Group's ability to grow and expand and could therefore reduce revenues, cashflows and profitability in the future.

Risks and uncertainties (continued)

Technology

The creative industry and in particular the media industry is experiencing a fundamental technology change, the so called 'digital revolution'. As a consequence, the market is evolving rapidly and constantly and there is an ongoing challenge for the Group to anticipate accurately and respond strategically to all technology advancements in a timely and effective manner. There is a risk that product development could fail to meet market expectations.

The Group may not be able fully to realise the benefits of recent and future acquisitions

The Group's success will partially depend upon the Directors' ability to integrate recent and future acquisitions without significant disruption. This integration process may divert management's attention from the ordinary course of operation of the business and raise unexpected issues and may take longer or prove more costly than anticipated.

Although the Directors believe that such disruption is unlikely, issues may come to light during the course of integrations that may have an adverse effect on the financial condition and results of operations of the Group. There is no assurance that the Group will realise the potential benefits of acquisitions including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated). If the Group is unable to integrate acquisitions successfully then this could have a significant negative impact on the results of operations and/or financial condition of the Group. There is no certainty that customers of Zinc Media 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 in the event that strategic decisions taken by the Directors after completion of the acquisitions cause customers to terminate contractual relations.

An effective acquisition strategy will be a key plank to deliver the Group's anticipated growth and profitability aspirations. 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.

To mitigate these risks the Group follows:

- A tried and tested procedure for integrating acquisitions
- 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

Market and competition

The Group will operate in highly competitive markets which are rapidly evolving and adapting, in particular due to factors such as consumer tastes, trends and technology advancements, and which may become more competitive. 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. Furthermore, due to the increased level of opportunities for independent television producers, in particular in light of the anticipated change in policy by the BBC in relation to commissioning quotas, this may result in an increased number of competitors entering the market, and there can be no guarantee that the Group's competitors will not develop similar or superior commission proposals which may render the Group uncompetitive.

By order of the Board

Peter Bertram
Chairman

David Galan
Chief Operating and Financial Officer

Corporate governance

The Board

The Company is controlled through a Board of Directors, comprising a Chairman, one executive director and two non-executive directors. Short biographies of each director are below and set out on http://zincmedia.com/investors/governance/.

Chairman: Peter Bertram

Peter was Senior Independent Non-executive Director of Microgen plc. He was also previously Chairman of Alphameric plc, AttentiV Systems Group plc and Phoenix IT Group plc and also a Non-executive director of Anite plc and Psion plc. Peter was chief executive of Azlan Group plc from 1998 until its takeover in 2003. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Chief Operating and Financial Officer: David Galan

David joined the Group in January 2016. David has board level experience across several industries, both as a CFO and COO, having previously held board positions both in the manufacturing industry and in the early stage technology sector. David started his career as a chartered accountant with Arthur Andersen in London, and then went on to work in investment banking with Teather & Greenwood, specialising in corporate finance, particularly focussing on small cap IPOs and M&A.

Non-Executive Director: Jonathan Goodwin

Jonathan Goodwin founded Lepe Partners in 2011. Lepe Partners is a merchant bank created to help entrepreneurs and CEOs in the media, consumer and internet sectors grow their businesses. Prior to founding Lepe, Jonathan was CEO and Co-founder of LongAcre Partners, where he built the company into Europe's leading mid-market media corporate finance house prior to selling it to Jeffries in 2007. In 2006, Jonathan created the Founders Forum, an entrepreneurs' event held annually in London, New York, Brazil and India. In 2009, Jonathan also Co-founded PROfounders Capital, an early stage fund backed by entrepreneurs for digital entrepreneurs. Previously, Jonathan focused on the media sector at Apax Partners and later joined the MBI team of Talk Radio, backed by News Corporation and Liberty Media.

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 and non-executive chairman of Focus 4 U Ltd.

Corporate governance statement

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 recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a Company of its nature and size. The Corporate Governance Guidelines were devised by the Quoted Companies Alliance ("QCA"), in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate for many AIM companies.

The Corporate Governance Guidelines state that, "The purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The Board of Zinc Media Group plc, which is chaired 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 – 12 in the year
Peter Bertram	12
David Galan	12
Luke Johnson	8 (resigned 15 March 2017)
Jonathan Goodwin	9
Nicholas Taylor	2 (appointed 3 April 2017)

In addition, there were a number of informal meetings of the Board.

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 16 and the auditor's statement on the respective responsibilities of directors and the auditor is included within their report on pages 20-22.

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.

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.

Committees of the Board

The Board has two committees, being the Audit Committee and the Remuneration Committee.

Senior Management Team

This comprises of the Chairman and the Chief Operating and Financial Officer, together with the divisional management:

TV Division	Fiona Stourton Richard Farmbrough Roy Ackerman
Communications	Bharti Bhikha
Publishing Division	Annette Clowes

Board Committees:

Audit committee

The audit 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 also has responsibility for reviewing financial statements prior to publication. The Chief Financial Officer and other senior finance management also attend committee meetings by invitation. The Committee has unrestricted access to the Company's auditor.

The members of the Audit Committee are:

Peter Bertram (Chairman of the Audit Committee)
Jonathan Goodwin
Nicholas Taylor

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 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.

Remuneration committee

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 will also determine the allocation of share options to employees.

The members of the Remuneration Committee are:

Nicholas Taylor (Chairman of the Remuneration Committee)
Peter Bertram
Jonathan Goodwin
Luke Johnson (prior to resignation on 15 March 2017)

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. Details of the proxy votes for and against each resolution are announced after the result of the hand votes is known.

Directors' responsibilities statement

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") 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 IFRS adopted by the EU 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 company and of the profit or loss of the group for that period.

In preparing 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 IFRS as adopted by the EU and 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;

d. 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 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.

Directors' report

Results

The results for the year ended 30 June 2017 are set out on page 23.

The Group made an operating loss in the year of £0.03m from continuing operations (2016: loss of £3.75m) and a retained loss for the year after interest, taxation, discontinued operations and minority interests of £0.11m (2016: loss of £6.37m).

Dividends

The Directors do not recommend the payment of a dividend for the year (2016: Nil).

Directors and their interests

The Directors who served during the year were as follows:

Peter Bertram
David Galan
Jonathan Goodwin
Nicholas Taylor*
Luke Johnson**

* Nicholas Taylor was appointed to the Board on 3 April 2017

** Luke Johnson resigned on 15 March 2017

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 year ends:

		Ordinary shares of 0.00025p each	
	Nature of interest	1 July 2016	**30 June 2017**
Peter Bertram	Beneficial	2,781,250	**2,781,250**
David Galan	Beneficial	—	**1,874,767**
Jonathan Goodwin	Beneficial	12,766,660	**16,766,660**

Options over 0.00025p ordinary shares of the Company were held by the following:

	Exercise Price	As at 30 June 2016	**As at 30 June 2017**	Dates normally Exercisable
Peter Bertram	0.75p	–	**6,000,000**	2019 to 2026
	2.5p	2,250,000	**–**	2012 to 2022
	2.875p	500,000	**–**	2015 to 2025
David Galan	0.75p	–	**12,000,000**	2019 to 2026
Jonathan Goodwin	0.75p	–	**3,000,000**	2019 to 2026
	2.875p	1,000,000	**–**	2015 to 2025

The share options held as at 30 June 2016 were cancelled during the year. For further details see note 5.

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.

Substantial shareholdings

The Company has been informed of the following shareholdings on 1 November 2017 each representing 3% or more of the current issued share capital:

	No of Ordinary Shares	**%**
Herald Investment Management	208,789,565	33.69
Artemis Alpha Trust plc	80,000,000	12.91
Luke Johnson	54,000,000	8.71
Broadwalk Asset Management LLP	23,500,000	3.79
John Booth and The John Booth Charitable Foundation	39,123,760	6.31
Richard Farmbrough	35,727,046	5.76
Lucy Farmbrough	21,436,227	3.46

Directors' report (continued)

Share capital
Details of share capital are given in Note 21 to the financial statements.

Employees
The Group operates an equal opportunities employment policy. The Group's policy on recruitment, development, training and promotion includes provision to give full and fair consideration to disabled persons, having particular regard to their aptitudes and abilities.

The Group appreciates and values the input of all its employees and encourages development and training to enhance employee skills. The Group ensures that employees are aware of any important matters that may impact on the performance of the Group.

Going concern
The Group's business activities and analysis for the year are detailed in the Business Review, Financial Review and the Strategic Report on pages 4 to 12. The financial results and cash position including borrowing facilities are described in the Financial Review on pages 8 to 9 with further details in the Notes to the Accounts numbers 1.2.1, 17 and 18.

The Group will benefit from the fundraising (detailed in the Post Balance Sheet Events note 24). During the year the repayment dates of the Group's short and long term debt was amended and extended to a bullet repayment on 31 December 2020. This debt variation, together with the post year end placing of £3.5 million and acquisition of Tern Television Productions Limited, will positively impact on the financial strength of the Group. Having taken action to exit from loss making publishing divisions during the past two financial years, the Group should benefit from all divisions trading profitably during the current financial year.

The Directors believe the Group will continue to be successful in raising finance and in being able to react to any business restructuring required quickly and efficiently, although there is no assurance that it will be able to obtain adequate finance in the future.

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

Future development of the Group
Future developments and the outlook for the Group are discussed on page 2.

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 raise finance for the company's operations.

An analysis of the Group's financial assets and liabilities (excluding short term trade debtors and trade creditors), together with the associated financial risks, are set out in note 18.

The principal risks to which the business is exposed are set out below. 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 market risk, currency and cash flow interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk
Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. The company's policies for managing interest rate risk are considered along with those for managing interest rate, currency and liquidity risk and are set out in the subsections below.

Currency risk
The Group's sales are primarily invoiced in sterling and occasionally in US dollars and euros. The Directors continually monitor currency exposure.

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 17 to the financial statements.

Interest rate risk
The Group finances its operations through borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities.

Auditors
A resolution to reappoint RSM UK Audit LLP as auditor for the ensuing year will be proposed at the annual general meeting 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

The Annual General Meeting is to be held at Nplus1 Singer Advisory LLP's offices at 1 Bartholomew Lane, London EC2N 2AX at 9.30am on 15 December 2017. Notice of the meeting is set out at the end of the Report and Accounts.

In addition to the adoption of the Accounts, the reappointment of Peter Bertram and Nicholas Taylor as directors of the Company and the reappointment of the auditors, there are three other matters which will be considered at the Annual General Meeting.

The first is to give the Directors general power to allot shares up to an aggregate nominal amount of £1,699.48 (equal to approximately 50% of the issued ordinary share capital as at the date of this report).

The second is to give the Directors authority to issue shares having an aggregate nominal value of £339.90 (being 10% of the issued ordinary share capital as at the date of this report) for cash without first offering them to the existing shareholders on a pro-rata basis.

The third is to give the Directors authority to purchase some of the Company's ordinary shares in the market. No purchase would be made unless the Directors were of the opinion that it would result in an increase in earnings per share, the authority would be used with discretion and purchases would be made only from funds not required for other purposes and in the light of prevailing market conditions. The Directors would also take into account the Company's cash resources, the effect of gearing and other possible investment opportunities before deciding whether to exercise this authority.

The proposed authority will be limited by the terms of the special resolution to the purchase of up to 135,958,628 ordinary shares, which represents 10 per cent of the issued ordinary share capital as at 15 November 2017. The minimum price payable per share would be its nominal amount (this being 0.00025 pence) and the maximum price (exclusive of expenses) would be five per cent above the average of the middle market quotation of the ordinary shares, derived from the London Stock Exchange, for the five business days immediately preceding any purchase. Any such purchases would be made on the market and would be paid for out of distributable profits. Shares purchased would be cancelled. The authorised ordinary share capital figure would remain unaffected.

Details of any shares purchased pursuant to the proposed authority will be notified to a Regulatory Information Service as soon as possible and in any event by 7.30a.m. on the business day following the purchase and the Registrar of Companies will be so notified within 28 days. Details will also be included in the Company's Annual Report in respect of the financial year in which any purchases take place.

Each of these authorities will expire on the earlier of the Company's next annual general meeting or, if earlier, 15 months from the date the resolutions are passed.

By order of the Board

David Galan
Company Secretary

Independent auditors' report – Consolidated and parent accounts

Opinion
We have audited the financial statements of the group and parent company ("the financial statements") for the year ended 30 June 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated statement of cash flows 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 of financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and the United Kingdom Accounting Standards including FRS 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 30 June 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 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.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud), 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill and intangible assets
Risk:
The Group has completed a number of acquisitions, the most significant of which was in relation to Reef Television Limited in July 2015. The recoverability of the goodwill arising on these acquisitions is dependent on individual businesses acquired sustaining sufficient profitability 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 a significant risk area that our audit is focused on.

Refer to note 11 to the financial statements for the disclosures relating to the goodwill and the related impairment calculations.

Our response:
Our audit procedures included testing of the discounted cash flow model, challenging the judgements and assumptions used by management in the calculation and performing sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions, in particular the inputs and methodology in determining the discount rate used to calculate the present value of projected future cash flows.

We considered the historical accuracy of key assumptions by comparing the accuracy of the previous estimates of profitability to the actual amounts realised. We assessed management's sensitivity of key assumptions, including the forecast profitability and the discount rate and 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 goodwill.

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 and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated at £178,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. The financial statements were audited on a consolidated basis using Group materiality. The scope of our audit covered 100% of both consolidated loss before tax and consolidated net assets.

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 its 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 16, 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.

Independent auditors' report – Consolidated and parent accounts (continued)

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.

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

17 November 2017

Consolidated income statement

	Notes	Year to 30 June 2017 £'000	Year to 30 June 2016 £'000
Continuing operations			
Revenue	2	**19,756**	22,622
Cost of sales	3	**(13,447)**	(16,228)
Gross Profit		**6,309**	6,394
Operating expenses	3	**(5,865)**	(6,827)
Adjusted EBITDA		**444**	(433)
Depreciation & amortisation	11 & 12	**(517)**	(3,275)
Exceptional items	6	**41**	(44)
Operating loss		**(32)**	(3,752)
Finance costs	7	**(293)**	(183)
Finance income	7	**–**	279
Loss before tax		**(325)**	(3,656)
Taxation	8	**253**	(54)
Loss for the year		**(72)**	(3,710)
Discontinued operations			
Loss for the year from discontinued operations	9	**(37)**	(2,661)
Loss for the year		**(109)**	(6,371)
Continuing operations attributable to:			
Equity holders		**(72)**	(3,710)
Discontinued operations attributable to:			
Equity holders		**(37)**	(2,661)
Retained loss for the year		**(109)**	(6,371)
Basic earnings per share			
From continuing operations	10	**(0.01)p**	(0.91)p
From discontinued operations	10	**(0.01)p**	(0.65)p
Total		**(0.02)p**	(1.56)p
Diluted earnings per share			
From continuing operations	10	**(0.01)p**	(0.91)p
From discontinued operations	10	**(0.01)p**	(0.65)p
Total		**(0.02)p**	(1.56)p

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

Consolidated statement of comprehensive income

	Year to 30 June 2017 £'000	Year to 30 June 2016 £'000
Loss for the year	**(109)**	(6,371)
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(109)**	(6,371)
Attributable to:		
Equity holders	**(109)**	(6,371)
	(109)	(6,371)

Consolidated statement of financial position

	Note	As at 30 June 2017 £'000	As at 30 June 2016 £'000
Assets			
Non-current			
Goodwill and intangible assets	11	**5,909**	7,330
Investment in associate	27	**–**	100
Property, plant and equipment	12	**231**	212
		6,140	7,642
Current assets			
Inventories	13	**208**	202
Trade and other receivables	14	**3,230**	3,698
Assets classified as held for sale		**–**	147
Cash and cash equivalents	15	**2,973**	3,537
		6,411	7,584
Total assets		**12,551**	15,226
Equity			
Called up share capital	21	**5,926**	5,925
Share premium account	21	**25,013**	22,671
Share based payment reserve	21	**47**	–
Merger reserve	21	**27**	696
Preference shares	21	**2,909**	2,909
Retained earnings	21	**(30,926)**	(30,549)
Total equity attributable to equity holders of the parent		**2,996**	1,652
Liabilities			
Non-current			
Borrowings	17	**3,375**	2,007
Other non-current liabilities	16	**700**	2,000
		4,075	4,007
Current			
Trade and other payables	16	**5,480**	8,282
Liabilities classified as held for sale		**–**	159
Current tax liabilities	8	**–**	89
Deferred tax	20	**–**	263
Borrowings	17	**–**	774
		5,480	9,567
Total equity and liabilities		**12,551**	15,226

The consolidated financial statements were authorised for issue and approved by the Board on 17 November 2017 and are signed on its behalf by David Galan

Company registration number: SC075133

Consolidated statement of cash flows

	Note	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Cash flows from operating activities			
Loss for the year		**(109)**	(6,371)
Adjustments for:			
Taxation	8	**(253)**	192
Depreciation	12	**96**	94
Amortisation and impairment of intangibles	11	**1,421**	4,806
Finance costs	7	**293**	183
Finance income	7	**–**	(279)
Share based payment charge		**32**	–
Gain on revaluation of deferred contingent consideration		**(1,300)**	–
Gain on disposal of assets		**(43)**	(40)
		137	(1,415)
(Increase)/decrease in inventories		**(6)**	780
Decrease in trade and other receivables		**415**	1,080
Decrease in trade and other payables		**(1,759)**	(3,713)
Cash used in operations		**(1,213)**	(3,268)
Finance costs paid		**(1)**	(75)
Tax paid		**(33)**	(40)
Net cash flows used in operating activities		**(1,247)**	(3,383)
Investing activities			
Disposal of subsidiary undertakings, net of cash and overdrafts		**5**	19
Acquisition of subsidiary undertakings, net of cash and overdrafts		**(500)**	–
Purchase of property, plant and equipment	12	**(69)**	(89)
Proceeds on sale of property, plant and equipment		**–**	40
Disposal/(investment) in associate	27	**100**	(100)
Net cash flows used in investing activities		**(464)**	(130)
Financing activities			
Issue of ordinary share capital and preference shares		**740**	4,495
Borrowings repaid		**–**	(116)
Borrowings received		**433**	750
Net cash flows from financing activities		**1,173**	5,129
Net (decrease)/increase in cash and cash equivalents		**(538)**	1,616
Translation differences		**(26)**	7
Cash and cash equivalents at beginning of year	15	**3,537**	1,914
Cash and cash equivalents at 30 June 2017 and 2016	15	**2,973**	3,537

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 £'000
Balance at 1 July 2015	**5,534**	**15,228**	**–**	**696**	**–**	**(24,178)**	**(2,720)**
Loss and total comprehensive income for the year	–	–	–	–	–	(6,371)	(6,371)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(6,371)**	**(6,371)**
Equity-settled share-based payments	26	504	–	–	–	–	530
Shares issued	365	6,939	–	–	2,909	–	10,213
Balance at 30 June 2016	**5,925**	**22,671**	**–**	**696**	**2,909**	**(30,549)**	**1,652**
Balance at 1 July 2016	**5,925**	**22,671**	**–**	**696**	**2,909**	**(30,549)**	**1,652**
Loss and total comprehensive income for the year	–	–	–	–	–	(109)	(109)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(109)**	**(109)**
Equity-settled share-based payments	–	165	32	–	–	–	197
Transfer to share premium account (see note 21(a))	–	937	–	(669)	–	(268)	–
Tax credit relating to share option scheme	–	–	15	–	–	–	15
Shares issued	1	1,338	–	–	–	–	1,339
Expenses of issue of shares	–	(98)	–	–	–	–	(98)
Balance at 30 June 2017	**5,926**	**25,013**	**47**	**27**	**2,909**	**(30,926)**	**2,996**

Notes to the consolidated financial statements

1) Accounting policies

1.1) General information

Zinc Media Group plc and its subsidiaries (the Group) is a multi-media Group which produces high quality TV together with digital communications and publishing. The company changed its name on 15 November 2016 from Ten Alps plc to Zinc Media Group plc.

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).

These consolidated financial statements have been approved for issue by the Board of Directors on 17 November 2017.

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

1.2) Basis of preparation

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

1.2.1) Going concern

The restructuring of the business was completed during the year, with a return to profitability at the adjusted EBITDA level. Although the Group made a small loss after tax, this was £0.11 million compared with a loss after tax in the prior year of £6.37 million. During the year, the Group and company completed and implemented significant funding activities, debt refinancing and cost restructurings to mitigate this. On 27 October 2016, the Group and company announced a placing, approved by shareholders at a general meeting on 15 November 2016, of over £0.8 million, a new £0.43 million long term loan and a debt variation amending the repayment date for all of the Group and company's short and long term loans to a bullet repayment on 31 December 2020. Following these amendments, the Group and company has only long term debt with a bullet repayment on 31 December 2020 with no financial covenants. Post year end, on 13 November 2017, the Group and company also announced the acquisition of Tern and a placing to raise gross proceeds of £3.5 million. This placing will provide significant cash resources to finance the Group and company's strategic objectives.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing.

Management's strategy has been incorporated into scenario based forecasts which highlight the Group and company's need to raise additional finance and/or dispose of assets; however certain mitigating actions could be taken to manage cash resources if required. Although the Group and company's continue to be successful in raising finance as in the past, there is no assurance that it will be able to obtain adequate finance in the future.

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

1.2.2) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2017 financial statements:

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations are as follows:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments: Classification and measurement	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 2	Amendments, classification and measurement of share based payment transactions	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

In November 2009, the IASB issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual years beginning on or after 1 January 2018.

IFRS 15 is effective from 1 January 2018 and will first apply to the Group's financial reporting for year ending 30 June 2019. The impact of this standard on the Group is under review.

IFRS 16 was issued on 13 January 2016 and is effective from 1 January 2019 and will first apply to the Group's financial reporting for year ending 30 June 2020. The impact of this standard on the Group is under review.

The directors are also in the process of reviewing the impact of IFRS 2 (which will apply to the Group's financial reporting for year ending 30 June 2019) and IFRIC 23 (which will apply to the Group's financial reporting for year ending 30 June 2020) on the Group's financial statements.

1.3) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. 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 Invested, 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.

1.4) Revenue
Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable from customers, net of trade discounts, VAT, other sales related taxes. Revenue is recognised as follows:

TV
Production revenue comprises broadcaster licence fees and other pre-sales receivable for work carried out in producing television programmes. To the extent that they meet the requirements of IAS 11, certain customer-specific production contracts are reported using the percentage-of-completion method.

In this method, revenues and gains on customer-specific contracts are recognised on the basis of the stage of completion of the respective project concerned. The percentage of completion is calculated as the ratio of the contract costs incurred up until the end of the year to the total estimated project cost (cost-to-cost method). Irrespective of the extent to which a project has been completed, losses resulting from customer-specific contracts are immediately recognised in full in the year in which the loss is identified. Gross profit on production activity is recognised over the year of the production. Overspends on productions are recognised as they arise and underspends are recognised on completion of the productions.

Revenue also includes sums receivable from the exploitation of programmes in which the company owns rights and is recognised when all of the following criteria have been met:

i) an agreement has been executed by both parties;

ii) the programme is available for delivery; and

iii) the arrangements are fixed and determinable.

Net revenue from the exploitation of programme rights is recognised when receivable.

1) Accounting policies (continued)

Publishing
Revenue is recognised in the accounting year in which the goods or services are rendered by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Publishing: advertising revenue is recognised on the date publications are dispatched to customers.

Online: revenue is recognised at the point of delivery or fulfilment for single/discrete services.

When a service consists of one or more of the above named elements, the value of the service is attributed to the different elements and the revenue recognition criteria are applied to each component separately.

Digital Communications
Revenue is recognised in the accounting year in which the goods or services are rendered by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

1.5) Production costs
In the majority of cases, when the Group is commissioned to make a programme by a broadcaster, the broadcaster pays a licence fee for the programme in their own territory and the Group retains the right to exploit the programme elsewhere.

Where the licence fee exceeds the cost of production, then, due to the uncertain nature of other future revenues, the Group writes off 100% of the production cost against the licence fee income.

1.6) 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

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.

1.7) 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.

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

1.8) Leased assets
The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee.

A corresponding amount is recognised as a finance leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the year of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.9) Inventories

TV

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

Publishing

Inventories comprise cumulative costs incurred in relation to unpublished titles or events, less provision for future losses and are valued on the basis of direct costs plus attributable overheads based on a normal level of activity. No element of profit is included in the valuation of inventories.

Digital Communications

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.

1.10) Programmes in progress at year end

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 deferred income; where the sales recognised exceed sales invoiced the amounts are classified as accrued income. Where it is anticipated that a production will make a loss, the anticipated loss is provided for in full.

1.11) 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. All other individual assets or cash-generating units are tested for impairment whenever events or 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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

1.12) Cash and cash equivalents

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

1.13) 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.

1) Accounting policies (continued)

1.14) 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

Trade and other receivables

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

Financial liabilities

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 Group after deducting all of its liabilities.

Bank borrowings

Interest bearing bank loans and overdrafts 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.

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.

Trade and other payables

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

1.15) Employee benefits

Share-based payments

Under IFRS 2, all share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

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.

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.

1.16) 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.

1.17) Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement. These amounts, which comprise the post-tax profit or loss on discontinued operations and the post-tax gain resulting from the measurement and disposal of assets classified as held for sale, are further analysed in note 9. Any gain or loss arising on the disposal of subsidiaries is included within restructuring costs.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest year presented.

1.18) 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.

1.19) 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.

Impairment of goodwill

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 in order to calculate the present value of these cash flows. Actual outcomes could vary. See note 11.

Valuation of intangible assets

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly. See note 11.

Preference shares

The presentation of preference shares as either debt or equity is based on the estimated cashflows that arise from the contractual obligations set out within the preference share agreement. The preference share agreement contains an option for these shares to be converted into ordinary equity and therefore cash outflows can be avoided by conversion into ordinary equity. The determination of these cashflows is based on management estimation at the inception of the preference shares and this estimate determines the proportion of the instrument classified as debt. This estimation has been based on the contractual arrangements, the intention of both parties to the arrangement and the ability of the company to satisfy contractual obligations.

1) Accounting policies (continued)

1.20) 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; and the creation and management of websites and online TV channels. The Publishing unit (formerly B2B) includes publishing, websites, event management, video production and specialised communications services. The Digital Communications unit specialises in digital marketing services.

Each of these operating segments is managed separately as each service line requires different technologies and other 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.

2) Segmental information

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

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

	TV		**Publishing**		**Digital Communications**		**Central and plc**		**Total**	
Continuing Operations	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Revenue	**15,167**	16,330	**1,961**	4,002	**2,566**	2,212	**62**	78	**19,756**	22,622
Adjusted EBITDA	**406**	822	**276**	(643)	**314**	191	**(552)**	(803)	**444**	(433)
Depreciation	**(66)**	(52)	**(18)**	(30)	**(12)**	(9)	**–**	–	**(96)**	(91)
Amortisation	**(421)**	(407)	**–**	–	**–**	–	**–**	–	**(421)**	(407)
Exceptional items	**300**	–	**(240)**	(2,815)	**(43)**	(6)	**24**	–	**41**	(2,821)
Operating profit/(loss)	**219**	363	**18**	(3,488)	**259**	176	**(528)**	(803)	**(32)**	(3,752)
Segment Assets	**9,977**	11,437	**1,078**	2,046	**1,430**	841	**66**	756	**12,551**	15,080
Segment Liabilities	**(3,462)**	(3,222)	**(684)**	(2,085)	**(227)**	(667)	**(5,182)**	(7,387)	**(9,555)**	(13,361)
Other Segment Items:										
Expenditure on intangible assets	**–**	5,140	**–**	–	**–**	98	**–**	–	**–**	5,238
Expenditure on tangible assets	**140**	36	**–**	14	**–**	4	**2**	5	**141**	59

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

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom was £18.06m (2016: £19.56m), and the total revenue from external customers in other countries was £1.70m (2016: £3.06m).

3) Expenses by nature

	2017 £'000	2016 £'000
Cost of sales		
Direct media buying and selling costs	**–**	2,338
Production costs	**10,607**	11,581
Salary costs	**2,682**	1,769
Royalties	**117**	322
Distribution costs	**47**	165
Movement in WIP/stock	**(6)**	53
Total costs of sales	**13,447**	16,228
Operating expenses		
Salary costs	**3,605**	4,430
Leases on premises	**496**	255
Other administrative expenses	**1,790**	2,194
Foreign exchange (gain)/loss	**(26)**	(52)
Total operating expenses	**5,865**	6,827

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

	2017 £'000	2016 £'000
Statutory audit services		
Annual audit of the company and the consolidated accounts	**81**	42
Non-audit services		
Audit of subsidiary companies	**–**	49
Tax advisory services	**25**	16
Other services	**12**	–
Total	**118**	107

4) Staff costs

	2017 £'000	2016 £'000
Wages & salaries	**5,538**	5,502
Social security & other costs	**635**	575
Pension costs	**114**	123
Total	**6,287**	6,199

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

	2017	2016
TV	**98**	87
Publishing	**49**	74
Digital Communications	**21**	22
Other	**4**	4
Total	**172**	187

Notes to the consolidated financial statements (continued)

4) Staff costs (continued)

Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company for the year were £114,000 (2016: £123,000). Contributions totalling £10,000 (2016: £11,000) were payable to the scheme at the year end.

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

Directors' emoluments

				2017	2016
	Salaries and fees £'000	Benefits in kind £'000	Pension £'000	**Total £'000**	Total £'000
Executive Director					
David Galan*	140	5	17	**162**	75
Mark Wood**	–	–	–	**–**	283
Nitil Patel***	13	–	–	**13**	195
Non-Executive Directors					
Peter Bertram (Chairman)	50	–	–	**50**	50
Luke Johnson^	21	–	–	**21**	30
Jonathan Goodwin	30	–	–	**30**	30
Nicholas Taylor^^	5	–	3	**8**	–
	259	5	20	**284**	663

* The benefits in kind shown in the above table relate principally to a fully expensed medical health cover for the Executive Director and his immediate family.

** During the year, £20,000 (2016: £29,000) was paid with respect to personal pension schemes for 2 Directors (2016: 2).

** Mark Wood resigned on 30 June 2016. Under the terms of a settlement agreement the Company agreed a full and final settlement with Mark Wood of £80,000 settled through the issue of new ordinary shares, which is included in directors' emoluments in 2016.

*** Nitil Patel resigned on 26 February 2016 (although remained an employee of the Group until July 2016).

^ Luke Johnson resigned on 15 March 2017.

^^ Nicholas Taylor was appointed on 3 April 2017.

Key management personnel compensation

	2017 £'000	2016 £'000
Short term employee benefits	**288**	696
Post-employment benefits	**20**	29
Share-based payments	**12**	–
Total	**320**	725

The amount for share based payments charge (see note 5) which relates to the Directors was £11,977 (2016: £Nil).

5) Share based payments

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

	2017 £'000	2016 £'000
EMI share option scheme	**30**	–
Unapproved share option scheme	**2**	–
Total	**32**	–

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 company's schemes are normally exercisable for a ten year period. The vesting period is from the date of grant up to three years. The EMI share options and certain of the unapproved share options have performance criteria that need to be met before options.

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

Approved share option scheme

	2017		2016	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**125,000**	**0.53**	385,000	0.53
Exercised during the year	**–**	**–**	–	–
Cancelled during the year	**(125,000)**	**–**	–	–
Lapsed during the year	**–**	**–**	(260,000)	–
Outstanding at the end of the year	**–**	**–**	125,000	0.53
Exercisable at the end of the year	**–**	**–**	125,000	0.53

Unapproved share option scheme

	2017		2016	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**13,755,000**	**0.026**	17,574,000	0.048
Granted during the year	**3,000,000**	**0.0075**	2,500,000	0.02875
Cancelled during the year	**(13,755,000)**	**0.026**	(6,219,000)	0.048
Lapsed during the year	**–**	**–**	(100,000)	0.048
Outstanding at the end of the year	**3,000,000**	**0.0075**	13,755,000	0.026
Exercisable at the end of the year	**–**	**–**	11,255,000	0.026

EMI share option scheme

	2017		2016	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**4,000,000**	**0.02875**	–	–
Granted during the year	**60,000,000**	**0.00755**	16,500,000	0.02875
Cancelled during the year	**(4,000,000)**	**0.02875**	(12,500,000)	0.02875
Outstanding at the end of the year	**60,000,000**	**0.00755**	4,000,000	0.02875
Exercisable at the end of the year	**–**	**–**	–	–

The options outstanding as at 30 June 2017 have the following exercise prices and expire in the following financial years:

Expiry	**Exercise Price £**	**2017 No**	2016 No
May 2022	**0.025**	**–**	11,255,000
October 2025	**0.02875**	**–**	6,500,000
December 2026	**0.0075**	**60,000,000**	–
June 2027	**0.0085**	**3,000,000**	–
		63,000,000	17,755,000

No options were exercised during the year (2016: Nil).

5) Share based payments (continued)

Options are exercisable at a price equal to the market price of the Group's shares on the day immediately prior to the date of the grant. Options are forfeited 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 Black Scholes model is used to calculate the appropriate charge for the share options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, 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. The total charge to the Consolidated Statement of Comprehensive Income for the year to 30 June 2017 was £32,613 (2016: Nil).

Options issued in December 2016

The Group issued 60,000,000 share options to three directors and various members of the senior management team in December 2016. The options are exercisable at 0.75 pence per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of the grant. Of the share options issued, 28,500,000 of them are subject to a performance condition based on the share price being in excess of 1.5 pence per share on the third anniversary of the date of grant.

The inputs into the option pricing model for the options granted in December 2016 are as follows:

Scheme	EMI	Unapproved
Weighted average share exercise price	**0.75 pence**	**0.75 pence**
Weighted average expected volatility	**86.6%**	**86.6%**
Average expected life (years)	**8 years**	**8 years**
Weighted average risk free rate	**1.2%**	**1.2%**
Expected dividend yield	**0%**	**0%**

The expected volatility was calculated using the historic volatility of the company's share price over the 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 is based on the assumption that on average, the options will be exercised evenly over their life.

Options issued in June 2017

The Group issued 3,000,000 share options to a member of the senior management team in June 2017. The options are exercisable at 0.85 pence per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of the grant. Of the share options issued, 1,500,000 of them are subject to a performance condition based on the share price being in excess of 1.5 pence per share on the third anniversary of the date of grant.

The inputs into the option pricing model for the options granted in June 2017 are as follows:

Scheme	EMI
Weighted average share exercise price	**0.85 pence**
Weighted average expected volatility	**86.6%**
Average expected life (years)	**8 years**
Weighted average risk free rate	**1.2%**
Expected dividend yield	**0%**

The expected volatility was calculated using the historic volatility of the company's share price over the 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 is based on the assumption that on average, the options will be exercised evenly over their life.

6) 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.

	2017 £'000	2016 £'000
Impairment of carrying value of goodwill in respect of Reef Television	**(1,000)**	–
Change in fair value of contingent consideration in respect of Reef Television	**1,300**	–
Reorganisation and restructuring costs	**(75)**	(44)
Other exceptional items	**(184)**	–
Total	**41**	(44)

7) Finance costs and income

	2017 £'000	2016 £'000
Finance Costs		
Interest payable on borrowings	**(293)**	(183)
Finance Costs	**(293)**	(183)
Finance Income		
Interest waived in debt restructuring	**–**	279
Net Finance Costs	**(293)**	96

8) Income tax expense

Taxation Charge

	2017 £'000	2016 £'000
Current tax expense:		
Current year before exceptional items	**(5)**	33
	(5)	33
Deferred tax		
Origination and reversal of temporary differences (see note 20)	**(233)**	12
Impact in change of corporate tax rate	**(15)**	9
	(248)	21
Total income tax expense	**(253)**	54

Reconciliation of taxation expense:

	2017 £'000	2016 £'000
Loss before tax	**(325)**	(3,656)
Taxation expense at UK corporation tax rate of 19.75% (2016: 20%)	**(64)**	(731)
Non-taxable income/non-deductible expenses	**163**	501
Utilisation of losses carried forward and temporary differences not previously recognised	**(352)**	284
Total income tax expense	**(253)**	54

9) Discontinued operations

During the year ended 30 June 2017, following the disposal in the year ended 30 June 2016 of the trade of Grove House Publishing Limited, the company was wound down and dissolved. During the year ended 30 June 2017 following an unsuccessful attempt to sell the business, Ten Alps Media Ltd was placed into creditors' voluntary liquidation. Both Grove House Publishing Limited and Ten Alps Media Ltd have been treated as discontinued operations.

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

	2017 £'000	2016 £'000
Revenue	**321**	1,766
Cost of sales	**(180)**	(1,145)
Gross Profit	**141**	621
Operating expenses	**(178)**	(1,479)
Reorganisation and restructuring costs	**–**	(40)
Depreciation	**–**	(3)
Impairment of intangible assets	**–**	(1,622)
Operating loss	**(37)**	(2,523)
Finance income	**–**	–
Loss before tax	**(37)**	(2,523)
Taxation	**–**	(138)
Loss for the year from discontinued operations	**(37)**	(2,661)

10) Earnings per share

Basic loss per share (EPS) for the year equals the loss after tax from continuing operations attributable to the Company's ordinary shareholders of £0.07 million (2016: loss of £3.71 million) divided by the weighted average number of issued ordinary shares of 544,171,445 (2016: 406,760,864).

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.

Further share issues that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of the share issues post year end are disclosed in note 24.

	2017 Number of Shares	2016 Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**544,171,445**	406,760,864
Potentially dilutive effect of share options	**11,330,279**	–

	£'000	£'000
Loss for the year from continuing operations attributable to share holders	**(72)**	(3,710)
Loss for year from discontinued operations attributable to shareholders	**(37)**	(2,661)
Continuing operations		
Basic Loss per share	**(0.01)p**	(0.91)p
Diluted Loss per share	**(0.01)p**	(0.91)p
Discontinued operations		
Basic Loss per share	**(0.01)p**	(0.65)p
Diluted Loss per share	**(0.01)p**	(0.65)p

11) Intangible assets

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Total £'000
Cost				
At 1 July 2015	25,662	3,818	171	29,651
Additions	2,288	500	2,450	5,238
At 30 June 2016	27,950	4,318	2,621	34,889
At 30 June 2017	**27,950**	**4,318**	**2,621**	**34,889**
Amortisation/impairment				
At 1 July 2015	(18,765)	(3,818)	(171)	(22,754)
Charge for the year	–	(69)	(337)	(406)
Impairment charge	(4,399)	–	–	(4,399)
At 30 June 2016	(23,164)	(3,887)	(508)	(27,559)
Charge for the year	–	(71)	(350)	(421)
Impairment charge	(1,000)	–	–	(1,000)
At 30 June 2017	**(24,164)**	**(3,958)**	**(858)**	**(28,980)**
Net Book Value				
At 30 June 2017	**3,786**	**360**	**1,763**	**5,909**
At 30 June 2016	4,786	431	2,113	7,330

Goodwill

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

Brands and customer relationships

Brand and customer relationships relate to the intangible assets arising on the acquisition of Reef Television. The intangible assets are amortised over a period of 7 years and as at 30 June 2017 there were 5 more years of useful life remaining.

Impairment tests for goodwill

The carrying amount of goodwill by operating segment is:

	2017 £'000	2016 £'000
TV	**2,801**	3,801
Digital Communications	**985**	985
Total	**3,786**	4,786

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

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

An impairment charge of £1.0m was made during the year in respect of the carrying value of goodwill relating to Reef Television.

Management has used a seven to ten year model predominately because the earnout models used on certain historic acquisitions have been based on seven year scenarios. Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to media businesses.

11) Intangible assets (continued)

In assessing the divisions the Group reviewed the management forecasts. For the television production businesses, the Group evaluated the impact of the shift in strategy towards producing higher value series and developing relationships with international broadcasters, together with the increasing impact made in the year via new executive producers and management. For Zinc Communicate, the Group's digital communications business, the Group evaluated the continued progress in delivering significant multi-year contracts to blue chip customers such as TfL and the progress made in attracting new blue chip customers, together with the expected revenues to be earned in future years through the addition of new skillsets such as short-form video production.

The financial year 2017/18 business unit forecasts are based on the individual budgets for each division. For the years following, a growth rate of 2.5 per cent. (3.0 per cent. in Reef Television) is applied to the 2017/18 forecasts on an annual basis. Management believe this rate does not exceed the growth rate of the industry and the UK economy in the long term and is a cautious assumption, which may in reality be significantly lower than the growth rate management would expect to achieve.

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

As all the segments operate in a similar media landscape the discount rate applied across to the segments for 2017 was 8.4 per cent. (2016: 6.3 per cent.). The increase reflects the relative weighting of the debt and equity valuation of the Group based on the balance sheet with the overall calculation and methodology remaining unchanged from prior years. As the equity value has increased proportionately to the debt in the year, the discount rate has increased to reflect the higher cost of equity relative to the lower debt borrowing costs. A sensitivity analysis of an increase in the discount rate by 3.6 per cent. is shown below.

TV/Digital Communications
A pre-tax discount rate of 8.4 per cent. (2016: 6.3 per cent.) has been used. The main assumptions on which the forecast cash flows were based include revenue growth and margin growth. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience. An impairment charge of £1.0m was made during the year in respect of the carrying value of goodwill relating to Reef Television.

Changes in these 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 8.4 per cent.	An increase in the discount rate to 12 per cent. will result in no impairment charge.
Growth Rate and Strategic plans	Strategic investment, restructuring and growth of owned assets assumed for 2017. A rate of 2.5 per cent. (3.0 per cent. for Reef Television) has been used for financial years 2017/18 onwards.	If a zero per cent. growth rate was applied for financial years 2018/19 onwards, Digital Communications would not be impaired.

12) Property, plant and equipment

	Short leasehold land and buildings £'000	Office and computer equipment £'000	Total £'000
Cost			
At 1 July 2015	112	1,368	1,480
Additions	25	34	59
Acquired through business combinations	129	497	626
Disposals	–	(318)	(318)
At 30 June 2016	266	1,581	1,847
Additions	38	103	141
Disposals	(13)	(165)	(178)
At 30 June 2017	**291**	**1,519**	**1,810**
Depreciation			
At 1 July 2015	(112)	(1,213)	(1,325)
Charge for the year	(14)	(77)	(91)
Acquired through business combinations	(129)	(404)	(533)
Disposals	(1)	315	314
At 30 June 2016	(256)	(1,379)	(1,635)
Charge for the year	(15)	(81)	(96)
Disposals	11	141	152
At 30 June 2017	**(260)**	**(1,319)**	**(1,579)**
Net Book Value			
At 30 June 2017	**31**	**200**	**231**
At 30 June 2016	10	202	212

13) Inventories

	2017 £'000	2016 £'000
Work in progress – Publishing	**46**	51
Work in progress – TV	**110**	97
Stock – Communicate	**52**	54
Total Inventories	**208**	202

14) Trade and other receivables

	2017 £'000	2016 £'000
Current		
Trade receivables	**1,423**	2,482
Less provision for impairment	**(97)**	(141)
Net trade receivables	**1,326**	2,341
Other receivables	**130**	54
Prepayments	**510**	322
Accrued income	**1,264**	981
Total	**3,230**	3,698

14) Trade and other receivables (continued)

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

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

Trade receivables that were past due but not impaired relating to a number of customers with no recent history of default are as follows:

	2017 £'000	2016 £'000
Not more than 3 months	**376**	406
More than 3 months but less than 1 year	**244**	175
More than 1 year	**150**	215
Total	**770**	796

15) Cash and cash equivalents

	2017 £'000	2016 £'000
Total Cash and cash equivalents	**2,973**	3,537

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).

16) Trade and other payables

	2017 £'000	2016 £'000
Current		
Trade payables	**1,205**	1,987
Other payables	**268**	602
Other taxes and social security	**692**	1,011
Accruals	**2,474**	2,377
Deferred income	**841**	1,306
Deferred consideration payable	**–**	1,000
Total	**5,480**	8,282
Non-current		
Deferred consideration payable	**700**	2,000
	700	2,000
Total	**6,180**	10,282

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

17) Borrowings and other financial liabilities

	2017 £'000	2016 £'000
Current		
Loan notes – unsecured	–	774
Sub total	–	774
Non-current		
Debt facility – unsecured	**2,532**	2,007
Loan notes – unsecured	**843**	–
Deferred consideration payable	**700**	2,000
Sub total	**4,075**	4,007
Total	**4,075**	4,781

Maturity of Financial Liabilities
The maturity of borrowings is as follows:

	2017 £'000	2016 £'000
Repayable within one year and on demand:		
Loan notes – unsecured	–	804
Trade and other payables	**1,473**	2,589
Accrued expenses	**2,474**	2,377
	3,947	5,770
Repayable between one and two years:		
Debt facility – unsecured	–	2,367
	–	2,367
Repayable between two and five years:		
Debt facility – unsecured	**2,847**	–
Loan notes – unsecured	**1,053**	–
	3,900	–
Total	**7,847**	8,137

Debt Facility
Loans totalling £2.53 million are held by Herald Investment Trust Plc, John Booth and The John Booth Charitable Foundation. 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 2020. There are no financial covenants in force in respect on this debt facility. During the year the Company received additional loans of £432,962 on the same terms as the existing debt facility and agreed a debt variation with the lenders to amend the repayment date of the debt facility from a bullet repayment on 31 December 2017 to a bullet repayment on 31 December 2020. All other terms remained unchanged.

Loan notes – unsecured
The unsecured Loan Notes of £0.84 million relates to a short term loan note issue 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 principle on 31 December 2020.

During the year the Company agreed a debt variation with the lender to amend the repayment date of the loan notes from a bullet repayment on 10 December 2016 to a bullet repayment on 31 December 2020. All other terms remain unchanged.

18) Financial instruments

Financial risk management

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources 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 raise finance for the Group's operations.

The principal financial risks faced by the Group are liquidity/funding, interest rate, foreign currency and counterparty risks. The policies and strategies for managing these risks are summarised as follows:

Risk	Potential impact	How it is managed
Liquidity	The Group's debt servicing requirements and investment strategies, along with the diverse nature of the Group's operations, means that liquidity management is recognised as an important area of focus. Liquidity issues could have a negative reputational impact, particularly with suppliers.	The Group's treasury function is principally concerned with internal funding requirements, debt servicing requirements and funding of new investment strategies. Internal funding and debt servicing requirements are monitored on a continuing basis through the Group's management reporting and forecasting. The Group also maintains a continuing dialogue with the Group's lenders as part of its information covenants. The requirements are maintained through a combination of retained earnings, asset sales or capital markets. New investments strategies are to be funded through the use of shareholder loans or where possible capital markets.
Interest rate fluctuations	The Group's exposure to interest rate risk is shown (by way of sensitivity to changes in interest rates) in the rate risk table below.	The Group's debt currently consists of variable and fixed rate debt. As at 30 June 2017 no hedging instruments were in place, but the Group actively monitors this position.
Exchange rate fluctuations	Transactional foreign currency exposures arise from both the export of services from the UK to overseas clients, and from the import of services directly sourced from overseas suppliers.	The Group is primarily exposed to foreign exchange in relation to sterling against movements in US$ and euro but is not considered by management to be significant.

Interest sensitivity analysis

The table below illustrates the estimated impact on the income statement as a result of market movements in interest rates in relation to all of the Group's financial instruments. The Group considers a 2% increase or 0.25% decrease in interest rates to be reasonably possible based on observation of current market conditions. All other variables are held constant. However, this analysis is for illustrative purposes only.

The impact in the income statement due to changes in interest rates reflects the effect on the Group's floating rate debt as at the reporting date.

	0.25% decrease in interest rates £'000	2% increase in interest rates £'000
At 30 June 2017		
Impact on income statement and equity: (loss)	6	(51)
At 30 June 2016		
Impact on income statement and equity: (loss)	5	(40)

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 17, 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 banking facilities require that management give regular consideration to the interest rate hedging strategy. The Group has complied with this during the year.

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 to have a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

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

	2017 £'000	2016 £'000
Borrowings	**(3,375)**	(2,781)
Cash and cash equivalents	**2,973**	3,537
Net Debt	**(402)**	756
Total equity	**2,996**	1,652
Net debt to equity ratio	**13%**	–46%

The increase in the Group's gearing ratio arises as a result of the additional borrowing taken on by the Group during the year as detailed in note 17.

Financial instruments by category

	2017 £'000	2016 £'000
Categories of financial assets and liabilities		
Financial assets – loans and receivables		
Trade and other receivables	**2,720**	3,376
Cash and cash equivalents	**2,973**	3,537
Financial liabilities – other financial liabilities at amortised cost		
Trade and other payables	**(3,947)**	(6,466)
Deferred consideration payable	**(350)**	(1,500)
Loans	**(3,375)**	(2,781)

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 loans and receivables 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.

19) Business combinations

Reef Television Limited

On 14 July 2015 the Group acquired 100% of the share capital of Reef Television Limited. The Group paid an initial £2.49 million cash for its 100% holding with a further £3.0 million payable via redeemable loan notes and shares on certain earn out targets being met between 2016 and 2018.

Earnout details

The earnout consists of three elements:

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

19) Business combinations (continued)

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

The Loan Note Consideration is redeemable and the Deferred Consideration is payable in three tranches of up to £0.5 million each, subject to the level of gross profitability of Reef Television for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018.

In respect of the 2016 financial year, the maximum Loan Note Consideration and Deferred Consideration payment of £1.0 million was subject to Reef Television achieving at least £1.8 million in gross profits and to be adjusted downwards thereafter on a straight-line basis to a minimum level of £1.5 million, below which point none of the first tranche of Loan Note Consideration and Deferred Consideration will be paid. The same performance metrics will apply to the second and third tranches of Loan Note Consideration and Deferred Consideration due in respect of the 30 June 2017 and 2018 financial years, with the target gross profit ranges of £2 million to £1.5 million and £2.2 million to £1.5 million, respectively.

The maximum Loan Note Consideration and Deferred Consideration payment of £1.0 million in respect of the 2016 financial year was payable as Reef Television achieved at least £1.8 million in gross profits. This was settled in November 2016 through the payment of £0.5 million in cash and through the issue of £0.5 million of Ordinary Shares.

During the 2017 financial year the minimum gross profit performance metric for Reef Television was not achieved and therefore the Loan Note Consideration and Deferred Consideration are not payable in respect of the 2017 financial year. An impairment charge of £1.0m was made during the year in respect of the carrying value of goodwill relating to Reef Television and the carrying value of the liability to the Reef Television vendors was also adjusted to nil in respect of the 2017 financial year earnout.

The Group reviewed the likely performance for Reef Television during the 2018 financial year, based on management budgets. Following this review the fair value of the earnout liability in respect of the 2018 financial year was adjusted from £1.0 million to £0.7 million.

If there is an over-achievement in the 2018 financial year the vendors will have the ability to claim back amounts not paid due to under-performance in previous years.

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

20) Deferred tax

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

	Accelerated capital allowances £'000	Losses carried forward £'000	Intangible assets £'000	Share based payments £'000	Other temporary differences £'000	Total £'000
At 30 June 2016	75	334	(590)	–	(82)	(263)
Recognised in the income statement	–	18	230			248
Recognised in statement of changes in equity	–	–	–	15	–	15
At 30 June 2017	**75**	**352**	**(360)**	**15**	**(82)**	**–**

Deferred tax assets estimated at £2.9 million (2016: deferred tax asset of £3.3 million) in respect of losses carried forward have not been recognised due to uncertainties as to whether or not income will arise against which such losses will be utilised.

21) Share capital and reserves

	2017	2016
Ordinary shares with a nominal value of:	**0.00025p**	0.1p
Authorised:		
Number	**Unlimited**	Unlimited
Issued and fully paid:		
Number	**619,775,478**	419,397,339
Nominal value (£'000)	**1.5**	419
Deferred shares with a nominal value of 1.99p		
Authorised, issued and fully paid:		
Number	**276,666,012**	276,666,012
Nominal value (£'000)	**5,506**	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	**2,908,631**	2,908,631
Paid up value (£'000)	**2,909**	2,909

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

In November 2016, at a General Meeting of the Company, shareholders approved capital restructure proposals whereby each of the existing issued shares of 0.1 pence each in the capital of the Company were subdivided and converted into one new ordinary share of 0.00025 pence and one D deferred share of 0.09975 pence.

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

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

The principal terms of the preference shares are as follows:

(a) they are convertible at 2.5 pence per ordinary share at the holder's option (which would give rise to the issue of 116,345,240 new ordinary shares if the preference shares were completed in full and no dividend had accrued);

(b) they are redeemable at the Company's option on the date falling five years after their issue;

(c) they have a dividend of 4.5 per cent per annum (which increases to 13.5 per cent per annum if they are not converted or redeemed within five years of their issue) which is payable on 31 July each year, or accrued and repayable when the preference shares are converted or redeemed; and

(d) they are freely transferable.

21) Share capital and reserves (continued)

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

	2017			2016		
Ordinary shares	**Number of Shares**	**Share Capital £'000**	**Share Premium £'000**	Number of Shares	Share capital £'000	Share premium £'000
At start of year	**419,397,339**	**419**	**22,671**	276,666,012	5,534	15,228
Nominal value transferred to deferred share capital	**–**	**(418)**	**–**	–	(5,506)	–
Share consolidation (10 for 1)	**–**	**–**	**–**	(248,999,411)	–	–
Share placing and subscription for cash	**111,711,471**	**0.28**	**838**	225,000,000	225	4,275
Deferred consideration paid in shares	**66,666,667**	**0.17**	**500**	–	–	–
Shares issued in lieu of fees	**22,000,001**	**0.050**	**165**	26,516,660	26	504
Expenses of issue of shares	**–**	**–**	**(98)**	–	–	–
Shares issued in debt conversion	**–**	**–**	**–**	140,214,078	140	2,664
Transfer to share premium account (see note 21 (a) below)	**–**	**–**	**937**	–	–	–
At end of year	**619,775,478**	**1.5**	**25,013**	419,397,339	419	22,671

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 nominal value of preference shares issued.

21(a) Movements in share premium account, merger reserve and retained earnings

In order to correct a historical difference between the consolidated group share premium account and the Zinc Media Group plc share premium account, £0.669m was released from the merger reserve into the group share premium account, following the sale of the trade of the subsidiary, Grove House Publishing Limited, and subsequent dissolution. In addition, £0.268m was also transferred from group retained earnings into the share premium account to correct a historical classification error. The result of these adjustments is that the group share premium account is now correctly stated and consistent with the Zinc Media Group plc share premium account.

22) Contingencies and commitments

Capital commitments

The Group had no capital commitments in relation to leasehold improvements to its London premises as at 30 June 2017 (2016: £89,000).

Operating leases

The future minimum rentals under non-cancellable operating leases are as follows:

	30 June 2017		30 June 2016	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**456**	**–**	43	–
Between one and five years	**805**	**–**	1,605	–
Total	**1,261**	**–**	1,648	–

On 29 July 2016, the Group entered into a new lease on its London premises. The lease is until March 2020.

23) Related party transactions

The Company has taken advantage of the exemption contained in IAS 24 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the Group.

XMA Limited

XMA Limited, a private company which Peter Bertram is a director of, was a client of a subsidiary of the Group. Services valued at £32,584 (2016: Nil). were supplied to XMA Limited at market rates.

Mark Wood

Following the resignation of the former CEO, Mark Wood on 30 June 2016, the Company entered into a settlement agreement with Mark Wood under which he was paid £80,000 (2017: Nil), satisfied through the issue of ordinary shares.

Nitil Patel

Following the resignation of the former CFO, Nitil Patel, on 26 February 2016, the Company entered into a settlement agreement with Nitil Patel under which he was paid £13,000 (2017: Nil).

Debt Variation and New Loan from Herald Investment Trust plc

In October 2016 the Company agreed a debt variation with the Herald Investment Trust plc and its associated parties (the "Debt Holders") to amend the repayment dates of both the short and long term loans to a bullet repayment on 31 December 2020. All other terms shall remain the same, including the interest rates applied to the loans. The Company also secured a further long term loan of £432,962 to be provided by the Debt Holders. The new loan will attract an interest rate of 4 per cent above monthly LIBOR and will be due on 31 December 2020. The new loan is unsecured. The total amount outstanding at 30 June 2017 including accrued interest is £3.38m.

October 2016 Placing

The Company announced in October 2016 that it had raised £837,836 through the placing of 111,711,471 new ordinary shares at a price of 0.75 pence per share. The issue of placing shares to Herald Investment Trust plc and Artemis Alpha Trust plc constitute related party transactions by virtue of their substantial shareholdings in the Company.

24) Post balance sheet events

Acquisition of Tern Television, Placing and Conversion of Preference Shares

The Company announced in October 2017 that it had entered into an agreement to acquire Tern Television Limited ("Tern"), a leading regional television production company with production bases in Scotland and Northern Ireland, for total consideration of up to £5.45 million and had placed 389,603,280 new ordinary shares at 0.9 pence per share with certain of the Company's shareholders and new investors. The placing raised gross proceeds for the Company of £3.5 million. The consideration for the Acquisition comprises an initial consideration of £2.35 million in cash (which comprises £1.25 million plus £1.1 million for the surplus cash remaining in Tern) and £0.75 million satisfied by the issue of the consideration shares and earnout consideration of up to £2.35 million. The proceeds of the placing will be used principally to finance the initial cash consideration due in respect of the acquisition and provide additional growth capital for the enlarged business. The issue of the placing shares was conditional, upon shareholder approval and was approved at a general meeting of the Company on 13 November 2017. Management are in the process of assessing the fair value of the assets and liabilities acquired in respect of Tern and will update in this respect in due course.

In conjunction with the placing, Herald Investment Trust plc and the John Booth Charitable Foundation ("JBCF"), holders of the Company's preference shares, converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that the combined current holding of ordinary shares of approximately 40 per cent of the issued ordinary share capital in the Company was maintained. The preference share conversions by Herald Investment Trust plc and JBCF constituted related party transactions by virtue of their substantial shareholdings in the Company. The issue of placing shares to Artemis Alpha Trust plc constituted a related party transaction by virtue of their substantial shareholding in the Company.

Company statement of financial position

As at 30 June 2017

	Note	30 June 2017 £'000	30 June 2017 £'000	30 June 2016 £'000	30 June 2016 £'000
Fixed assets					
Investments	27		**8,169**		9,569
Tangible assets	28		**3**		7
			8,172		9,576
Current assets					
Debtors	29	**584**		313	
Cash at bank		**4**		17	
		588		330	
Creditors					
Amounts falling due within one year	30	**(2,068)**		(3,701)	
Net current liabilities			**(1,480)**		(3,371)
Total assets less current liabilities			**6,692**		6,205
Creditors					
Amounts falling due after more than one year	31		**(4,075)**		(4,007)
Net assets			**2,617**		2,198
Capital and reserves					
Called up share capital	21		**5,926**		5,925
Preference shares	21		**2,909**		2,909
Share premium account	21		**25,013**		23,497
Capital reserve	21		**–**		111
Other reserve	21		**–**		2
Profit and loss account	21		**(31,231)**		(30,246)
Shareholders' funds			**2,617**		2,198

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 £0.99m (2016: loss £4.47m).

The financial statements were authorised for issue and approved by the Board on 17 November 2017 and are signed on its behalf by David Galan.

Company registration number: SC075133

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Capital reserve £'000	Preference shares £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2015	**5,534**	**16,054**	**111**	**–**	**2**	**(25,780)**	**(4,079)**
Loss for the year and other comprehensive income	–	–	–	–	–	(4,466)	(4,466)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(4,466)**	**(4,466)**
Equity-settled share-based payments	26	504	–	–	–	–	530
Shares issued	365	6,939	–	2,909	–	–	10,213
Balance at 30 June 2016	**5,925**	**23,497**	**111**	**2,909**	**2**	**(30,246)**	**2,198**

	Share capital £'000	Share premium £'000	Capital reserve £'000	Preference shares £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2016	**5,925**	**23,497**	**111**	**2,909**	**2**	**(30,246)**	**2,198**
Loss for the year and other comprehensive income	–	–	–	–	–	(985)	(985)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(985)**	**(985)**
Transfer on dissolution of subsidiary (See note 21(a))	–	113	(111)	–	(2)	–	–
Shares issued net of expenses	1	1,403	–	–	–	–	1,404
Balance at 30 June 2017	**5,926**	**25,013**	**–**	**2,909**	**–**	**(31,231)**	**2,617**

Notes to the company financial statements

25) 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. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

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

The group financial statements consolidate the financial statements of Zinc Media Group plc and all its subsidiary undertakings drawn up to 30 June each year. The company changed its name from Ten Alps plc on 15 November 2016.

(a) Accounting convention

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

Reduced disclosure

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group 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 for the parent company information presented within the consolidated financial statements.

The individual accounts of Zinc Media Group plc have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
- categories of financial instruments,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risks.
- share based payments
- key management personnel

The accounts are prepared under the historical cost convention.

(b) Going concern

The going concern policy is addressed in the consolidated financial statements of the Group per note 1.1.2 and in the Directors' Report on page 18.

(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) 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.

25) Accounting policies – Company (continued)

(g) Share based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

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.

(h) Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets and intangible assets 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 asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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 asset for which the estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(i) 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.

26) Employees – Company

	30 June 2017 £'000	30 June 2016 £'000
Wages and salaries	**272**	679
Social security costs	**14**	35
Other pension costs	**24**	29
Total	**310**	743
Average number of employees		
Management	**4**	4
Administration	**1**	1
Total	**5**	5

The costs related to the Directors are disclosed in note 4.

27) Investments – Company

	£'000
Total cost of acquisitions at 1 July 2016	9,569
Disposal in year	(100)
Impairment charge (see note 19)	(1,300)
Investment in subsidiaries at 30 June 2017	**8,169**

On 19 December 2016, the Company disposed of its investment in associate, Chrysalis Vision Limited, for a cash consideration of £100,000.

Following an impairment review of the Company's carrying value of investment in subsidiaries, the following impairments took place during the year:

	£'000
Impairment charge in Reef Television Limited	(1,300)
Impairment in investments at 30 June 2017	**(1,300)**

The principal subsidiaries of the Group during the year were:

	Country of incorporation, registration and operation	**Class of capital**	**% held**	**Registered office address**	**Description of activity**
Ten Alps Media Limited+++	England & Wales	Ordinary	100% Direct	^	Contract Publishing
Blakeway Productions Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Brook Lapping Productions Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Zinc Communicate Limited	England & Wales	Ordinary	100% Direct	^^	Digital Marketing
Films of Record Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Grove House Publishing Limited+	England & Wales	Ordinary & Preference	100% Indirect	^^^	B2B Publishing
Reef Television Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Straker Films Limited++	England & Wales	Ordinary	100% Indirect	^^	Video Production
Ten Alps Communications Limited	England & Wales	Ordinary	100% Direct	^^^	Contract Publishing
Ten Alps TV Limited	England & Wales	Ordinary	100% Direct	^^	TV Production

+ Subsidiary of Ten Alps Communications Limited, dissolved during the year
++ Subsidiary of Zinc Communicate Limited, dissolved post year end following a hive up of the trade and assets
+++ Ten Alps Media Limited went into liquidation on 14 September 2016
^ 1st Floor, 26-28 Bedford Row, London, England, WC1R 4HE
^^ 13th Floor, Portland House, Bressenden Place, London, SW1E 5BH
^^^ Kings House Royal Court, Brook Street, Macclesfield SK11 7AE
^^^^ 7 Exchange Crescent, Conference Square, Edinburgh, EH3 8AN

Notes to the company financial statements (continued)

27) Investments – Company (continued)

The following dormant subsidiaries were held via Ten Alps Communications Limited:

	Country of incorporation, registration and operation	Class of capital	% held	Registered office address	Description of activity
Ten Alps Vision (Edinburgh) Limited	Scotland	Ordinary & Preference	100% Direct	^^^^	Dormant
Zinc 100 Limited+	England & Wales	Ordinary	100% Direct	^^^	Dormant
Zinc 123 Limited	England & Wales	Ordinary	100% Direct	^^^	Dormant
Children's Traffic Club Limited	England & Wales	Ordinary	100% Direct	^^^	Dormant

\+ Dissolved during the year

The following dormant subsidiaries were held via Zinc Communicate Limited:

	Country of incorporation, registration and operation	Class of capital	% held	Registered office address	Description of activity
DBDA Limited	England & Wales	Ordinary	100% Direct	^^^	Dormant
Ten Alps Communicate Limited	England & Wales	Ordinary	100% Direct	^^^	Dormant

The following dormant subsidiary was held via Zinc Media Group plc:

	Country of incorporation, registration and operation	Class of capital	% held	Registered office address	Description of activity
Ten Alps RMA Limited	England & Wales	Ordinary	100% Direct	^^^	Dormant

Ten Alps RMA Limited was dissolved during the year.

28) Tangible fixed assets – Company

	Short leasehold land and buildings £'000	Office and computer equipment £'000	Total £'000
Cost			
At 1 July 2016	5	9	14
Additions	–	2	2
Disposals & retirements	(5)	–	(5)
At 30 June 2017	–	11	11
Accumulated Depreciation			
At 1 July 2016	–	(7)	(7)
Charge for year	–	(1)	(1)
At 30 June 2017	–	(8)	(8)
Net Book Value			
At 30 June 2017	**–**	**3**	**3**
At 30 June 2016	5	2	7

29) Debtors – Company

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings	**188**	69
Other debtors	**24**	13
Deferred taxation	**–**	23
Prepayments and accrued income	**372**	208
Total	**584**	313

30) Creditors: amounts falling due within one year – Company

	2017 £'000	2016 £'000
Loan notes	**–**	774
Trade creditors	**188**	213
Amounts due to subsidiary undertakings	**1,247**	1,176
Other creditors	**137**	184
Accruals and deferred income	**496**	323
Corporation tax	**–**	31
Deferred consideration payable	**–**	1,000
Total	**2,068**	3,701

31) Creditors: amounts falling due after more than one year – Company

	2017 £'000	2016 £'000
Debt facilities	**2,532**	2,007
Loan notes	**843**	–
Deferred consideration payable	**700**	2,000
Total	**4,075**	4,007

See note 17 for details of company borrowings on page 45.

32) Share capital and reserves

For details of share capital and reserves please see note 21 on page 49.

33) Related party transactions

For details of related party transactions please see note 23 on page 51.

34) Post balance sheet events

For details of post balance sheet events please see note 24 on page 56.

Notice of annual general meeting

This Notice of Meeting 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 Nplus1 Singer Advisory LLP's offices at 1 Bartholomew Lane, London EC2N 2AX at 9.30 a.m. on Friday 15th December 2017 to transact the following business. Resolutions 1 to 6 inclusive will be proposed as ordinary resolutions. Resolutions 7 and 8 will be proposed as special resolutions:

1. THAT the Company's audited financial statements for the year to 30 June 2017, and the Strategic and Directors' report 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 until the conclusion of the next general meeting at which accounts are laid before the Company.
3. THAT the directors be authorised to determine the auditors' remuneration.
4. THAT Peter Bertram be reappointed as a director of the Company.
5. THAT Nicholas Taylor be reappointed as a director of the Company.
6. 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**") of up to maximum nominal value of £1,699.48 (equal to approximately 50% of the issued ordinary share capital as at the date of this notice) 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, 15 months from the date this resolution is passed, 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.
7. THAT conditional upon and subject to the passing of resolution 6 above, the 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 6 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 0.00025p 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 in connection with or pursuant to the terms of warrants to subscribe for equity securities or any share option scheme or plan or any long term incentive scheme or plan or any plan or option scheme in respect of Ordinary Shares for employees and directors of the Company approved by the Company in general meeting whether before or after the date of this resolution; and/or

    (c) the allotment (otherwise pursuant to subparagraph (a) or (b) of this resolution) of equity securities up to an aggregate nominal value of £339.90 (being approximately 10% of the issued ordinary share capital as at the date of the notice of this resolution),

    such authority to expire at the conclusion of the Company's next annual general meeting or, if earlier, 15 months from the date this resolution is passed, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry date and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution had expired.

8. 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 provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 135,958,628 (representing approximately 10% of the Company's issued Ordinary Share capital as at 14 November 2017);

(b) the minimum price which may be paid for an Ordinary Share (exclusive of expenses) shall be 0.00025 pence per Ordinary Share;

(c) the maximum price which may be paid for an Ordinary Share (exclusive of expenses) shall not be more than the higher of:

i. 105% of the average of the middle market closing price for an Ordinary Share taken 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 value of an Ordinary Share calculated on the basis of the higher of:

a. the last independent trade of; or

b. the highest current independent bid for,

any number of Ordinary Shares on the trading venue where the market purchase by the Company will be 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, 15 months from the date this resolution is passed; and

(e) the Company may make a contract 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.

By order of the Board

David Galan
Secretary

Date: 17 November 2017

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

Notes:

1. A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
2. To be valid, a Form of Proxy must be completed and any power of attorney or other authority under which it is executed (or a duly certified copy thereof) must be received by the Company's Registrar (Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF) not less than 48 hours before the time for holding the meeting. Completion and return of a Form of Proxy will not preclude a shareholder subsequently from personally attending and voting at the AGM (in substitution for their proxy vote) if the shareholder decides to do so.
3. The Form of Proxy must be executed by or on behalf of the shareholder making the appointment. A corporation may execute the Form of Proxy either under its common seal or under hand of a duly authorised officer. **A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of votes 'For' and 'Against' a resolution.**
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 13 December 2017 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 13 December 2017 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 15 December 2017 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.

For your notes

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