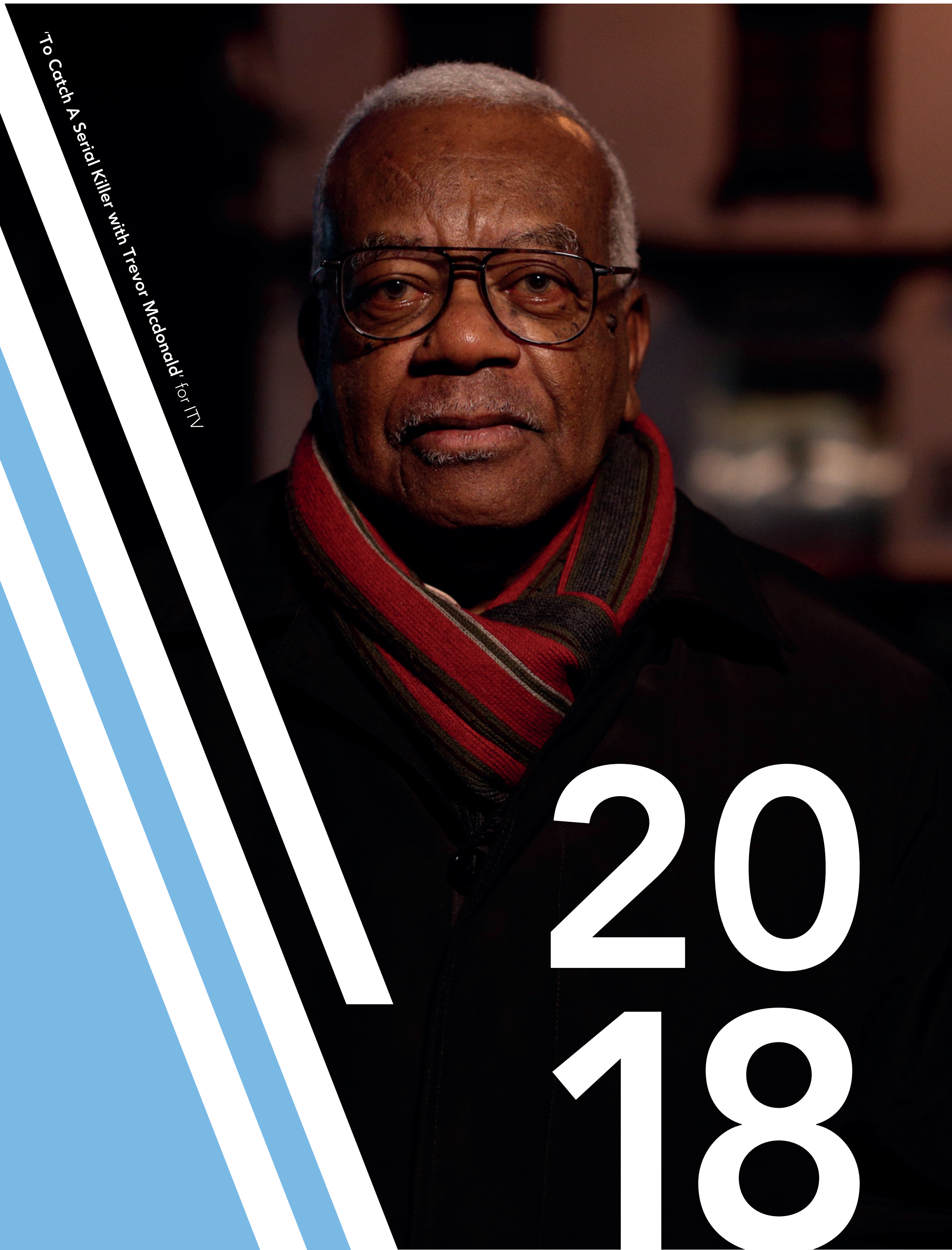
zinc
media group plc



'To Catch A Serial Killer with Trevor Mcdonald' for ITV

2018

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Contents

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 £21.68m (2017: £19.76m)
- Adjusted EBITDA* profit of £0.49m (2017: £0.48m)
- Operating loss (after exceptional items) for the year of £1.56m (2017: loss of £0.03m)
- Basic loss per share from continuing activities 0.17p (2017: loss per share 0.01p)
- Total assets £16.59m (2017: £12.55m)
- Cash of £3.55m (2017: £2.97m) and net debt (being cash less borrowings) at £0.003m (2017: net debt £0.40m)
- £3.5m fundraising and £2.0m preference share conversion carried out during the year

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

Operational highlights

- Successful acquisition in November 2017 of Tern Television to position Zinc Media as one of the leading UK independent TV production companies with a major footprint in the regions and nations
- Profitability at adjusted EBITDA level maintained, despite what was a very challenging year in the domestic UK TV market
- Zinc increasingly active in the US market, having signed an exclusive deal with renowned US agents, ICM
- Customer base broadened away from dependence on any one domestic broadcaster and now includes several international and US broadcasters including HBO, National Geographic, A&E Networks, Smithsonian and PBS
- Restructuring programme underway in London to streamline the TV business, including merging the different London TV companies into one Zinc brand, aligned to three main programming genres (Popular, Factual Documentaries and Specialist Factual) to present a more collaborative, efficient and modern business to the TV market place
- Significant commission wins over the last few months, to be delivered in the current financial year, provide a strong TV order book which currently stands at £16.7m, 109 per cent higher than at this stage in the previous financial year

Outlook

Although the international TV content market is experiencing growth, the traditional UK domestic TV market is challenging. The international market is being driven by the rapidly shifting media landscape and rise of the SVOD (subscription video on demand) operators such as Netflix and Amazon to satisfy the high demand from consumers for ever more new and high quality content. The domestic UK market is suffering due to the rise of these international new media players, who take away viewers from the domestic broadcasters. This is coupled with weak advertising markets for the domestic broadcasters, several of whom depend on advertising revenues to fund new TV content.

Our focus is on positioning ourselves to grow into these international markets, whilst making sure that we can maximise our market share and profitability in the UK domestic markets. We do this through making higher margin and longer running repeatable series, capitalising on the demand for ‘regions and nations’ production from the UK broadcasters and focussing on improving overall efficiency in our TV business.

Having acquired Tern Television, we are now one of the largest players in the UK independent TV sector. As a leading producer in the ‘regions and nations’ we are positioned strongly to capitalise on the trend by domestic broadcasters to increase their commissioning outside of London. Tern Television, based in Scotland and Northern Ireland, had its strongest year ever and momentum is continuing into the current financial year. The level of confirmed commissions as a whole in the TV business and the strength of our pipeline gives us confidence that the business will deliver higher profitability in the current financial year. The restructuring programme underway in our London TV business should enable us to be more efficient, collaborative and profit focussed and to present a simpler ‘Zinc’ to our markets. It will also make us ‘fit for purpose’ to secure much larger programme commissions from the international market and from the new content platforms who have massive budgets for content acquisition. The focus remains on securing long running repeatable business, and in particular from the US market. We believe that our new deal with US agents, ICM, will begin to bear fruit in the current financial year.

In the period post year-end, the Group has experienced a very encouraging win rate on significant commissions. This has exceeded the same period in the prior year. The current TV commissioned order book stands at £16.7m, over 60 per cent of budgeted TV revenues for the current financial year. The strength of our order book gives us a basis for confidence in the outlook for the full year, coupled with a strong development slate with multiple programme ideas which are at an advanced stage with commissioners.

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 or digital businesses to achieve scale in our sector of the market.

Chairman's Statement

The past year has seen much change in the Group as we continue to implement our strategy to grow our position as a 'super indie' in the UK television market and as a more significant player in the larger and more lucrative international market. Successes have included the acquisition and strong performance of recently acquired Tern Television, a restructure into creative genres rather than separate companies and management rationalisation in our London TV business, and recent significant programme commissions in the international market. Against the backdrop of a difficult domestic market for TV production, we have again achieved profitability at the adjusted EBITDA level.

The Group made a strategically significant acquisition in November last year, adding Tern Television to the Group, which performed ahead of our expectations in the period post acquisition. Although we made good progress against our strategic objectives in the TV division of winning more longer running series, moving away from low margin single productions and producing more programmes for US and international broadcasters, we fell short of our profit expectations overall in this division. The business experienced significant head-winds during the year, particularly in one of its TV companies, Reef Television, which impacted on profitability. Reef Television was particularly affected by difficult market conditions in the domestic UK TV production industry. There was also significant management change at one of the Group's important customers, Channel 4, which slowed the normal rate of commission wins from this customer across the Group. The team has worked hard during the year to rebuild the Reef Television business and the initial signs of recovery have been seen.

The world's media landscape continues to shift rapidly. Traditional domestic broadcasters who have enjoyed market dominance for decades now have giant new competitors in the international market places who are challenging their historic business models and competing for their viewers. Consumers are demanding huge volumes of new high-quality TV content which is watched on an increasing number of connected devices. To take advantage of and address these changes, the Group is restructuring its TV business. There are many more opportunities for the Group in this new media landscape and the Group is well positioned to capitalise on the opportunities.

To address the UK market the Group is expanding into the regions and nations in several ways: through the acquisition during the year of Scotland and Northern Ireland based Tern Television, through the expansion of our Manchester business, Blakeway North, and through a new regional office we have opened in Bristol. We are also restructuring our London TV business from four different companies into one cohesive unit. The purpose of this is to realise efficiencies, present a simpler and more compelling market proposition to our customers and achieve a more collaborative and creative way of working which is necessary to secure bigger long running series.

To address the international market, particularly the US market which is characterised by larger commission sizes, the Group has entered into an exclusive deal with ICM Partners, who are a leading firm of US agents. The restructuring of the London TV business into one cohesive unit is also intended to maximise our attractiveness and make us 'fit for purpose' to secure US commissions. We believe that to secure the larger US commissions, our senior executive talent need to work collaboratively and as teams, pooling and enhancing their contacts, creativity and production know-how. The restructure of the London TV business, once completed, will see the London business trade as Zinc TV with genre-based teams, rather than as four separate companies.

To facilitate the acquisition of Tern Television, the Company completed an equity placing in November 2017, raising gross proceeds of £3.51m. In conjunction with the placing, our two preference shareholders, who are also major ordinary shareholders, converted approximately two thirds of the Company's outstanding preference share capital into ordinary shares, leaving only £1m approximately of preference share capital outstanding. The consideration for the Tern deal was structured partly in cash, shares and an earnout over three years. We are pleased that Tern has exceeded its earnout target in its first year and are confident regarding their order book and trajectory in the current year. Furthermore, we are delighted to welcome the Tern directors to the Zinc senior management team and as significant shareholders of Zinc.

David Galan was promoted from COO to CEO part way through the year and his objective is to focus on improving profitability and scaling the business. David is leading the restructure of the TV business and is also exploring further possible acquisitions both in the TV production industry and other associated digital content areas. We are delighted that Will Sawyer joined the Group as its new CFO in October 2018. Will brings many years of experience in the TV production and media sectors. He joins from ITN Productions, where he was Finance Director.

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

The Board is appreciative of our shareholders and debt-holders for supporting the recent acquisition and fundraising and welcomes the new investors who have shown confidence in the planned trajectory of the business.

Peter Bertram
Chairman

1 November 2018

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 2018.

Business Review

Our strategy is to focus on higher margin programmes, by producing more longer running series, building on our reputation for high-end singles to develop returnable factual formats. We aim to be one of the leading regionally diverse 'super indies', producing programming across the factual TV spectrum. To drive higher margins, we are more focussed on a 'returnable format' strategy. This means that we are developing programme ideas in more popular genres, which have the potential to become returnable formats which generate continued recommissions, format sales and higher international distribution revenues. We aim to produce content for a widespread mix of broadcasters, avoiding over dependence on any one client, which can be a risky strategy in the fast-changing TV industry. The mix of customers will ideally, over time, contain increasing numbers of international broadcasters.

We achieved our objective of securing larger budgets for higher quality productions and longer running series. Examples of this during the past year include a 20-part series for Channel 4, '*The People's Vet*' which is transmitting currently, '*The Wonderful World of Puppies*', a 12-part series for Channel 5, '*Emergency Helicopter Medics*' for Channel 4 and '*Payback Time*' for BBC. The benefit of longer running series is both that the production budgets are higher given the number of episodes produced and that there is the greater possibility of the series being re-commissioned for future series, thus building recurring revenue into the business mix. '*The Wonderful World of Puppies*' and '*Bargain Brits*' are both examples of series that continue to be recommissioned. The other advantage of long running series is their attractiveness for distribution in the international markets. International secondary sales are higher margin, as there are limited further production costs.

We have also achieved some success with our objective to secure more commissions from international broadcasters, although progress in this strategy is at an early stage. We believe that to achieve success in the US market we need to leverage the collective skills of our senior creative team. We believe that the siloed set-up of our London TV business, which historically operated as four distinct companies, each having its own label, served as a deterrent to the collaborative approach required to secure the large US commissions. This restructuring of our London business is designed to end the siloed approach, so that we can maximise our chances in the US market and present ourselves as a unified and creatively broad and powerful 'super indie', as opposed to a collective of small and separate individual labels under a public company head office structure.

The journey of reducing reliance on the UK domestic market and on any one individual domestic broadcaster has continued, building a more diversified and resilient business as a result. Examples of success in winning commissions in the international market place include '*Nigeria's Stolen Daughters*' for HBO, an archaeology film which is currently in production for National Geographic (the title cannot be named for commercial reasons), Tern Television's recent National Geographic special '*Extreme Russia: Football*' which played in 72 territories globally during the Russian World Cup and the next landmark Norma Percy documentary series, '*Europe At The Summit*' which is currently in production with co-production partners from the US, France and Germany. Relationships have now been established and we are regularly pitching programmes to Netflix, A&E Networks, Smithsonian, Discovery, National Geographic, PBS and CNN, to name a few. The appointment of ICM Partners as the Group's exclusive US agent was also announced during the year. ICM is one of the world's largest talent and literary agencies with offices in New York, Los Angeles, and London. The Company believes that the best route to market in the US at the current time is to enter into an exclusive representation agreement covering the US market with a specialist US agent. Under the terms of an initial one-year exclusive deal ICM will work with Zinc Media to secure US commissions, working with all of the Company's senior team.

Within our restructured London TV business, the four individual TV companies that make up the division (Brook Lapping, Blakeway, Films of Record and Reef Television) will trade as one business in the future. The business will operate as Zinc TV and will have three genre areas as opposed to separate labels. The genre divisions will be Specialist Factual led by Lucy Van Beek, Popular Factual led by Roy Ackerman and Documentaries led by Greg Sanderson. Fiona Stourton will have a creative leadership role as Chief Creative Officer. As one business, the goal is to encourage far greater collaboration between the MDs and senior executives, which is required to secure bigger international commissions. Pitching and development of programme ideas will often utilise more than one genre leader.

Our regional TV businesses are in a very strong position due to the trend by domestic broadcasters to require production to come from outside of London. Blakeway North (based in Manchester) and Tern Television (based in Glasgow, Aberdeen and Belfast) have strong local identities and established relationships with broadcasters and will therefore be complemented, rather than impacted, by our London TV Division restructure. They will continue to operate as before. Trading has been strong in these businesses during the past year, reinforcing our belief in and commitment to an increasing regional presence. We have recently opened a new Bristol office, which will produce natural history programming and may expand into other areas.

Whilst we achieved success against several of our key strategic objectives in the TV Division, the overall trading result was pulled down by a few areas of underperformance. In particular, as discussed at the time of the interim results, Reef Television had a disappointing year and results fell significantly below internal budgets for the full year. The founder and former CEO of Reef Television left the business following an orderly transition.

Reef Television management had expected the recommission of several of their long running daytime series. Disappointingly three of these series were not recommissioned for the current year, although two may still be recommissioned in future years. Additionally, despite several new series having been developed and commissioned in the last twelve months, these new series have not been recommissioned. An impairment of the carrying value of goodwill in respect of Reef Television was made during the year amounting to £1.19m.

Following the acquisition of Tern Television, TV production represented over 81 per cent of the Group's revenues and so is clearly the primary focus of the Group. The Digital Division and Publishing Division together contribute approximately £4m of revenue and both businesses are operating profitably.

The Digital Division fits strategically alongside the TV business and as the media landscape develops rapidly, we believe it makes strategic sense to have digital skills within the Group. The Digital Division's core competency is around corporate social responsibility (CSR) campaigns and its client base is comprised of predominantly blue-chip corporates and public-sector organisations, such as Transport for London. Trading in the Digital Division was satisfactory during the year, although CSR budgets in its client base seem to have been squeezed due to economic uncertainty and cost pressure. Although revenues fell as a result of this, most of the existing clients were still active during the year and there were some notable client wins for the Digital Division including The Body Shop and BBC.

The Publishing Division continues to operate as a standalone unit, based in Macclesfield. The business operated profitably during the year and made progress against its objectives of adding further clients and contracts in areas of its core competencies.

Television – delivering engaging, intelligent and entertaining content

As stated earlier the past year has been challenging for the TV business. The domestic market has been difficult. However, our strategy is aimed at maximising our opportunities in the domestic market (through having significant production capability in the regions and nations, having a diversified customer base across the domestic broadcasters, developing content in more popular genres and investing in creative talent) and expanding into international markets.

Specifically, in the domestic TV industry, staff moves at some of our key customers affected commissioning. At Channel 4, the departure of Jay Hunt (Director of Programmes) and the delayed appointment of Ian Katz from the BBC, resulted in commissioning delays of almost a year at Channel 4. Once in post, Ian Katz took some months to appoint a new team, most not starting until July 2018, and a few still not in place. A number of the appointments were staff who moved from the BBC and that then derailed Factual Commissioning at the BBC for the last quarter of our financial year. As mentioned above, to compensate and diversify, we have been building relationships with overseas broadcasters and exploring alternative clients to the traditional UK broadcasters.

Channel 4 has made clear that the pressure from government to move business to the Nations and Regions is to be properly responded to in the coming year and as a Group we are in prime position to take advantage of that – with offices in Manchester, Glasgow, Aberdeen, Bristol and Belfast.

We are reacting quickly to the above challenges and the restructure of our London TV business is a key part of that.

From a people perspective it has been a year of change in the TV Division both in terms of editorial strategy and, more crucially, staffing. It is no coincidence that the units that performed best were both the ones which were based in the regions and nations and in which there has been staff and strategic editorial continuity – Tern Television and Blakeway North. We are confident that we can replicate their success across the Group in the coming year with an increased emphasis on collaborative working across the TV units, a strategy that is already reaping rewards.

Lucy van Beek completed her first full year as MD of Blakeway Productions having initiated editorial changes, significantly a move away from current affairs single productions to focus on long running natural history series, premium content history and archaeology specials for the global market and a move into high end documentary genres. This strategy is now yielding results. The 12-part *'Wonderful World of Puppies'* format is now diversifying into a different animal series that will come out of the new Bristol office and production is underway on a National Geographic Special and a further 5-part premium content series. The 3-part ITV series, *'Dambusters'* is also an endorsement of these editorial changes.

Following the resignation of the former Reef Television CEO, Richard Farmbrough, in February, the decision was taken to merge Reef Television and Films of Record under Roy Ackerman's creative leadership, to form the Popular Factual unit. The restructuring of Reef Television and Films of Record also saw the former Reef Television MD and one of the other executive producers leave the business, further reducing the editorial numbers in the combined TV unit. Given the downturn in trading in Reef Television, we believed it was prudent to reduce editorial numbers whilst the Popular Factual unit refocussed and developed its future strategy. The two recent commissions in the 'Crime' genre demonstrate the first signs of recovery and the green shoots of success for this refocussed strategy.

In future years we will report using the new genre-based divisions rather than as separate companies. However below is a more detailed review of the past year performance of each TV company.

Blakeway Productions (comprising Blakeway London and Blakeway North)

Blakeway currently consists of Blakeway London and Blakeway North, which is based in Manchester. Blakeway North had a strong year, already seeing benefits from the industry wide requirement for more programmes to be made outside London. It is our strategy to increase the size of our team in Manchester, led by MD Sarah Murch, to increase the amount of business we can do from this regional base. Blakeway North successfully enhanced its reputation as a producer of long running series with *'Bargain Brits'* for Channel 5 and a new 20-part series for Channel 4, '*The People's Vet*'. Blakeway North also stretched its mixed portfolio with a live studio show for Channel 5 *'Global Ads'* while maintaining a broad base of clients – BBC, CBBC, Channel 5 and ITV – and winning the Prolific North Award for Best Regional Indie for the fourth time.

Blakeway London's incoming MD implemented a new editorial strategy. Lucy van Beek brought new genres (Natural History and Archaeology) and clients (such as National Geographic) to the unit and also set a new direction of pursuing series and moving away from singles. It is a sensible long-term strategy, that is starting to reap rewards. With the interregnum at Channel 4 and disruption at the BBC, Blakeway continued winning business from Channel 5 and ITV in the UK. The team also deliberately targeted the global and US markets including National Geographic, PBS, Arte, France 5 and HBO. Significant value programmes from National Geographic and Channel 5 have already been commissioned for the current year. Blakeway London focussed on higher budget specials such as the co-production for BBC and HBO, '*Nigeria's Stolen Daughters*' which was broadcast to critical acclaim on the BBC and which was selected to open the prestigious Margaret Mead Documentary Festival in New York, ahead of HBO's premiere this autumn. Blakeway has also won a high profile 3-part series for ITV, '*Dambusters*'. Both Blakeway London and Blakeway North have started the year with strong order books.

Brook Lapping

Brook Lapping's revenue was substantially down on its target this year. Apart from the industry changes listed above, the pursuit of larger commissions in the US market has taken time to produce results and been slower than anticipated. Brook Lapping has been trying to enter the US market, not just for co-productions but for bespoke commissions. Brook Lapping has pursued Netflix, National Geographic and CNN with high end series ideas. Positive relationships have been forged in the international market and Brook Lapping has in the past few weeks been commissioned by National Geographic for a substantial long-running history series worth over $2m for 18/19 and is in continuing conversations with Netflix in the documentary genres.

Norma Percy's 4-part *'Europe at the Summit'* series went into production, having been delayed whilst waiting for the final pieces of the co-production finance to be finalised, but French, German and US partners are now on board. For the first time for many years, Norma is in production with two series concurrently. The second series, *'Cuba'* was severely delayed again by the challenges of raising co-production funding. The bulk of the activity has therefore moved into the next financial year.

The new Creative Director, Emma Hindley, stretched the Brook Lapping portfolio with a big historical drama doc, *'Suffragettes with Lucy Worsley'*, a 90-minute programme for BBC One. It was a creative and audience winning success and so Brook Lapping is targeting more commissions in the area of feature length historical drama docs. Emma also established herself in the Current Affairs field with a film for Channel 4, '*Wasting Away: the Truth about Anorexia*', which was shortlisted for the Broadcast Awards.

Films of Record and Reef Television

Films of Record, under the relatively new management of Roy Ackerman, is taking time to deliver results and had a slow year. Films of Record did secure commissions in the music genre with a series commission from BBC, *'Movie Musicals'* and a high-profile celebrity led single for BBC Two. A successful series on BBC3 '*Love & Drugs on the Streets*' was recommissioned and an access led documentary for Channel 4, *'Alton Towers'* was also produced and attracted an unusually high youth audience in line with Channel 4's new remit.

We have now joined together Films of Record with Reef Television to create a Popular Factual unit – dedicated to producing profitable, returnable, sellable formats. The unit is headed by Roy Ackerman and he is supported by the Head of Features and Formats from Reef Television. Reef Television is also now in production for BBC and Channel 5 with two new series in the crime genre, which is a significant departure from the type of programming produced by Reef historically. The plan is to expand the team in the Popular Factual unit to make this a key division of the Group, driving up Group margins. We believe there is scope to drive higher revenues and produce programming with profitable international format and distribution revenues by focussing more on genres such as factual entertainment.

Tern Television

We completed the acquisition of Tern Television part-way through the financial year in November 2017. We are delighted to welcome Tern Television into the Group and their senior management team, all long established senior executives in the TV industry. As detailed at the time of our interim results, Tern is a leading dual nation (Scotland and Northern Ireland) independent TV production company, specialising in factual production. Led by MD, Harry Bell, Tern Television has built a strong reputation for programming in two distinct genres: Documentary & Specialist Factual and Popular Factual & Formats.

The Board is very pleased with this latest acquisition and believes that Tern has broadened and enhanced the Group's creative capabilities. By having a leading Nations TV producer within the Group, Zinc will benefit by being able to produce major productions specifically in the Nations and Regions, where there are strong indications of future growth. In February 2017, the BBC announced that it had reviewed its programming and services in the Nations and, as a result of this, it will be making significant changes and major investments there including the biggest single investment in broadcast content in Scotland in over twenty years. The BBC is investing £20 million in a new TV channel to be broadcast from March 2019 – BBC Scotland – and intends to invest a further £20 million in increased Network production from Scotland. Tern Television has already secured several commissions from BBC Scotland, to add to its returning series for C4 and BBC Network, and is in active dialogue about a significant number of projects for the new channel which would consolidate the company's position as a core supplier of returning business.

Tern Television traded strongly in the period post acquisition and exceeded internal management forecasts. The level of order intake remains high and Tern Television has entered the new financial year with a strong order book which gives the Board confidence that Tern will exceed its targets for the first full year post acquisition.

With the recent recommission of their long running series *'Beechgrove Garden'*, the recommission of *'Emergency Helicopter Medics'* for More 4 (for two years), the recommission of the BBC's hit art detective format *'Britain's Lost Masterpieces'*, record audiences for feature length documentary *'The Secret Life of Landfill: A Rubbish History'* and a raft of commissions for BBC Scotland, over 80 per cent of Tern's internal budget for the current financial year is already commissioned. The Tern senior management team has settled into the wider Group well and there have been many opportunities for creative collaboration and production synergies to be realised.

The television division as a whole delivered revenues of £17.60m (2017: £15.17m) and adjusted EBITDA of £0.03m (2017: £0.41m).

Digital Division (trading as Zinc Communicate) – creating content that counts

Zinc Communicate delivered revenues of £1.86m (2017: £2.57m) and adjusted EBITDA of £0.23m (2017: £0.31m).

Following the successful rebrand to Zinc Communicate last year there has been a strong refocus on the core components of the business, with emphasis on integrating short form film as a key component of campaigns created. A reduction in staffing levels at the start of the year led to the restructure of teams and recruitment of new talent with diverse skills which has contributed to winning new clients and retaining existing ones.

Building on our creative credentials, the focus remains on growing the core client portfolio by embracing, aligning and developing the service proposition and taking advantage of the increased range and scope of digital formats and platforms available.

Confidence in Zinc Communicate's proposition is evidenced by Body Shop International having signed a further year and Siemens now into their sixth year, both clients extending their relationship beyond the UK. Additionally dormant clients are waking up and seeking advice, counsel and provision which is encouraging. There are also new and exciting partnership and collaborations currently in play.

STEM (Science, Technology, Engineering, Maths), Diversity & Inclusion are business areas that are gaining momentum as Zinc Communicate become recognised specialists in these fields. Additionally, Immersive and Assisted Technologies are also on the radar as Zinc Communicate further extends its reach into experiential consumer experience territory.

Publishing

The remaining publishing unit is Ten Alps Communications Limited ("Ten Alps Communications"), which is based in Macclesfield. Trading has remained stable and profitable during the past year. The significant majority of the business still relates to the Local Authority Building Control ("LABC") publishing contract, which has progressed satisfactorily during the year. Other smaller clients for the division include the Royal Institute of British Architects ("RIBA") to publish certain of their annual directories and the Planning Portal, which is a joint venture between the Department for Communities and Local Government and a private company.

Revenue from publishing operations for the year was £2.13m (2017: £1.96m) and adjusted EBITDA from continuing publishing operations was £0.30m (2017: £0.28m).

Highlights of the year:

Television

- *'Shakespeare Uncovered'* – a six-part series for PBS and BBC Worldwide – the final 6 episodes in an 18 part series in which famous actors explore the works of the Bard
- *'Diana: 7 Days that Shook the Windsors'* – a two-part series for Channel 5 which yielded significant international distribution revenues
- *'Nigeria's Stolen Daughters'* – a documentary for BBC, ARTE and HBO featuring exclusive access to the Chibok girls who were kidnapped by Boko Haram, accepted by the prestigious Margaret Mead Documentary Festival in New York for a screening on its opening night
- *'The Wonderful World of Puppies'* – the third series of our format for Channel 5
- *'Bargain Loving Brits in the Sun'* – the third series for Channel 5, with a fourth series already commissioned
- *'Nikki Lilly Meets…'* – for CBBC online, including interviews with Theresa May and Jeremy Corbyn amongst others, Children's BAFTA nominee and winner of the International Prix Jeunesse Audience Award
- *'The People's Vet'* – a 10-part daytime feature series on an animal hospital for Channel 4
- *'Wasting Away: The Truth about Anorexia'* – a Channel 4 film shortlisted for Best Current affairs in the Broadcast Awards
- *'Suffragettes with Lucy Worsley'* – a drama doc for BBC One
- *'Europe'* – a 4-part landmark Norma Percy series currently in production for BBC, ARTE, PBS and others
- *'Love and Drugs on the Streets'* – a 6-part series for BBC3
- *'The Good Terrorist'* – an RTS award winning film for Channel 4 telling the story of the only white man to be executed for anti-apartheid crimes in 1960s South Africa
- *'Emergency Helicopter Medics'* – a new 10-part Channel 4 trauma series winning the best share on More 4 for the quarter and re-commissioned for two more years
- *'The Secret Life of Landfill: A Rubbish History'* – a feature length documentary for BBC FOUR
- *'Britain's Lost Masterpieces'* – the return of the hit art detective series for BBC FOUR presented by Emma Dabiri and Bendor Grosvenor

Zinc Communicate

- ***Transport for London***
  Children's Traffic Club London continues to deliver on the client's KPIs. It uses a range of innovative, engaging multimedia solutions suitable to the diverse target groups living in London and provides in-depth measurement. Several enhancements were made this year to further optimise take up, with particular emphasis on reaching those most vulnerable.
- ***Body Shop***
  A new programme 'Enrich not Exploit' will be launching at the end of the year encouraging young people to consider how they can be ethical and sustainable in their choices as consumers.
- ***HS2***
  As Zinc Communicate transition into Year 2, having successfully completed the first year, the resources delivered include augmented reality of various constructions, an online board game 'Rail Rush' and also a series of workshops.
- ***Freemantle Media***
  Working closely with producers Boatrocker, Zinc Communicate created a 360 degree stakeholder and advocacy outreach programme in support of the launch of the Bitz & Bob programme aired on CBeebies and universally available to all pre-schoolers. Launched in March 2018, it remains consistently in the top 3 programmes on CBeebies and gained 7.8 million requests on iPlayer.
- ***Nationwide***
  Zinc Communicate produced an employee engagement campaign promo film, along with a series of branded assets to support Nationwide's Arthur Webb Challenge Cup. They crafted a fun film treatment which had life, energy and integrity. Called RISE the client loved this attention grabbing, tongue in cheek little promo.
- ***BBC Teach***
  'Don't hate the Debate' the online educational series has prompted debate and gained controversial column inches. The BBC are pleased with the series and the fact that it has so successfully achieved its objective: to stimulate a debate.
- ***Tideway***
  Creation of a suite of digital assets brings London's Super Sewer to life. 'Tunnel Works' focuses on technology and engineering through the digital lens – an augmented reality app featuring a 3D intricate model of a tunnel boring machine.

- ***The Children's Traffic Club (CTC) – National***
  CTC remains a valuable asset and a recognised and respected education intervention for Under 5's in the active travel/road safety space. Its success is optimised by continuous effort to ensure it remains effective in achieving its objectives and additionally by embracing emerging educational and technological developments.

  By the year end, the new redeveloped multi-sensory programme was launched; a winning blend of traditional book and augmented reality. We are continuing to seek partners and organisations with a vested social and commercial interest, who would benefit from partnering with CTC to make a positive impact in the communities they operate.

Financial Review

Revenue from operations for the year was £21.68m (2017: £19.76m) and gross profit was £6.63m (2017: £6.31m). The main variance in revenues was due to the inclusion of Tern Television's revenues in the period post acquisition, which offset the steep fall in revenues at Reef Television. Reef Television's revenues fell by £3.14m from £6.19m to £3.05m due to several long running series not being recommissioned. The changes at its key customer, Channel 4, which impacted the performance are detailed in the Business Review. The Digital Division's revenue fell by approximately £0.70m during the year due to lower budgets at key clients such as Transport for London. Publishing Division revenue was broadly the same as the prior year. Gross margin decreased slightly during the year from 32 per cent to 31 per cent, with operating expenses representing 28 per cent of revenues, slightly lower compared with FY17. The decrease in gross margin was a consequence of the challenging domestic environment experienced during the year which put competitive pressure on programme budgets. As the business focuses more on international TV opportunities we would expect to see gross margin improvements in the future.

Adjusted EBITDA (being earnings before interest, tax, depreciation, amortisation, share based payment charge and exceptional items) was £0.49m (2017: £0.48m), representing the second year of a return to profit after several years of losses. Operating loss increased to £1.56m (2017: £0.03m) due to significant exceptional items. These include an impairment of £1.19m (2017: £1.00m) in the carrying value of goodwill in the TV division. All of this is attributable to a write-down in goodwill relating to Reef Television, a decision taken by the Board against a backdrop of disappointing trading in Reef Television and a restructure of Reef Television into the Popular Factual genre area. Within exceptional items there is also a £0.70m credit (2017: £1.30m) relating to the change in fair value of contingent consideration payable to the Reef Television selling shareholders due to the final year earn-out not being payable. Exceptional items also include earnout consideration due to the former Tern Television shareholders who remained as senior management which has been treated as remuneration of £0.49m (2017: £nil). This treatment of earnout consideration is explained more fully in Note 6.

The Board does not recommend the payment of a dividend for FY18 (2017: £nil).

Earnings per share

Basic and diluted loss per share from continuing operations in the year was 0.17p on both measures (2017: loss per share of 0.01p). These measures were calculated on the losses for the year attributable to Zinc Media Group shareholders of £1.86m (2017: loss of £0.07m) divided by the weighted average number of shares in issue during the year being 1,086,267,290 on an undiluted basis and a diluted basis (2017: 544,171,445).

Statement of Financial Position

Assets

The Group's non-current assets comprise goodwill and intangibles of £7.13m (2017: £5.91m), the increase reflecting the inclusion of goodwill and other intangibles with respect to Tern Television, partially offset by the impairment of the carrying value of goodwill relating to Reef Television and amortisation of intangibles during the year. Non-current assets comprise property and plant and equipment of £0.36m (2017: £0.23m), the increase again reflecting Tern Television's property, plant and equipment.

Inventories have increased to £0.33m (2017: £0.21m) now reflecting Tern Television's work-in-progress. Trade receivables have increased by nearly £1.08m to £2.41m (2017: £1.33m), again due to the inclusion of Tern's debtors' ledger. Other receivables have increased to £2.82m (2017: £1.90m) reflecting an increase in accrued income in the year due to the consolidation of Tern Television and increased rent deposits held by the landlord in respect of the London lease.

The Group had a cash balance of £3.55m as at 30 June 2018 (2017: £2.97m). The balance reflects the financing activities during the year and the cash payment made during the year to satisfy the cash element of the Tern Television acquisition terms.

Total assets for the Group were £16.59m (2017: £12.55m).

Equity and Liabilities

Retained losses as at 30 June 2018 were £32.78m (2017: £30.93m) and total shareholders' equity at that date was £5.38m (2017: £3.00m).

In November 2017, the Company carried out an equity placing to new and existing shareholders, raising £3.51m of gross proceeds, and a preference share conversion, converting approximately £2m of preference shares into ordinary shares. Further analysis of the preference share conversion into ordinary shares is detailed in Note 21. Following a debt variation in the prior year, the repayment date on all the Company's long-term debt obligations is a bullet repayment on 31 December 2020. The Group had an outstanding balance on long term debt of £3.55m at the year end (2017: £3.38m), held by two of the Company's shareholders and with no financial covenants relating to the debt.

Current liabilities consisting of trade and other creditors have increased to £6.78m, reflecting the Tern Television creditors ledger (2017: £5.48m). Current liabilities also includes £0.75m which is the first year earnout consideration payable to the former Tern Television shareholders which is payable shortly.

Long term liabilities consist of the Company's long term debt obligations (detailed above, potential earnout payments to the former Tern Television shareholders and deferred tax balances.

Cash Flows

The Group used cash of £2.35m in the year (2017: £1.21m) in its operations mainly due to an increase in trade and other receivables, reflecting the impact of the Tern Television acquisition. The net movement in the year was an increase in cash of £0.57m (2017: decrease of £0.56m) after financing activity cash inflow of £3.04m (2017: £1.17m) and cash used in investing activities of £0.1m (2017: £0.46m).

Post Balance Sheet Events

In accordance with the terms of the share purchase agreement (the "SPA") entered into with the sellers of Tern Television Productions Limited ("Tern Television") in October 2017, the first-year earnings target was achieved, meaning that the first year earnout payment of £0.75m became payable to the Tern Television sellers. In accordance with the SPA the sellers elected to receive this payment partially in cash and partially in Zinc Media Group shares. £562,500 will be settled in cash and £187,500 will be settled in shares at the average market price for the 30 business days prior to issue. The shares are subject to lock-in and orderly market provisions under the SPA. The cash element of the earnout payment will be satisfied from existing cash resources of the Group.

The Company has offered the holder of the Company's preference shares, Herald Investment Trust plc ("Herald"), the option to convert such amount of preference shares into ordinary shares, so as to maintain parity in their ordinary shareholding percentage. Herald have indicated that they will accept this offer and therefore the company expects to issue ordinary shares to Herald at the same time as the issue of earnout shares to the Tern sellers. The conversion shares issued to Herald will be issued at the same price per share as to the Tern sellers, such price to be determined with reference to the closing mid-market price of the Company's ordinary shares in the 30 trading days prior to issue.

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 and Publishing.

TV production operated under six brands during the year: Reef TV, Blakeway, Blakeway North, Brook Lapping, Films of Record and Tern Television. However, we are currently implementing a restructure of our London TV business to reduce the number of separate brands. Further detail of this is contained in the Business Review on page 04. 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, daytime and documentaries. Tern Television specialises in documentaries and specialist factual and popular factual and formats. 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 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; and
- Audience and market response to programming content (viewing ratings, industry awards etc).

Revenues increased during the year to £21.68m from £19.76m in the prior year, this reflects the acquisition of Tern Television in November 2017 and a decline in revenues from Reef Television which experienced difficult trading conditions. Programme profitability declined slightly year on year (group gross profit margin 2018: 31 per cent, 2017: 32 per cent) due to the challenging domestic environment which put competitive pressure on programme budgets. Adjusted EBITDA profitability of £0.49m was achieved (2017: adjusted EBITDA of £0.48m). The order book in the TV division was 109 per cent higher than the previous financial year. Reference is made in the Business Review on page 04 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

Risk Matrix Overview

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

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

The Group maintains a risk register to evaluate and monitor the changing risk profile of the organisation. The register contains the risks as set out below, together with a quantitative assessment of each risk to assess impact and probability. This calculates a risk rating which is combined with a control rating to reach a residual risk calculation.

The Risk Committee is comprised as set out in the Corporate Governance section starting on page 16 and meets bi-annually to review and update the risk register for new and emerging risks, evaluate current risks by revisiting the inputs to reach the residual risk rating and assess the effectiveness of the risk management and control systems in place. The meeting will include an update from the CEO or CFO as to any new systems or process adopted to identify, mitigate or manage risks.

Risk	Impact	Mitigation
Key customers and potential impact on Group cashflows The Group relies on several key customers, such as Channel 4 and the BBC. The business plan produced by management assumes new and continuing revenue from such key customers.	If existing contracts were terminated, or new revenue streams failed to materialise, this could affect the projected growth of the Group. Furthermore, the Group's television production businesses are dependent on the BBC, Channel 4, ITV, Channel 5 and various international broadcasters as key clients and as such are vulnerable to BBC budget cuts, advertising pressure on commercial broadcasters and market trends. Given the significance of this concentration, the revenue profile of the Group and the nature of the projects, particularly in the TV and Digital divisions, mean that any delay in commissions, which may or may not be in the control of the Group, could have a material impact on the revenue, forecasting and cash flow.	We seek to mitigate this customer concentration risk by: • establishing good relations with clients • enhancing our reputation and delivery to the end customer • adhering to all codes of conduct: and • ensuring the quality of our creative output all with a view to win repeat business. In addition, we actively strive to broaden our customer base where possible through building new relationships to minimise customer concentration risk and therefore impact on revenue and cash flows.
Key relationships held by Group employees The Group operates in a people driven environment. All businesses rely on the strong relationships within their respective divisions that its key employees have established with its clients.	The loss of one or more of these key business relationships may have a material adverse effect on the Group's revenues. Equally, the loss of key management or other key personnel who manage these relationships, particularly to competitors, and, consequently, the loss of these key relationships, could have adverse consequences for the Group.	We seek to mitigate this by continually fostering strong relationships with key clients, ensuring that client relationships are spread across client service teams where possible and by incentivising key relationship holders to retain them within the Group.
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.	Loss of current key management and staff could inhibit the ability of the Group to win, secure and deliver revenue and profit contribution to the Group's performance with a resulting impact on cash generation. Should the Group be unable to attract new employees this could have a material adverse effect on the Group's ability to grow or maintain its business.	Key staff are incentivised through a mixture of sales commissions, profit related bonuses and participation in employee share incentive plans.

Risks and Uncertainties (continued)

Risk	Impact	Mitigation
International sales, geographic expansion and foreign exchange risk The Group intends to increase sales in new and existing overseas markets, particularly in the USA.	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.	The Group's senior management team have experience in transacting with overseas markets. The TV division has recently contracted with ICM, a sales agent focussed on the US market. This partnership will allow the TV division to capitalise on this market in a managed and controlled fashion via an organisation which is an expert in the sector and can advise on offsetting risks and rewards of doing business in the USA. Foreign exchange risk is managed by the sales and finance team. The Group transacts in Sterling wherever and whenever possible to create transparency in revenue and costs. The Group also operates foreign currency accounts to ensure that inflows and outflows in like currencies can be offset, thus minimising foreign exchange exposure.
Technological change The creative industry and the media industry is experiencing a fundamental technology change, the so called 'digital revolution'. Consequently, the market is evolving rapidly and constantly. The Group cannot anticipate accurately or 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 or is not delivered in a sufficiently timely manner to capitalise on changing market dynamics.	The Group actively seeks strategic partners to consider and appraise the technological advancements in the sector, pivoting its services towards these emerging trends where feasible. The sales teams within the TV division have developed a strategic roadmap towards building relationships with customers who are taking advantage of the digital revolution and are operating in the digital domain with a view to obtaining commissions from these organisations. The success of this roadmap is being monitored by the board. Separately, as part of its M&A activities, the board is looking out for acquisition targets to complement its current service offering but also enhance the earning potential of the wider group via its reach or footprint in digital markets.

Risk	Impact	Mitigation
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 operation of the business and raise unexpected issues and may take longer or prove costlier than anticipated. Although the Directors believe that such disruption is unlikely, issues may come to light during integrations that may have an adverse effect on the financial condition and results of operations of the Group.	There is no certainty that customers of Zinc or of its future or recent acquisitions will continue to be customers of the Group following the acquisitions, particularly if customer service is affected whether before or after completion of the acquisitions or if strategic decisions taken by the Directors after completion of the acquisitions cause customers to terminate contractual relations. 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. There is no assurance that the Company will realise the potential benefits of acquisitions including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated).	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 risk The Group will operate in highly competitive markets which are rapidly evolving and adapting, due to factors such as consumer tastes, trends and technology advancements, and which may become more competitive.	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. Competition in the marketplace can lead to unpredictable revenue streams and potential margin erosion should commissions be won.	The sales teams in the TV divisions maintain regular contact with their customers, ensuring that they are constantly appraised of emerging trends and issues within the broadcaster's organisation, enabling the TV division to reposition its service offering if required. In the same way the sector is sufficiently transparent that new market entrants and potential competitors are known about at an early stage, which does present a strong barrier to entry in the marketplace.

By order of the Board

Peter Bertram
Chairman

1 November 2018

David Galan
Chief Executive Officer

1 November 2018

Corporate Governance

(see also http://zincmedia.com/investors/governance/)

Chairman’s corporate governance statement

The Company has adopted and applied all 10 principles of the 2018 versions of the Corporate Governance Code as set out by the Quoted Companies Alliance (QCA Code) with effect from 1 September 2018 and previously complied with the Corporate Governance Guidelines, to the extent appropriate for a company of its nature and size. The company’s business model and strategy are described in the Strategic Report together with the risks facing our business and how we seek to mitigate them.

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

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

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

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

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

- the establishment of a Risk Committee and the preparation of a Risk Register; and
- the establishment of a formal and documented board evaluation procedure (previous procedure was ad hoc and discursive).

Board of Directors

Board Composition

The Company is controlled through a Board of Directors, comprising a Chairman, two executive directors and two independent non-executive directors. Short biographies of each director are below.

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 Executive Officer:
David Galan

David joined Zinc Media Group in January 2016, initially as CFO. David was appointed as CEO in February 2018. David has previously worked as a CFO in the early stage technology sector and also with medium-sized businesses. After qualifying as a chartered accountant with Arthur Andersen in London, he went on to work in investment banking with Teather & Greenwood, specialising in corporate finance and small cap IPOs. Since 2004, David has held various CFO and CEO roles, including with Picklive, the award winning online gaming start-up. During 2015, David held an interim finance role with Casual Dining Group, the owner and operator of Cafe Rouge, Bella Italia and Belgo restaurant brands, where he managed the integration of the acquisitions of Las Iguanas and La Tasca.

Chief Financial Officer:
Will Sawyer

Will joined Zinc Media Group in October 2018. Will was previously Finance Director of ITN Productions. He helped grow it into one of the top independent production companies in the UK over a nine-year period, and sold Diagonal View, a digital start-up, to Sky. Prior to this he was a corporate finance manager at the BBC and a senior finance manager at Ofcom. Will qualified as a Chartered Accountant at Deloitte, where he specialised in media businesses.

Independent 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.

Independent Non-Executive Director:
Nicholas Taylor

Nicholas has extensive experience of working with growing organisations, principally in the TMT sector. He has worked as a consultant and in-house and has held senior positions in both private and public businesses and in the not for profit sector. His involvement in the media industry started over 20 years ago when he was Head of Finance at Brighter Pictures (now Remarkable Television, part of Endemol Shine) and encompasses film and television; production, post-production and special effects; factual and entertainment. Between 2011 and 2013 he was Managing Director of The Imaginarium Studios. He is also Non-Executive Director of Maintel Holdings Plc and Non-Executive Chairman of Focus 4 U Ltd.

Senior Independent Director

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

Company Secretary

David Galan is the Company Secretary and advises and supports the board in this capacity alongside his role of CEO.

Board Function

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

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

The Board 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.

Board of Directors (continued)

These matters routinely include:

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

Number of Board Meetings attended

	Board Meetings – in the year
Peter Bertram	7
David Galan	7
Jonathan Goodwin	2
Nicholas Taylor	6

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

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

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

Board Evaluations

Board evaluations take place on a bi-annual basis. The next board evaluation will take place in March 2019. The criteria against which board, committee, and individual effectiveness is considered as follows:

- Frequency of meetings and attendance at meetings
- Matters raised in capacity as independent non-executive directors and manner in which these matters have been addressed by the executive board members and senior management team
- Qualitative and quantitative benchmarking against performance of similar businesses
- Succession planning and evaluation of gaps in skills-sets.

Financial reporting

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

The Statement of Directors' Responsibilities in respect of the preparation of financial statements is set out on page 20 and the auditor's statement on the respective responsibilities of directors and the auditor is included within their report on page 24.

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 operated two formal committees, being the Audit Committee and the Remuneration Committee during the year ended 30 June 2018. The Board established a Risk Committee after the year end in September 2018.

Board Committee Reports:

Audit Committee Report

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.

The audit committee met 3 times in the financial year ended 30 June 2018. The attendance record is as follows

	Audit Committee Meetings
Peter Bertram	3
Jonathan Goodwin	0
Nicholas Taylor	3

Remuneration Committee Report
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

The remuneration committee met 3 times in the financial year ended 30 June 2018. The attendance record is as follows

	Remuneration Committee Meetings
Peter Bertram	3
Nicholas Taylor	3

Risk Committee Report
The Risk Committee was established after the year end and met for the first time on 6 September 2018.

The Risk Committee was established to embed effective risk management to execute and deliver strategy. At the Risk Committee meetings, the attendees identify, assess and manage risk and investigate and evaluate the risk management and related control systems which are in place. From the meeting on 6 September the Company has formalised a risk matrix to document the risks and a risk register to manage the risks. The Risk Committee will meet at half-yearly intervals to review and appraise the matrix, register and control procedures in place.

The members of the Risk Committee are:

Nicholas Taylor (Chairman of the Risk Committee)
Peter Bertram

The Chief Executive Officer, Chief Financial Officer and other senior finance management also attend committee meetings by invitation.

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.

Senior Management Team
This comprises of the Chief Executive Officer and the Chief Financial Officer, together with the divisional management:

TV Division	Fiona Stourton and Harry Bell
Digital Division	Bharti Bhikha
Publishing Division	Annette Clowes

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

On behalf of the board

Peter Bertram

1 November 2018

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.

On behalf of the board

David Galan

1 November 2018

Directors' Report

Results

The results for the year ended 30 June 2018 are set out on page 27.

The Group made an operating loss in the year of £1.56m from continuing operations (2017: loss of £0.03m) and a retained loss for the year after interest, taxation and discontinued operations of £1.86m (2017: loss of £0.11m).

Dividends

The Directors do not recommend the payment of a dividend for the year (2017: Nil).

Directors and their interests

The Directors who served during the year were as follows:

Peter Bertram
David Galan
Jonathan Goodwin
Nicholas Taylor

Will Sawyer was appointed to the board as CFO on 9 October 2018.

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 2017	**30 June 2018**
Peter Bertram	Beneficial	2,781,250	**9,464,083**
David Galan	Beneficial	1,874,767	**6,425,506**
Jonathan Goodwin	Beneficial	16,766,660	**16,766,660**
Nicholas Taylor	Beneficial	–	**2,777,780**

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

	Exercise Price	As at 30 June 2017	**As at 30 June 2018**	Dates normally Exercisable
Peter Bertram	0.75p	6,000,000	**6,000,000**	2019 to 2026
David Galan	0.75p	12,000,000	**12,000,000**	2019 to 2026
Jonathan Goodwin	0.75p	3,000,000	**3,000,000**	2019 to 2026

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 October 2018 each representing 3% or more of the current issued share capital:

	No of Ordinary Shares	**%**
Herald Investment Management	458,016,553	33.69
Artemis Alpha Trust plc	117,211,780	8.62
John Booth and The John Booth Charitable Foundation	65,243,192	4.80
Luke Johnson	55,111,120	4.05

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 Strategic Report on pages 04 to 12. The financial results and cash position including borrowing facilities are described in the Financial Review on pages 10 to 11 with further details in the Notes to the Accounts numbers 1.2.1, 17 and 18.

The Group benefited from the November 2017 fundraising and continues to benefit from the amendments to the Group’s debt structure (now bullet repayment on 31 December 2020). In addition, having taken action to exit from loss making publishing divisions during the past two financial years and the restructure of the London TV business, 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 02. In accordance with the Companies Act s414c(11) information in relation to post balance sheet events are included in the Strategic Report.

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

An analysis of the Group’s financial assets and liabilities together with the associated financial risks, are set out in note 18.

The principal financial risks to which the business is exposed are set out below (also see Risk Matrix on page 13). 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 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 and currency risk are considered 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.

Interest rate risk
The Group finances its operations through borrowings. The Group’s exposure to interest rate fluctuations on its borrowings is managed using floating facilities.

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.

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 2018

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 7 December 2018. Notice of the meeting is set out at the end of the Report and Accounts.

Previous General Meetings 2017

General Meeting on 13 November 2017- all resolutions passed being the approval of the allotment and issue of the Placing Shares and to dis-apply statutory pre-emption rights in respect of such allotment. There have not been any resolutions where 20% or more of independent votes have been cast against a resolution at any general meeting.

Annual General Meeting on 15 December 2017 – all resolutions were passed and there were no resolutions where 20% or more of independent votes were cast against a resolution.

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

By order of the Board

David Galan
Company Secretary

1 November 2018

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

Opinion
We have audited the financial statements of Zinc Media Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise Consolidated Income Statement, Consolidated Statement of comprehensive income, Consolidated Statement of financial position, Company Statement of financial position, Consolidated Statement of cash flows, Consolidated Statement of changes in equity, Company Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition accounting
Risk:
The Group acquired a new subsidiary during the year, Tern Television Productions Limited ("Tern TV"), for consideration of £3.9m. This has given rise to the recognition of goodwill and intangible assets to the value of £2.9m on acquisition. Applying the acquisition method of accounting is subject to the judgements and estimates in assessing whether the intangible fixed assets recognised meet the criteria for separate recognition and arriving at the fair values attributable to these intangible assets and other net assets acquired.

The significant judgements and estimates applied by management in determining whether the intangible assets are able to be separately recognised and assessing the fair values attributed to the assets and liabilities acquired as part of the Tern TV acquisition are discussed on page 54 of the financial statements. Note 11 to the financial statements discloses the fair values ascribed to the net assets acquired. There is also significant estimation attributable to determining the fair value of contingent consideration associated with the acquisition as set out in Note 19.

Our response:
We reviewed the Group's accounting for the Tern TV acquisition and challenged management on the key assumptions and judgements used, including the inputs to the valuation model and consideration of the sensitivity of the model. We used our internal valuations team to assess the valuation models prepared by management in respect of the acquisition including the basis and methodology adopted for identifying separate intangibles distinct from goodwill. We have further audited management's calculation of the fair value of contingent consideration.

We considered whether the disclosures regarding the acquisition accounting were adequate and properly reflected in the financial statements.

Impairment of goodwill and intangible assets

Risk:
The Group has completed a number of past acquisitions, the most recent was in relation to Reef Television Limited in July 2015 and Tern Television Productions Limited in November 2017. The recoverability of the goodwill and intangibles assets arising on acquisitions is dependent on individual cash generating units to which the goodwill and intangible assets are allocated generating sufficient cash flows in the future. Due to the inherent uncertainty involved in forecasting future cash flows and selection of an appropriate discount rate, which are the basis of the assessment of recoverability, this is 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 internal valuations team's and 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 assessed management's sensitivity analysis 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 the cash generating units.

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 as £126,000 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 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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

David Clark
(Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

1 November 2018

Consolidated income statement

	Notes	Year to 30 June 2018 £'000	Year to 30 June 2017 £'000
Continuing operations			
Revenue	2	**21,683**	19,756
Cost of sales	3	**(15,055)**	(13,447)
Gross profit		**6,628**	6,309
Operating expenses	3	**(6,137)**	(5,833)
Adjusted EBITDA		**491**	476
Depreciation & amortisation	11 & 12	**(711)**	(517)
Share based payment charge	5	**(74)**	(32)
Exceptional items	6	**(1,264)**	41
Operating loss		**(1,558)**	(32)
Finance costs	7	**(253)**	(293)
Loss before tax		**(1,811)**	(325)
Taxation	8	**(44)**	253
Loss for the year		**(1,855)**	(72)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(37)
Loss for the year		**(1,855)**	(109)
Continuing operations attributable to:			
Equity holders		**(1,855)**	(72)
Discontinued operations attributable to:			
Equity holders		**–**	(37)
Retained loss for the year		**(1,855)**	(109)
Basic earnings per share			
From continuing operations	10	**(0.17)p**	(0.01)p
From discontinued operations	10	**–p**	(0.01)p
Total		**(0.17)p**	(0.02)p
Diluted earnings per share			
From continuing operations	10	**(0.17)p**	(0.01)p
From discontinued operations	10	**–p**	(0.01)p
Total		**(0.17)p**	(0.02)p

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

Consolidated statement of comprehensive income

	Year to 30 June 2018 £'000	Year to 30 June 2017 £'000
Loss for the year	**(1,855)**	(109)
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(1,855)**	(109)
Attributable to:		
Equity holders	**(1,855)**	(109)
	(1,855)	(109)

Consolidated statement of financial position

	Note	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Assets			
Non-current			
Goodwill and intangible assets	11	**7,132**	5,909
Property, plant and equipment	12	**355**	231
		7,487	6,140
Current assets			
Inventories	13	**333**	208
Trade and other receivables	14	**5,224**	3,230
Cash and cash equivalents	15	**3,545**	2,973
		9,102	6,411
Total assets		**16,589**	12,551
Equity			
Called up share capital	21	**5,928**	5,926
Share premium account	21	**30,414**	25,013
Share based payment reserve	21	**106**	47
Merger reserve	21	**777**	27
Preference shares	21	**934**	2,909
Retained earnings	21	**(32,781)**	(30,926)
Total equity attributable to equity holders of the parent		**5,378**	2,996
Liabilities			
Non-current			
Borrowings	17	**3,548**	3,375
Contingent consideration	17	**583**	700
Deferred tax	20	**300**	–
		4,431	4,075
Current			
Trade and other payables	16	**5,929**	5,480
Contingent consideration	17	**750**	–
Current tax liabilities	8	**45**	–
Secured finance leases	17	**56**	–
		6,780	5,480
Total equity and liabilities		**16,589**	12,551

The consolidated financial statements were authorised for issue and approved by the Board on 1 November 2018 and are signed on its behalf by David Galan

Company registration number: SC075133

Consolidated statement of cash flows

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Cash flows from operating activities			
Loss for the year before tax		**(1,811)**	(362)
Adjustments for:			
Depreciation	12	**138**	96
Amortisation and impairment of intangibles	11	**1,763**	1,421
Finance costs	7	**253**	293
Share based payment charge	5	**74**	32
Gain on revaluation of deferred contingent consideration	6	**(700)**	(1,300)
Contingent consideration deemed remuneration	6	**487**	–
Gain on disposal of assets		**(6)**	(43)
		198	137
Increase in inventories		**(125)**	(6)
(Increase)/decrease in trade and other receivables		**(1,100)**	415
Decrease in trade and other payables		**(1,327)**	(1,759)
Cash used in operations		**(2,354)**	(1,213)
Finance costs paid		**(3)**	(1)
Tax paid		**(4)**	(33)
Net cash flows used in operating activities		**(2,361)**	(1,247)
Investing activities			
Disposal of subsidiary undertakings, net of cash and overdrafts		**–**	5
Acquisition of subsidiary undertakings, net of cash and overdrafts		**86**	(500)
Purchase of property, plant and equipment	12	**(65)**	(69)
Proceeds on sale of property, plant and equipment		**6**	–
Disposal of associate		**–**	100
Purchase of intangible assets		**(122)**	–
Net cash flows used in investing activities		**(95)**	(464)
Financing activities			
Issue of ordinary share capital (net of issue costs)		**3,066**	740
Borrowings received		**–**	433
Capital element of finance lease payments		**(23)**	–
Net cash flows from financing activities		**3,043**	1,173
Net increase/(decrease) in cash and cash equivalents		**587**	(538)
Translation differences		**(15)**	(26)
Cash and cash equivalents at beginning of year	15	**2,973**	3,537
Cash and cash equivalents at 30 June 2018 and 2017	15	**3,545**	2,973

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 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	–	937	–	(669)	–	(268)	–
Deferred tax on share options	–	–	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**
Balance at 1 July 2017	**5,926**	**25,013**	**47**	**27**	**2,909**	**(30,926)**	**2,996**
Loss and total comprehensive income for the year	–	–	–	–	–	(1,855)	(1,855)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,855)**	**(1,855)**
Equity-settled share-based payments	–	–	74	–	–	–	74
Issue of shares on acquisition	–	–	–	750	–	–	750
Conversion of preference shares	1	2,277	–	–	(1,975)	–	303
Deferred tax on share options	–	–	(15)	–	–	–	(15)
Shares issued	1	3,506	–	–	–	–	3,507
Expenses of issue of shares	–	(382)	–	–	–	–	(382)
Balance at 30 June 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**

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.

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

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

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, with the exception of contingent consideration measured at fair value. Areas where other bases are applied are identified in the accounting policies below.

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

1.2.1) Going concern

The Group achieved a continuation of profitability at the adjusted EBITDA level, although the Group made a loss after tax of £1.86 million due to further non-recurring cost set out at note 6 of £1.26m (2017: £0.11 million). On 13 November 2017, the Group and company announced the acquisition of Tern and a placing to raise gross proceeds of £3.5 million. This placing provided significant cash resources to finance the Group and company's strategic objectives. In addition, the Group only has long term debt with a bullet repayment on 31 December 2020 with no financial covenants.

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

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 continue 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 2018 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

IFRS 9

IFRS 9 has ultimately replaced 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 and will first apply to the Group's financial reporting for year ending 30 June 2019 (with adoption in the half yearly reporting to 31 December 2018). The directors are in the process of evaluating the application of the standard in terms of ensuring that the provisioning on any trade receivables is aligned with the requirements of the standard and are also assessing the impact on its financial assets of the change in impairment model from incurred to expected credit losses where typically credit losses will be recognised earlier than is the case currently.

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

IFRS 15 is effective from 1 January 2018 and will first apply to the Group's financial reporting for year ending 30 June 2019 (with adoption in the half yearly reporting to 31 December 2018). The standard will be applied to all contracts which are not considered to be completed at 1 January 2019.

The Directors are continuing to consider the impact of the implementation of this standard and have identified the following areas for review:

- TV operating segment- impact on production income and royalty income
- Digital operating segment- impact on project income and service contracts for customers
- Publishing operating segment- impact on advertising revenue and online revenue

Unless material, as at 31 December 2018 the Group will apply the cumulative effect method transition methodology, meaning that the cumulative effect of applying the new standard at the date of initial application will be presented with no restatement of the comparative period but with a quantification of the cumulative impact of this standard as at 30 June 2018 being disclosed. If the impact is material, the comparative period will be restated for comparability period on period.

IFRS 2
The IFRS 2 amendments will apply to the Group's financial reporting for year ending 30 June 2019 (with adoption in the half yearly reporting to 31 December 2018). The Group's share-based payments are equity settled. As the amendments to IFRS 2 largely relate to cash settled share-based payments and conversion of cash settled share-based payments to equity settled share-based payments, these amendments are not expected to have a material impact on the Group.

IFRS 16 and IFRIC 23
IFRS 16 which provides guidance on accounting for leases 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 IFRIC 23 on the Group's financial statements, which will apply to the Group's financial reporting for year ending 30 June 2020. IFRIC 23 clarifies the uncertainties in income taxes.

New standards effective for 30 June 2018 which have been applied in the financial statements
- Amendments to IAS 7: Disclosure Initiative
- Annual improvements to IFRS standards 2014-2016 cycle.

1.3) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018. 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) Accounting Policies (continued)

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 based on 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.

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 based on 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
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 most 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
Motor vehicles	25% on cost

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

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 distribution catalogue acquired in respect of the acquisition of Reef Television and Tern Television Productions and in each case, are amortised over the expected life of the earnings associated with the asset acquired.

Brands, customer relationships, distribution catalogue	Over 7 years
Multimedia products and websites	Over 5 years

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 based on direct costs plus attributable overheads based on a normal level of activity. No element of profit is included in the valuation of inventories.

Digital
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.

1) Accounting Policies (continued)

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

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.

1.14) 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.

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.

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

1.15) Employee benefits
Equity settled share-based payments
The Group uses the Black Scholes Model to calculate the appropriate charge for options issued.

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

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

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

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

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) Accounting Policies (continued)

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 to calculate the present value of these cash flows. Actual outcomes could vary. See note 11 for details of how these judgements are made.

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.

Deferred tax asset on losses
Significant estimates are made to determine both current and deferred tax liabilities/assets, not least the value of deferred tax assets. Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The company must then determine the possibility that deferred tax assets will be utilised and offset against future taxable profits. Assessment of future taxable profit is performed at every reporting date.

Contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on a discounted cash flow model. The key assumptions taken into consideration are the probability of meeting each performance target and the discount factor. The inputs to these models are taken from management accounts and observable markets where possible, but where this is not feasible, a judgement is required in establishing fair values. Judgements include considerations of inputs such as the likelihood of meeting performance targets. Changes in assumptions about these factors could affect the reported fair value.

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 includes publishing, websites, event management, video production and specialised communications services. The Digital 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

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who categorise the Group's three service lines as three operating segments: TV, Publishing and Digital, and is 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		Central and plc		Total	
Continuing Operations	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Revenue	**17,598**	15,167	**2,132**	1,961	**1,864**	2,566	**89**	62	**21,683**	19,756
Adjusted EBITDA	**26**	406	**298**	276	**227**	314	**(60)**	(520)	**491**	476
Depreciation	**(120)**	(66)	**(13)**	(18)	**(4)**	(12)	**(1)**	–	**(138)**	(96)
Amortisation	**(573)**	(421)	**–**	–	**–**	–	**–**	–	**(573)**	(421)
Share based payment charge	**–**	–	**–**	–	**–**	–	**(74)**	(32)	**(74)**	(32)
Exceptional items	**(1,362)**	300	**(13)**	(240)	**(72)**	(43)	**183**	24	**(1,264)**	41
Operating (loss)/profit	**(2,029)**	219	**272**	18	**151**	259	**48**	(528)	**(1,558)**	(32)
Segment Assets	**12,343**	9,977	**1,275**	1,078	**1,765**	1,430	**1,206**	66	**16,589**	12,551
Segment Liabilities	**(4,421)**	(3,462)	**(647)**	(684)	**(226)**	(227)	**(5,917)**	(5,182)	**(11,211)**	(9,555)
Other Segment Items:										
Expenditure on intangible assets	**2,864**	–	**–**	–	**122**	–	**–**	–	**2,986**	–
Expenditure on tangible assets	**53**	140	**2**	–	**8**	–	**3**	2	**65**	142

The impairment loss has been recognised in the TV segment and is shown within the exceptional items.

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

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom was £20.30m (2017: £18.06m), and the total revenue from external customers in other countries was £1.38m (2017: £1.7m).

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

3) Expenses by nature

	2018 £'000	2017 £'000
Cost of sales		
Production costs	**11,889**	10,607
Salary costs	**2,973**	2,682
Royalties	**198**	117
Distribution costs	**120**	47
Movement in WIP/stock	**(125)**	(6)
Total cost of sales	**15,055**	13,447
Operating expenses		
Salary costs	**3,373**	3,605
Leases on premises	**579**	496
Other administrative expenses	**2,185**	1,790
Foreign exchange (gain)/loss	**–**	(26)
Total operating expenses	**6,137**	5,865

3) Expenses by nature (continued)

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

	2018 £'000	2017 £'000
Statutory audit services		
Annual audit of the company and the consolidated accounts	**88**	81
Non-audit services		
Tax advisory services	**16**	25
Total	**104**	106

4) Staff costs

	2018 £'000	2017 £'000
Wages & salaries	**5,400**	5,538
Social security & other costs	**706**	635
Pension costs	**240**	114
Share based payment charge	**74**	32
Total	**6,420**	6,290

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

	2018	2017
TV	**84**	98
Publishing	**41**	49
Digital	**17**	21
Other	**5**	4
Total	**147**	172

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 £240,000 (2017: £114,000). Contributions totalling £19,000 (2017: £10,000) 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

				2018	2017
	Salaries and fees £'000	Benefits in kind £'000	Pension* £'000	**Total £'000**	Total £'000
Executive Directors					
David Galan	143	6	22	**171**	162
Nitil Patel**	–	–	–	**–**	13
Non-Executive Directors					
Peter Bertram (Chairman)	50	–	–	**50**	50
Jonnie Goodwin	30	–	–	**30**	30
Nicholas Taylor ****	18	–	12	**30**	8
Luke Johnson***	–	–	–	**–**	21
	241	6	34	**281**	284

* During the year, £34,000 (2017: £20,000) was paid with respect to personal pension schemes for 2 Directors (2017: 2).
** 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

	2018 £'000	2017 £'000
Short term employee benefits (includes employers NICs)	**272**	306
Post-employment benefits	**34**	20
Share-based payments	**33**	12
Total	**339**	338

The amount for share based payments charge (see note 5) which relates to the Directors was £21,119 (2017: £11,977).

5) Share based payments

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

	2018 £'000	2017 £'000
EMI share option scheme	**64**	30
Unapproved share option scheme	**10**	2
Total	**74**	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 are exercisable.

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

Unapproved share option scheme

	2018		2017	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**3,000,000**	**0.0075**	13,755,000	0.026
Granted during the year	**2,000,000**	**0.0083**	3,000,000	0.0075
Cancelled during the year	**–**	**–**	(13,755,000)	0.026
Outstanding at the end of the year	**5,000,000**	**0.0078**	3,000,000	0.0075
Exercisable at the end of the year	**–**	**–**	–	–

EMI Share option scheme

	2018		2017	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**60,000,000**	**0.00755**	4,000,000	0.02875
Granted during the year	**14,000,000**	**0.00825**	60,000,000	0.00755
Cancelled during the year	**–**	**–**	(4,000,000)	0.02875
Outstanding at the end of the year	**74,000,000**	**0.0077**	60,000,000	0.00755
Exercisable at the end of the year	**–**	**–**	–	–

5) Share based payments (continued)

The options outstanding as at 30 June 2018 have the following exercise prices and expire in the following financial years:

Expiry	Exercise Price £	2018 No	2017 No
December 2026	**0.0075**	**60,000,000**	60,000,000
June 2027	**0.0085**	**3,000,000**	3,000,000
November 2027	**0.0083**	**15,000,000**	–
April 2028	**0.0075**	**1,000,000**	–
		79,000,000	63,000,000

No options were exercised during the year (2017: Nil).

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 several 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.

Options issued in November 2017

The Group issued 15,000,000 share options to various members of the Tern TV senior management team in November 2017. The options are exercisable at 0.83 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, 7,500,000 of them are subject to a performance condition based on the share price being more than 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 November 2017 are as follows:

Scheme	EMI	Unapproved
Weighted average share exercise price	**0.83 pence**	**0.83 pence**
Weighted average expected volatility	**72.5%**	**72.5%**
Average expected life (years)	**8 years**	**8 years**
Weighted average risk-free rate	**1.3%**	**1.3%**
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 April 2018

The Group issued 1,000,000 share options to a member of the senior management team in April 2018. The options are exercisable at 0.76 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, 500,000 of them are subject to a performance condition based on the share price being more than 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 April 2018 are as follows:

Scheme	EMI
Weighted average share exercise price	**0.76 pence**
Weighted average expected volatility	**72.5%**
Average expected life (years)	**8 years**
Weighted average risk-free rate	**1.3%**
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 assumes 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.

	2018 £'000	2017 £'000
Impairment of carrying value of goodwill in respect of Reef Television	**(1,190)**	(1,000)
Change in fair value of contingent consideration in respect of Reef Television	**700**	1,300
Reorganisation and restructuring costs	**(190)**	(75)
Contingent consideration treated as remuneration	**(487)**	–
Other exceptional items	**(97)**	(184)
Total	**(1,264)**	41

TV reorganisation and restructuring costs
During the year, the TV division reorganised itself around programming genres resulting in changes to its cost base. The non-recurring element of the costs has been presented as exceptional to enable a more refined evaluation of financial performance.

Reef Television impairment and change in fair value of contingent consideration
Reef Television traded disappointingly during the year with the result that the terms of the earnout contingent consideration were not met, necessitating a write down to £nil of the fair value of the contingent consideration liability. Furthermore, the Board undertook a detailed impairment review resulting in a reduction to £nil of the carrying value of the goodwill pertaining to Reef Television.

Contingent consideration treated as remuneration
In relation to the acquisition of Tern Television Productions in November 2017, the Directors note that where selling shareholders are also post-acquisition employees and contingent consideration is conditional on continuing employment during the earnout period, contingent consideration is treated as remuneration for the purposes of post-acquisition accounting under IFRS 3 and is expensed to the income statement over the earn out period. Therefore, £0.49m has been expensed to the income statement in the year of acquisition in relation to earn out consideration linked to remuneration. As this is a non-operational expense item, it has been presented as exceptional for the purposes of an accurate evaluation of financial performance for the year. The Directors note that should the contingent consideration become payable (if earn out targets are satisfied), then the further expenses amounting to £0.21m in the year ending 30 June 2019 and £0.08m in the year ending 30 June 2020 will be recognised.

7) Finance costs

	2018 £'000	2017 £'000
Interest payable on borrowings	**(250)**	(292)
Interest payable on finance leases	**(3)**	(1)
Finance Costs	**(253)**	(293)

8) Income tax expense

Taxation charge

	2018 £'000	2017 £'000
Current tax expense:		
Current year charge	–	(5)
	–	(5)
Deferred tax		
Origination and reversal of temporary differences (note 20)	44	(233)
Impact in change of corporate tax rate	–	(15)
	44	(248)
Total income tax expense	44	(253)

Reconciliation of taxation expense:

	2018 £'000	2017 £'000
Loss before tax	(1,811)	(325)
Taxation expense at UK corporation tax rate of 19% (2017: 19.75%)	(344)	(64)
Impairment and amortisation non deductible	428	281
Contingent consideration non taxable	(133)	(257)
Other non-taxable income/non-deductible expenses	1	–
Tax losses not recognised	197	35
Temporary timing differences	(105)	(230)
Utilisation of losses carried forward and temporary differences not previously recognised	–	(18)
Total income tax expense	44	(253)

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 were treated as discontinued operations in the year ended 30 June 2017.

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

	2018 £'000	2017 £'000
Revenue	–	321
Cost of sales	–	(180)
Gross Profit	–	141
Operating expenses	–	(178)
Operating loss and loss before tax	–	(37)
Taxation	–	–
Loss for the year from discontinued operations	–	(37)

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 £1.86m (2017: loss of £0.07 million) divided by the weighted average number of issued ordinary shares of 1,086,267,290 (2017: 544,171,445).

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.

	2018 Number of Shares	2017 Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**1,086,267,290**	544,171,445
Potentially dilutive effect of share options	**1,999,431**	11,330,279
	£'000	£'000
Loss for the year from continuing operations attributable to share holders	**(1,855)**	(72)
Loss for year from discontinued operations attributable to shareholders	**–**	(37)
Continuing operations		
Basic Loss per share	**(0.17)p**	(0.01)p
Diluted Loss per share	**(0.17)p**	(0.01)p
Discontinued operations		
Basic Loss per share	**–p**	(0.01)p
Diluted Loss per share	**–p**	(0.01)p

11) Intangible assets

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Multimedia Products & Websites £'000	Distribution Catalogue £'000	Total £'000
Cost						
At 1 July 2016	27,950	4,318	2,621	–	–	34,889
At 30 June 2017	27,950	4,318	2,621	–	–	34,889
Additions (note 19)	1,444	179	798	122	443	2,986
At 30 June 2018	**29,394**	**4,497**	**3,419**	**122**	**443**	**37,875**
Amortisation						
At 1 July 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)
Charge for the year	–	(88)	(426)	–	(59)	(573)
Impairment charge	(1,190)	–	–	–	–	(1,190)
At 30 June 2018	**(25,354)**	**(4,046)**	**(1,284)**	**–**	**(59)**	**(30,743)**
Net Book Value						
At 30 June 2018	**4,040**	**451**	**2,135**	**122**	**384**	**7,132**
At 30 June 2017	3,786	360	1,763	–	–	5,909

All additions arose on business combinations with the exception of multimedia products and websites which were internally generated by the Digital division.

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.

Distribution catalogue
The distribution catalogue intangible asset arises on the acquisition of Tern Television Productions. It is amortised over 7 years and as at 30 June 2018 the remaining useful life was 6 years.

Brands and customer relationships
Brand and customer relationships relate to the intangible assets arising on the acquisition of Reef Television and Tern Television Productions. The intangible assets are amortised over a period of 7 years and as at 30 June 2018 there were 4 more years of useful life remaining for Reef Television and 6 years remaining for Tern Television Productions.

11) Intangible assets (continued)

Multimedia products and websites

Multimedia products and websites relate to the development of applications and websites within the Digital Division, which will be amortised on the completion of the product over a period of 5 years.

Impairment tests for goodwill

The carrying amount of goodwill by operating segment is:

	2018 £'000	2017 £'000
TV CGU (TV operating segment)	**1,611**	2,801
Tern TV CGU (TV operating segment)	**1,444**	–
Digital	**985**	985
Total	**4,040**	3,786

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-year period (5 year Group forecast and then 2 years GDP growth rate), taking into account both past performance and expectations for future market developments.

During the year the operations of Reef Television became increasingly amalgamated with other Core TV activities. Following significant changes in its structure and departure of key personnel, the company performed an impairment review of Reef Television which demonstrated that the projected discounted cash flows could no longer support the carrying value of the goodwill and therefore determined that an impairment charge of £1.2m (2017: £1m) should be made. Following the amalgamation of some of the operating activities it was not possible to quantify precisely the value of the impairment required but on the basis that the previous contributing factors to goodwill such as workforce, profitability and certain other synergies no longer existed, the directors' judgement was that it was appropriate to impair the full value of the goodwill of Reef Television.

As the write off of goodwill is an indicator of impairment of intangible fixed assets, the directors also performed an impairment review of the other intangible fixed assets and determined that their value in use was sufficient to support their carrying values.

The Television CGU now includes Reef Television as it is now managed and controlled within the Television unit.

Management has used a seven-year model (5 year Group forecast and then 2 years GDP growth rate) 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.

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 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 2018/19 business unit forecasts are based on the individual budgets for each division, each division now being driven by programme genres. For the years following, a growth rate of 2.5 per cent. (10 per cent. in Popular Factual) is applied to the 2018/19 forecasts on an annual basis (see detailed table for rates for periods after this). 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 be significantly lower than the growth rate management would expect to achieve.

In evaluating the recoverable amount, we employ the discounted cash flow methodology, which is based on making assumptions and judgements on forecasts, margins, discount rates and working capital needs. These estimates will differ from actuals in the future and could therefore lead to material changes to the recoverable amounts. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to EBITDA growth (as disclosed above). 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 pre-tax discount rate applied across to the segments for 2018 was 10.5 per cent. (2017: 8.4 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 2 per cent. is shown below.

TV CGU
A pre-tax discount rate of 10.5 per cent. (2017: 8.4 per cent.) has been used. The main assumption on which the forecast cash flows were based is EBITDA growth. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience. An impairment charge of £1.2m was made during the year in respect of the carrying value of goodwill relating to Television CGU as noted above.

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 10.5 per cent.	An increase in the discount rate to 12.5 per cent. will result in no impairment charge.
EBITDA Growth Rate	A rate of 2.5 per cent. has been used in Documentaries and Specialist Factual for financial years 2019/20 onwards. A rate of 10 per cent. has been used in Popular Factual for financial year 2019/20 and 5.0 per cent thereafter.	If a zero per cent. growth rate was applied for financial years 2018/19 onwards, TV would not be impaired.

Digital CGU
A pre-tax discount rate of 10.5 per cent. (2017: 8.4 per cent.) has been used. The main assumption on which the forecast cash flows were based is EBITDA growth. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience.

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

Assumption	Judgement	Sensitivity
Discount Rate	As indicated above the rate used is 10.5 per cent.	An increase in the discount rate to 12.5 per cent. will result in no impairment charge.
Growth Rate	A rate of 3.0 per cent. has been used for financial years 2019/20 onwards.	If a zero per cent. growth rate was applied for financial years 2018/19 onwards, Digital would not be impaired.

11) Intangible assets (continued)

Tern Television Productions CGU – at the time of business combination

Goodwill on consolidation of Tern Television Productions amounting to £1.44m arises on the excess of cost of acquisition over the fair value of the net assets acquired on purchase of the company. Tern Television Productions was acquired in November 2017. Tern Television Productions is its own CGU for the purposes of the goodwill calculation as it is managed and controlled in isolation from the Television CGU and impairment reviews are carried out by the Board and monitored on an ongoing basis.

The Tern customer relationship intangible asset is recognised and valued at £0.80m. This represents the expected value to be derived from non-contractual customer relationships in place at the acquisition date. The value placed on the non-contractual customer relationships is based on the expected cash inflows based on revenue past performance of the customer relationship; but using a blended growth and attrition rate of 5% per annum from 2019. Associated cash outflows have been based on historically achieved margins and overhead run rates per £1 of revenue. The net cash flows are discounted using the post-tax rate of 10.15%, which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships. The estimated life for customer relationships is seven years based on the estimated life of the non-contractual relationships.

The Tern brand intangible asset is recognised and valued at £0.18m. This represents the expected value to be derived from the brand based on an estimated royalty rate net of tax. The net cash flows are discounted using the post-tax rate of 10.15%, which the Directors consider is commensurate with the risks of the business as stated above. The estimated life for the brand is seven years based on the estimated life of the non-contractual relationships, which is aligned to the brand value.

The Tern distribution catalogue intangible asset is recognised and valued at £0.44m. This represents the expected value to be derived from the catalogue asset based on the expected cash inflows by programme title compiled by the directors based on past performance. Associated cash outflows have been based on historically achieved margins and using an attrition rate of 50% from 2019. The net cash flows are discounted using the post-tax rate of 10.15%, which the Directors consider is commensurate with the risks associated with capturing returns from the catalogue. The estimated life for the distribution catalogue is five years based the lifetime of past title sales.

Tern Television Productions CGU – impairment review

For the purposes of the impairment review, the inputs used in the acquisition assessment stage of the business combination were rolled forward to the year end and re-evaluated.

The main assumption on which the forecast cash flows were based is EBITDA growth. A pre-tax discount rate of 10.5 per cent has been used. All key assumptions used by management within the cash flow forecasts are based on past experience and sector experience.

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

Assumption	Judgement	Sensitivity
Discount Rate	As indicated above the rate used is 10.5 per cent.	An increase in the discount rate to 12.5 per cent. will result in no impairment charge.
Growth Rate	An average rate of 21 per cent. has been used for financial year 2019/20 onwards.	If a zero per cent. average growth rate was applied for financial years 2018/19 onwards, Tern Television CGU would not be impaired.

The directors note that no reasonable change in the key assumptions would create an impairment in terms of the Tern Television CGU goodwill or intangibles.

12) Property, plant and equipment

	Short leasehold land and buildings £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 July 2016	266	–	1,581	1,847
Additions	38	–	103	141
Disposals	(13)	–	(165)	(178)
At 30 June 2017	291	–	1,519	1,810
Additions	–	–	65	65
Acquired through business combinations	–	148	911	1,059
Disposals	–	(37)	–	(37)
At 30 June 2018	**291**	**111**	**2,495**	**2,897**
Depreciation				
At 1 July 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)
Charge for the year	(11)	(13)	(114)	(138)
Acquired through business combinations	–	(76)	(786)	(862)
Disposals	–	37	–	37
At 30 June 2018	**(271)**	**(52)**	**(2,219)**	**(2,542)**
Net Book Value				
At 30 June 2018	**20**	**59**	**276**	**355**
At 30 June 2017	31	–	200	231

13) Inventories

	2018 £'000	2017 £'000
Work in progress – Publishing	**66**	46
Work in progress – TV	**189**	110
Stock – Communicate	**78**	52
Total Inventories	**333**	208

14) Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	**2,508**	1,423
Less provision for impairment	**(102)**	(97)
Net trade receivables	**2,406**	1,326
Other receivables	**159**	130
Prepayments	**756**	510
Accrued income	**1,903**	1,264
Total	**5,224**	3,230

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 several customers with no recent history of default are as follows:

	2018 £'000	2017 £'000
Not more than 3 months	**1,860**	376
More than 3 months but less than 1 year	**536**	244
More than 1 year	**112**	150
Total	**2,508**	770

15) Cash and cash equivalents

	2018 £'000	2017 £'000
Total cash and cash equivalents	**3,545**	2,973

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

	2018 £'000	2017 £'000
Current		
Trade payables	**2,048**	1,205
Other payables	**95**	268
Other taxes and social security	**694**	692
Accruals	**2,704**	2,474
Deferred income	**388**	841
Total	**5,929**	5,480

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

	2018 £'000	2017 £'000
Current		
Contingent consideration payable	**750**	–
Finance leases	**56**	–
Sub total	**806**	–
Non-current		
Debt facility – unsecured borrowings	**2,620**	2,532
Loan notes – unsecured borrowings	**928**	843
Contingent consideration payable	**583**	700
Sub total	**4,131**	4,075
Total	**4,937**	4,075

Maturity of Financial Liabilities

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

	2018 £'000	2017 £'000
Repayable within one year and on demand:		
Finance leases	**56**	–
Trade and other payables	**2,143**	1,473
Accrued expenses	**2,705**	2,474
	4,904	3,947
Repayable between one and two years:		
Debt facility – unsecured	**–**	–
	–	–
Repayable between two and five years:		
Debt facility – unsecured	**2,845**	2,847
Loan notes – unsecured	**1,078**	1,053
	3,923	3,900
Total	**8,827**	7,847

Debt facility

Loans totalling £2.62 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 of this debt facility. During the year ended 30 June 2017, the Company received additional loans of £0.43 million 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 £0.93 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 ended 30 June 2017, 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. There are no financial covenants in place in respect of this debt.

Contingent consideration

The contingent consideration at 30 June 2018 relates to the potential cash outflows payable in respect of Tern Television to the former shareholders should the earnout targets be achieved (see note 19 for further details). The £0.7 million contingent consideration at 30 June 2017 payable to the Reef Television sellers was fully written back during the year as its condition for payment was not met.

Finance leases

Net obligations under finance leases are secured on related property, plant and equipment. All amounts are repayable within the next financial year.

Reconciliation of liabilities arising from financing activities

	2017 £'000	Cash flows £'000	Non-cash changes £'000	2018 £'000
Borrowings – debt facility	2,532	–	88	**2,620**
Borrowings – loan notes	843	–	85	**928**
Finance leases	–	(23)	79	**56**
Total liabilities from financing activities	3,375	(23)	252	**3,604**

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 and interest rate risk. 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 2018 no hedging instruments were in place, but the Group actively monitors this position (2017: also nil).

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 2018		
Impact on income statement and equity: gain/(loss)	7	(52)
At 30 June 2017		
Impact on income statement and equity: gain/(loss)	6	(51)

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

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

	2018 £'000	2017 £'000
Borrowings (debt facility and loan notes)	**(3,548)**	(3,375)
Cash and cash equivalents	**3,545**	2,973
Net Debt	**(3)**	(402)
Total equity	**5,378**	2,996
Net debt to equity ratio	**–%**	13%

The reduction in the Group's gearing ratio arises as a result of the equity fundraising via a placing undertaken by the Group in November 2017, the issue of equity consideration for Tern Television and the preference share conversion as detailed in note 21.

Financial instruments by category

	2018 £'000	2017 £'000
Categories of financial assets and liabilities		
Financial assets – loans and receivables		
Trade and other receivables	**4,468**	2,720
Cash and cash equivalents	**3,545**	2,973
Financial liabilities – other financial liabilities at amortised cost		
Trade and other payables	**(4,847)**	(3,947)
Borrowings	**(3,548)**	(3,375)
Finance leases	**(56)**	–
Financial liabilities – other financial liabilities at fair value		
Contingent consideration payable	**(1,333)**	(700)

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.

The contingent consideration is measured at fair value under the level 3 of fair value hierarchy. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The total amount payable in full in respect of the contingent consideration (excluding overachievement consideration) has been calculated based on estimated annual EBITDA discounted at a rate of 10.15%.

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.

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)

During the 2018 financial year the minimum gross profit performance metric for Reef Television was not achieved. Accordingly, the Loan Note Consideration and Deferred Consideration payable in respect of the 2018 financial year were reduced to £nil. An impairment charge of £1.2m was made during the year in respect of the carrying value of goodwill relating to Reef Television, contained within the Television CGU, reducing it to £nil (see note 11).

Acquisition of Tern Television Productions Limited

In November 2017, the company acquired the entire issued share capital of Tern Television Productions Limited for an initial consideration of £2.35m in cash and £0.75m in shares. In addition, contingent consideration is payable dependent on delivering against certain EBITDA earnout targets, with maximum contingent consideration of £2.35m payable on certain earn out targets being met between 2018 and 2020 (being £1.75m contingent consideration plus a £0.6m overachievement target). The acquisition of Tern Television Productions was undertaken to expand geographically, broaden and enhance creative capabilities and take on a reputable management team to assist with overall Group operations and management.

The acquisition was funded by the share placing of 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 £3.51 million. The Company paid £1.25m in initial cash consideration plus £1.10m of surplus cash held on the Tern Television Productions' balance sheet.

Tern Television Productions Limited contributed £4.21 million to revenue and £0.5 million to the Group's operating profit for the period. If the acquisition had taken place at the start of the period, the Group's revenue and operating profit would have been approximately £7.15 million and £0.7 million respectively.

The fair value of the assets acquired, and liabilities assumed were as follows:

	Book Value £'000	Fair Value Adjustments £'000	Fair Value £'000
Intangible fixed assets	–	1,420	**1,420**
Property, plant and equipment	197	–	**197**
Trade and other receivables	894	–	**894**
Cash and cash equivalents	2,436	–	**2,436**
Trade and other payables	(1,756)	–	**(1,756)**
Other taxes and social security	(398)	–	**(398)**
Current tax liabilities	(178)	128	**(50)**
Deferred tax	–	(241)	**(241)**
Net assets acquired	1,195	1,307	**2,502**
Goodwill capitalised			**1,444**
Consideration			**3,946**
Satisfied by:			
Issue of shares			**750**
Cash			**2,350**
Deferred contingent consideration			**846**
			3,946

The capitalised goodwill represents the assembled workforce, high existing profitability and the synergies that the group will obtain all contributed to the amount paid for goodwill. Those assets do not meet the recognition criteria prescribed under IFRS 3 Business Combinations and have therefore not been recognised as separate intangible assets, but subsumed in goodwill.

As described in note 6, certain selling shareholders with entitlement to contingent consideration are also post acquisition employees. For the purposes of post-acquisition accounting under IFRS 3 any employment linked contingent consideration must be expensed to the income statement in full at the time of acquisition. Therefore, in relation to their respective shareholdings, £0.49m has been expensed to the income statement in the year of acquisition.

Acquisition costs (not related to the issue of share capital) are recognised in the income statement.

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 2017	75	352	(360)	15	(82)	–
Recognised in the income statement	(75)	(149)	98	–	82	(44)
Recognised in statement of changes in equity	–	–	–	(15)	–	(15)
Arising on acquisition	–	–	(241)	–	–	(241)
At 30 June 2018	**–**	**203**	**(503)**	**–**	**–**	**(300)**

Deferred tax assets estimated at £3.2 million (2017: deferred tax asset of £2.9 million) in respect of losses carried forward have not been recognised due to uncertainties as to whether income will arise against which such losses will be utilised.

21) Share capital and reserves

	30-Jun-18	30-Jun-17
Ordinary shares with a nominal value of:	**0.00025p**	0.00025p
Authorised:		
Number	**Unlimited**	Unlimited
Issued and fully paid:		
Number	**1,359,586,281**	619,775,478
Nominal value (£'000)	**3.4**	1.5
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**	419,397,339
Nominal value (£'000)	**418**	418
Preference shares with a nominal value of 0.01p		
Authorised, issued and fully paid:		
Number	**933,887**	2,908,631
Paid up value (£'000)	**934**	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.

21) Share capital and reserves (continued)

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 37,355,480 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.

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 dividend element is a liability and has been treated as such. The settlement in shares is for a fixed number of shares for a fixed amount of cash. The dividend element is settled in a variable number of shares based on the share price which therefore is a liability element. 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.

	2018				2017		
Ordinary shares	**Number of Shares**	**Share Capital £'000**	**Share Premium £'000**	**Merger Reserve £'000**	Number of Shares	Share Capital £'000	Share Premium £'000
At start of year	**619,775,478**	**1.5**	**25,013**	**27**	419,397,339	419	22,671
Nominal value transferred to deferred share capital	**–**	**–**	**–**	**–**	–	(418)	–
Share placing and subscription for cash	**389,603,280**	**0.97**	**3,505**	**–**	111,711,471	0.28	838
Consideration paid in shares	**93,750,000**	**0.23**	**–**	**750**	66,666,667	0.17	500
Shares issued in lieu of fees	**3,333,333**	**0.01**	**30**	**–**	22,000,001	0.050	165
Expenses of issue of shares	**–**	**–**	**(412)**	**–**	–	–	(98)
Shares issued in preference share dividend conversion	**33,708,222**	**0.08**	**304**	**–**	–	–	–
Shares issued in preference share conversion	**219,415,968**	**0.55**	**1,974**	**–**	–	–	–
Transfer to share premium account	**–**	**–**	**–**	**–**	–	–	937
At end of year	**1,359,586,281**	**3.4**	**30,414**	**777**	619,775,478	1.5	25,013

In November 2017 the Company raised approximately £3.51m (before expenses) through a placing of 389,603,280 new ordinary shares at 0.9p per share. The Company also issued 93,750,000 new ordinary shares at 0.9p per share as part of the consideration for the acquisition of Tern Television, to the Tern Television selling shareholders. The Company also issued 3,333,333 new ordinary shares in lieu of certain adviser fees.

The acquisition of Tern Television Productions was partly satisfied through the Placing of 93,750,000 ordinary shares at a price of 0.8 pence per share. The difference between the nominal value of the shares issued and the issue price gives rise to a premium of £0.75m which has been added to the merger reserve.

In November 2017, in conjunction with the placing, the Company converted £1.97m of preference shares and £0.30m of accrued dividend on the preference shares into 253,124,190 new ordinary shares at 0.9p. Herald Investment Trust plc and the John Booth Charitable Foundation, the holders of the Company's preference shares, converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that the combined current holding of ordinary shares of approximately 40 per cent of the issued ordinary share capital in the Company was maintained. The preference shares were converted into new ordinary shares using the conversion price of 0.9p rather than the conversion price of 2.5p. This change became effective pursuant to paragraph 7 of the October 2016 Circular which notified that Company agreed not to issue any further New Ordinary Shares (other than on exercise of options) without also offering Herald Investment Trust plc and the John Booth Charitable Foundation the option to convert the Preference Shares pro-rata to their existing equity holding.

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

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

22) Contingencies and commitments

Capital commitments

The Group had no capital commitments in relation to leasehold improvements to its premises as at 30 June 2018 (2017: £nil).

Operating leases

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

	30 June 2018		30 June 2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**493**	**6**	456	–
More than one year but within five years	**389**	**11**	805	–
Total	**881**	**17**	1,261	–

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

23) Related party transactions

XMA Limited

XMA Limited, a private company which Peter Bertram was a director of (resigned 31 December 2017), was a client of a subsidiary of the Group. Services valued at £2,717 (2017: £32,584) were supplied to XMA Limited at market rates.

Maintel Holdings plc

Maintel Holdings Plc, a listed company which Nicholas Taylor is a non-executive director of, is a supplier to the Group. Services valued at £9,584 (2017: £11,834) were supplied to the Group at market rates.

Herald Investment Trust plc

The Company is the borrower of unsecured debt with Herald Investment Trust plc and its associated parties (the "Debt Holders") requiring a bullet repayment on 31 December 2020. The total amount outstanding at 30 June 2018 including accrued interest is £3.55m (2017: £3.38m). Interest accrued on the debt amounted to £0.3m (2017: £0.3m).

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.

23) Related party transactions (continued)

November 2017 placing and conversion of preference shares

In November 2017 the Company 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.

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.

24) Post balance sheet events

In accordance with the terms of the share purchase agreement (the "SPA") entered into with the sellers of Tern Television Productions Limited ("Tern Television") in October 2017, the first-year earnings target was achieved, meaning that the first year earnout payment of £0.75m became payable to the Tern Television sellers. In accordance with the SPA the sellers elected to receive this payment partially in cash and partially in Zinc Media Group shares. £562,500 will be settled in cash and £187,500 will be settled in shares at the average market price for the 30 business days prior to issue. The shares are subject to lock-in and orderly market provisions under the SPA. The cash element of the earnout payment will be satisfied from existing cash resources of the Group.

The Company has offered the holder of the Company's preference shares, Herald Investment Trust plc ("Herald"), the option to convert such amount of preference shares into ordinary shares, so as to maintain parity in their ordinary shareholding percentage. Herald have indicated that they will accept this offer and therefore the Company expects to issue ordinary shares to Herald at the same time as the issue of earnout shares to the Tern sellers. The conversion shares issued to Herald will be issued at the same price per share as to the Tern sellers, such price to be determined with reference to the closing mid-market price of the Company's ordinary shares in the 30 trading days prior to issue.

25) Guarantee in relation to subsidiary audit exemption

On 6 September 2018, the Directors of the Company provided guarantees in respect of its trading subsidiary companies in accordance with section 479C of the Companies Act 2006. As a result, the following subsidiary entities of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006:

Blakeway Productions Limited (02908076)
Brook Lapping Productions Limited (02800925)
Zinc Communicate Limited (06271341)
Films of Record Limited (01446899)
Reef Television Limited (03500852)
Ten Alps TV Limited (02888301)
Tern Television Productions Limited (SC109131)

Company statement of financial position

As at 30 June 2018

	Note	30 June 2018 £'000	30 June 2018 £'000	30 June 2017 £'000	30 June 2017 £'000
Fixed assets					
Investments	28		**10,225**		8,169
Tangible assets	29		**4**		3
			10,229		8,172
Current assets					
Debtors	30	**1,505**		584	
Cash at bank		**812**		4	
		2,317		588	
Creditors					
Amounts falling due within one year	31	**(3,831)**		(2,068)	
Net current liabilities			**(1,514)**		(1,480)
Total assets less current liabilities			**8,712**		6,692
Creditors					
Amounts falling due after more than one year	32		**(4,131)**		(4,075)
Net assets			**4,584**		2,617
Capital and reserves					
Called up share capital	21		**5,928**		5,926
Preference shares	21		**934**		2,909
Share premium account	21		**30,414**		25,013
Share based payment reserve	21		**106**		47
Other reserve	21		**750**		–
Profit and loss account	21		**(33,548)**		(31,278)
Shareholders' funds			**4,584**		2,617

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 £2.27m (2017: loss £1.03m).

The financial statements were authorised for issue and approved by the Board on 1 November 2018 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	Merger reserve £'000	Other reserve £'000	Share based payment 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	–	–	–	–	–	–	–	(1,032)	(1,032)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,032)**	**(1,032)**
Transfer on dissolution of subsidiary	–	113	(111)	–	–	(2)	–	–	–
Shares issued net of expenses	1	1,403	–	–	–	–	–	–	1,404
Equity–settled share–based payments	–	–	–	–	–	–	32	–	32
Deferred tax on share options	–	–	–	–	–	–	15	–	15
Balance at 30 June 2017	**5,926**	**25,013**	**–**	**2,909**	**–**	**–**	**47**	**(31,278)**	**2,617**
Balance at 1 July 2017	**5,926**	**25,013**	**–**	**2,909**	**–**	**–**	**47**	**(31,278)**	**2,617**
Loss for the year and other comprehensive income	–	–	–	–	–	–	–	(2,270)	(2,270)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,270)**	**(2,270)**
Equity–settled share–based payments	–	–	–	–	–	–	74	–	74
Deferred tax on share options	–	–	–	–	–	–	(15)	–	(15)
Conversion of preference shares	1	2,277	–	(1,975)	–	–	–	–	303
Issue of shares on acquisition	–	–	–	–	750	–	–	–	750
Shares issued net of expenses	1	3,124	–	–	–	–	–	–	3,125
Balance at 30 June 2018	**5,928**	**30,414**	**–**	**934**	**750**	**–**	**106**	**(33,548)**	**4,584**

26) 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.

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

(a) Reduced disclosure

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

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

(b) Going concern

Going concern is addressed in the consolidated financial statements of the Group per note 1.2.1 and in the Directors' Report page 22.

(c) Investments

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

(d) Pensions

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

(e) Deferred taxation

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

(f) Financial instruments

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

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

Financial assets

Group and other debtors

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

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

26) Accounting policies – Company (continued)

Financial liabilities and equity

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

Equity instruments

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

Trade, group and other creditors

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

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

Borrowings

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

Derecognition of financial assets and liabilities

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

(g) Contingent consideration

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

(h) Share based payments

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

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

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

(i) Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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 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.

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.

(j) Significant judgements and estimates

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

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

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

27) Employees

	2018 £'000	2017 £'000
Wages and salaries	**223**	272
Social security costs	**22**	14
Other pension costs	**38**	24
Total	**283**	310

Average number of employees		
Management	**4**	4
Administration	**1**	1
Total	**5**	5

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

28) Investments

	£'000
Total investments in subsidiaries at 1 July 2017	8,169
Additions in the year (see note 19)	3,946
Impairment charge for the year (see note 11)	(1,190)
Change in estimate of deferred consideration	(700)
Investment in subsidiaries at 30 June 2018	**10,225**

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 (see note 11 of Group accounts)	(1,190)
Impairment in investments for the year ended 30 June 2018	**(1,190)**

Notes to the company financial statements (continued)

28) Investments (continued)

The subsidiaries of the Company are as follows:

	Country of incorporation, registration and operation	Class of capital	% held	Registered office address	Description of activity
Tern Television Productions Limited	Scotland	Ordinary	100% Direct	^	TV Production
Blakeway Productions Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
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
Reef Television Limited	England & Wales	Ordinary	100% Direct	^^	TV Production
Ten Alps Communications Limited	England & Wales	Ordinary	100% Direct	^^^	Contract Publishing
Ten Alps TV Limited	England & Wales	Ordinary	100% Direct	^^	TV Production

^ 73 Crown Street, Aberdeen, AB11 6EX
^^ 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

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	^^^^	Dissolved 14/08/2018
Zinc 123 Limited	England & Wales	Ordinary	100% Direct	^^^	Dissolved 24/07/2018
Children's Traffic Club Limited	England & Wales	Ordinary	100% Direct	^^	Dormant

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

29) Tangible fixed assets

	Office and computer equipment £'000	Total £'000
Cost		
At 1 July 2017	11	11
Additions	3	3
At 30 June 2018	**14**	**14**
Accumulated Depreciation		
At 1 July 2017	(8)	(8)
Charge for year	(1)	(1)
At 30 June 2018	**(9)**	**(9)**
Net Book Value		
At 30 June 2018	**4**	**4**
At 30 June 2017	3	3

30) Debtors

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	**984**	188
Other debtors	**26**	24
Prepayments and accrued income	**495**	372
Total	**1,505**	584

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

	2018 £'000	2017 £'000
Trade creditors	**475**	188
Amounts due to subsidiary undertakings	**2,440**	1,247
Other creditors	**–**	137
Accruals and deferred income	**166**	496
Contingent consideration payable	**750**	–
Total	**3,831**	2,068

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

	2018 £'000	2017 £'000
Debt facilities	**2,620**	2,532
Loan notes	**928**	843
Contingent consideration payable	**583**	700
Total	**4,131**	4,075

See note 17 for details of company borrowings on page 50.

33) Share based payments

The Company has granted equity settled share-based payment to key management and staff under an EMI option scheme and an unapproved option scheme. For details of share-based payments please see note 5 of the Group financial statements.

34) Share capital and reserves

For details of share capital and reserves please see note 21 on page 55.

35) Related party transactions

For details of related party transactions please see note 23 on page 57.

36) Post balance sheet events

For details of post balance sheet events please see note 24 on page 58.

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 7 December 2018 to transact the following business. Resolutions 1 to 5 inclusive will be proposed as ordinary resolutions. Resolutions 6 and 7 will be proposed as special resolutions:

1. THAT the Company's audited financial statements for the year to 30 June 2018, 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 Will Sawyer be reappointed as a director of the Company.
5. 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.
6. THAT conditional upon and subject to the passing of resolution 5 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 5 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.
7. 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 1 November 2018);

(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: 1 November 2018

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

Notice of annual general meeting (continued)

Notes:

1. This year, you will not receive a form of proxy for the AGM in the post. Instead, you will find instructions in note 10 below to enable you to vote electronically. Submission of a proxy vote will not preclude you from attending and voting at the Annual General Meeting in person and you may request a paper form of proxy from our Registrars, Link Asset Services.
2. A member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at www.signalshares,com and if paper proxy forms are required, the member should contact the registrars' helpline on 0871 664 0300 (calls cost 12p per minute plus network extras). If you are outside the United Kingdom, please call +44 371 664 0300 (calls will be charged at the applicable international rate). We are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.
3. To be effective, the proxy vote must be submitted at www.signalshares.com so as to have been received by the Company's registrars no less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF to be received not less than 48 hours before the time of the meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand on the Register of members in respect of the relevant joint holdings.
5. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those members registered on the Register of members of the Company as at close of business on 5 December 2018 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 5 December 2018 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 7 December 2018 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have been appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with specifications of Euroclear UK and Ireland Limited ("EUKI") and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUKI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such an action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.
7. The quorum for the AGM will be two persons entitled to vote upon the business to be transacted, each being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation which is a shareholder.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
9. Any electronic address provided either in this Notice or in any related documents may not be used to communicate with the Company for any purposes other than those expressly stated.
10. You may vote your shares electronically at www.signalshares.com. On the home page, search 'Zinc Media Group Plc' and then log in or register, using your Investor Code. To vote, click on the 'Vote Online Now' button.

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