ZINC MEDIA GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

Company no SC075133

Highlights for the year

Headlines

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

Financial performance

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

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

^ Subscription Video on Demand

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 2019.

CEO's Report

Strategy and Outlook

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

The transformation plan will prioritise four areas:

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

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

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

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

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

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

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

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

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

CEO's Report (continued)

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

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

Performance in 2018/19

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

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

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

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

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

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

Our Business

Tern Television – Popular Factual

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CEO's Report (continued)

Transitional year

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

Mark Browning
Chief Executive Officer, Zinc Media Group plc

Financial Review

Income statement

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

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

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

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

Within exceptional items there is a £0.14m charge relating to the change in fair value of contingent consideration payable on the acquisition of Tern Television (2018: £0.7m credit in relation to Reef). The charge relates to the over achievement that the Board considers likely in respect of the three year earnout consideration due to the former Tern Television shareholders. Exceptional items also include earnout consideration due to the former Tern Television shareholders who remained as senior management which has been treated as remuneration of £0.29m (2018: £0.49m). This treatment of earnout consideration is explained in Note 6.

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

Earnings per share

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

Statement of Financial Position

Assets

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

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

The Group had a cash balance of £3.21m as at 30 June 2019 (2018: £3.55m). The reduction of £0.34m reflects the cash outflows from operating activities, payment of deferred consideration to former Tern Television shareholders, tax and capital purchases of £1.12m being partially offset by a working capital improvement of £0.74m.

Equity and Liabilities

Total shareholders' equity at the year end was £2.66m (2018: £5.38m). Retained losses have risen by £2.84m to £35.63m, reflecting the £2.74m loss for the period plus an opening balance adjustment relating to the change in IFRS 15 accounting policy on revenue recognition of £0.19m (see note 1.4), partially offset by a credit of £0.09m in relation to deferred consideration.

In November 2018, the Company converted £0.1m of preference shares into ordinary shares. This conversion is explained in Note 20.

Current liabilities consisting of trade and other payables have increased to £8.96m (2018: £6.78m). This reflects a high level of production activity at the year end for which there was a high level of accrued costs, particularly on two multi-million pound productions for National Geographic, and an increase in deferred revenue relating to a Tern Television production for Channel 4 for which a significant amount was billed pre year-end prior to production commencing. Current liabilities include £0.50m which is the second year earnout consideration payable to the former Tern Television shareholders, which is payable shortly.

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

Cash Flows

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

Comparative information

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

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 second-year earnings target was achieved, meaning that the second year earnout payment of £0.50m became payable to the Tern Television sellers. In accordance with the SPA the buyers elected to make this payment partially in cash and partially in Zinc Media Group shares. On 6th November 2019 £375,000 was settled in cash and £125,000 was 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 was satisfied from existing cash resources of the Group.

The Company 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 accepted this offer and the company issued ordinary shares to Herald at the same time as the issue of earnout shares to the Tern sellers. The conversion shares issued to Herald were issued at the same price per share as to the Tern sellers.

Key Performance Indicators (KPIs)

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

- Sales and sales conversion;
- 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 £24.63m from £21.68m in the prior year as a result of Tern Television's strong performance and its inclusion in the Group's accounts for a full year in 2018/19, having been acquired in November 2017. Programme profitability declined slightly year on year (group gross profit margin 2019: 28 per cent, 2018: 31 per cent) due to outsourcing some post production and production management services as in-house resources were at capacity. The Group has already begun to invest in and expand its in-house post production capability and capacity and increase its production management resource, which is expected to continue throughout 2019/20 with the expectation that this will deliver improvements in gross margins in the future. Adjusted EBITDA profitability of £0.13m was achieved (2018: adjusted EBITDA of £0.49m). The order book in the TV division is currently in line with the previous financial year. Reference is made in the CEO's Report to the continued industry recognition and numerous awards that the Group has received during the past year. Viewer figures and television ratings are monitored by management.

Will Sawyer
Chief Financial Officer, Zinc Media Group plc
11 November 2019

Principal 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 Communications 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 on page 18 and meets to review and update the risk register for new and emerging risks, evaluate current risks by revisiting the inputs to reach the residual risk rating and assess the effectiveness of the risk management and control systems in place. Meetings typically include an update from the CEO or CFO on any new systems or process adopted to identify, mitigate or manage risks.

Risk	Impact	Mitigation
Key customers and potential impact on Group cashflows The Group relies on several key customers, such as Channel 5, National Geographic 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 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 Communications divisions, 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 winning 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 that a loss of a significant customer would have.
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. The business is currently dependent on a small number of new business winners.	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. Management have produced a strategy plan which includes diversification of the business and reducing the reliance on a small number of new business winners, as well as returning the business to profitability which will help in attracting new employees.

Principal 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.	International activity brings capacity, managerial, operational and financial risks. The ability to manage future growth will depend on the Group's ability to implement controls 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 is contracted with ICM, a sales agent focussed on the US market. This partnership allows 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 managing the 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 and media industries are experiencing a fundamental technology change, the so called 'digital revolution'. Consequently, the market is evolving rapidly and constantly. The Group needs to anticipate accurately and be able to respond strategically to technology advances 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 advances 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.

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 Group will realise the potential benefits of acquisitions including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated). This includes the most recent acquisition, Tern Television.	To mitigate these risks the Group follows: • 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.
Cashflow and going concern risk In FY19 the Group made a loss and, excluding a positive working capital movement in the year, is losing cash.	There are several factors which could materially affect the Group's cashflows, particularly the underlying performance of the business and uncertainty regarding the timing of receipts from customers. The Group had an outstanding balance on long term debt of £3.74m at the year end, held by two of the Group's major shareholders. The current repayment date is a bullet repayment on 31 December 2020.	The Directors' are confident the Group will receive continued support from the loan providers. Management have prepared forecasts and scenarios under which cashflows may vary and believe there are sufficient mitigating actions that can be employed to enable the Group to operate within its current level of financing for the foreseeable future. Management continually monitor cashflow forecasts to enable action to be taken if required. Cash is deployed across Group companies when required to ensure the most efficient use of the Group's cash resources.

Principal Risks and Uncertainties (continued)

Risk	Impact	Mitigation
Health & Safety risk There are potential health and safety issues for the Group's employees or contractors when making TV programmes, including occasional travel to countries that have heightened risks of terrorism, civil unrest or natural disasters. TV production companies must also ensure that the welfare of participants is appropriately safeguarded.	If there was a significant health and safety or safeguarding issue it could damage the Group's reputation with customers, suppliers and employees. This in turn could have a negative financial impact on the Group.	A detailed location risk assessment is undertaken ahead of all TV filming travel or where safeguarding issues are anticipated to arise. Advice is taken from local fixers, our retained third party health & safety advisors and insurers to assess risk and identify appropriate actions and protocols. Where significant health and safety risk is identified client broadcasters' high risk teams are involved in the discussion and sign off any risk assessment.
Market and competition risk The Group operates in highly competitive markets which are rapidly evolving and adapting, due to factors such as consumer tastes, trends and technology advancements, and which may become more competitive.	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.

The Strategic Report was authorised for issue by the Board of Directors on 11 November 2019 and was signed on its behalf by:

Mark Browning
Chief Executive Officer, Zinc Media Group plc

Chairman's Statement

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

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

Christopher Satterthwaite
Chairman, Zinc Media Group plc
11 November 2019

Directors' Responsibilities and Report

Directors' Report

Results

The results for the year ended 30 June 2019 are set out on page 27.

The Group made an operating loss in the year of £2.53m from continuing operations (2018: loss of £1.56m) and a retained loss for the year after interest, taxation and discontinued operations of £2.73m (2018: loss of £1.86m).

Dividends

The Directors do not recommend the payment of a dividend for the year (2018: Nil).

Directors and their interests

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

Peter Bertram (resigned on 31 July 2019)
Mark Browning (appointed 23 April 2019)
David Galan (resigned on 2 September 2019)
Jonathan Goodwin (resigned on 5 November 2018)
Nicholas Taylor
Will Sawyer (appointed 9 October 2018)
Harry Bell (appointed 5 November 2018)
Christopher Satterthwaite (appointed 1 July 2019)
Andrew Garard (appointed 2 September 2019)

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

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

		Ordinary shares of 0.00025p each	
	Nature of interest	1 July 2018	**30 June 2019**
Peter Bertram	Beneficial	9,464,083	**9,464,083**
David Galan	Beneficial	6,425,506	**7,707,781**
Nicholas Taylor	Beneficial	2,777,780	**2,777,780**
Will Sawyer	Beneficial	–	**1,314,474**
Harry Bell	Beneficial	–	**39,800,803**

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

	Exercise Price	As at 1 July 2018	**As at 30 June 2019**	Dates Exercisable
Peter Bertram	0.75p	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	–	2019 to 2026
Harry Bell	0.83p	4,000,000	**4,000,000**	2020 to 2027
Will Sawyer	0.425p	–	**9,000,000**	2021 to 2028
Mark Browning	0.318p	–	**78,616,352**	2022 to 2029

David Galan's options lapsed post year end.

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

As at 30 October 2019 the following investors held 3% or more of the Company's issued share capital:

	No of Ordinary Shares	%
Herald Investment Management	477,735,754	33.66
Artemis Alpha Trust plc	113,211,780	7.98
John Booth and The John Booth Charitable Foundation	65,243,192	4.60
Luke Johnson	55,111,120	3.88
David Strachan	46,725,750	3.29
Edale Europe Absolute Master Fund	45,188,890	3.18
Ruffer Investment Management	44,444,450	3.13

Share Capital

Details of share capital are given in Note 20 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 3 to 6. The financial results and cash position including borrowing facilities are described in the Financial Review on pages 7 to 8 with further details in the Notes to the Accounts numbers 1.2.1, 16 and 17.

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

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

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

In light of the forecasts, the expectation of support from the loan providers, along with mitigating measures available to be used if needed, the Directors believe that the going concern basis upon which the financial statements have been prepared is reasonable. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Strategic report

Future developments and the outlook for the Group are discussed on page 3. In accordance with the Companies Act s414C(11) information in relation to post balance sheet events and future developments are included in the Strategic Report.

Directors' Report (continued)

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 17.

The principal financial risks to which the business is exposed are set out below (also see Risk Matrix on page 9). 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 Group'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 16 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 2019

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 12 December 2019. Notice of the meeting is set out at the end of the Report and Accounts.

Previous General Meetings 2018

At the Annual General Meeting on 7th December 2018 all resolutions were passed.

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

On behalf of the board

Will Sawyer
Company Secretary

11 November 2019

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the zincmedia.com website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

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

Chairman's corporate governance statement

The Company has adopted and applied the Quoted Companies Alliance (QCA) Corporate Governance Code with effect from 1 September 2018 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 engage with shareholders in formal and informal meetings to reinforce the fact that the board is being run with the appropriate level of engagement and time commitment. From an internal perspective, I ensure that the information which flows within the board and its sub committees is accurate, relevant and timely and that meetings concentrate on key operational and financial issues which have a strategic bias, together with monitoring implementation plans surrounding commercial objectives.

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

The Company's good corporate governance permeates the culture of the organisation. It is manifested by regular engagements and interactions between the board and senior management. These interactions are documented with action points and deliverables assigned to attendees to ensure clarity of expectations. In addition, senior management objectives are aligned with the corporate strategy in terms of sales targets, desired margins and 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 following things help the board assess the corporate governance culture of the Group:

- The board reviews the principles of incentivisation schemes to ensure that senior management are aligned with corporate strategy;
- The board has visibility of many of the key communications with stakeholders;
- Senior management provide the board with verbal updates on their business units on a regular basis; and
- The board has a high proportion of Executive Director representation which means communication and feedback between the business and the board is well established.

The board's shared view of the Group's purpose, business model and strategy, and the values underpinning them, are detailed in the Strategic Report within pages 3 to 12 as follows:

- "Strategy and outlook" considers how the Group seeks to realise its vision of improving gross margins within television production, increasing and diversifying revenue, cultural and creative renewal, and investment in operational excellence. It also addresses the Group's approach to delivering long-term value for shareholders.
- "Our business" reviews the Groups' position and capabilities.
- "Principal risks and uncertainties" details the key risks faced by the business and how these continue to be addressed.

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

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

Board of Directors

Board Composition

The Company is controlled through a Board of Directors, comprising a Chairman, three executive directors and two independent non-executive directors. Short biographies of each director that served on the Board as at 11 November 2019 are below. Peter Bertram (former Chairman), David Galan (former Executive and Non-Executive Director) and Jonathan Goodwin (former Non-Executive Director) served on the Board for some or all of the financial year and have subsequently resigned. Their biographies can be found in the prior year annual report.

Chairman:
Christopher Satterthwaite

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

Chief Executive Officer:
Mark Browning

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

Chief Financial Officer:
Will Sawyer

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

Executive Director:
Harry Bell

Harry has spent his entire career in the television industry, having started working at ITV as one of the station's youngest TV producers. Harry is a multi-award winning producer who is responsible for both the commercial and creative direction at Tern Television and has grown Tern Television into one of the leading dual-nation independent TV companies in the UK.

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.

Independent Non-Executive Director:
Andrew Garard

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

Senior Independent Director

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

Company Secretary

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

Board Function

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

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

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

These matters routinely include:

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

Number of Board Meetings attended

	Board meetings in the financial year
Peter Bertram	7
David Galan	7
Jonathan Goodwin	0
Mark Browning	2
Will Sawyer	6
Harry Bell	5
Nicholas Taylor	7

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

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

Board Evaluations

Board evaluations take place on a bi-annual basis. A board evaluation was due to take place in March 2019 but due to major changes in the composition of the board, including the Chairman and CEO changing, it was decided to postpone the next evaluation until March 2020. The criteria against which board, committee, and individual effectiveness is considered is 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 14 and the auditor's statement on the respective responsibilities of directors and the auditor is included within their report on pages 23-26.

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. This is detailed in the Principle Risks and Uncertainties section of the Strategic Report.

Committees of the Board

The Board operated three formal committees, being the Audit Committee, the Remuneration Committee and Risk Committee during the year ended 30 June 2019. The Risk Committee was established in September 2018.

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 currently:

Nicholas Taylor (Chairman of the Audit Committee)
Christopher Satterthwaite

During the financial year Peter Bertram and Jonathan Goodwin served as Chairman and member of the committee respectively during their tenure as directors.

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 4 times in the financial year ended 30 June 2019. The attendance record is as follows:

Audit Committee Meetings

	Audit committee meetings in the financial year
Peter Bertram	4
Jonathan Goodwin	1
Nicholas Taylor	4

Remuneration Committee Report

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

The remuneration committee reviews the performance of the executive directors, sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and reviews and approves any proposed bonus entitlement. It also determines the allocation of share options to employees.

The members of the Remuneration Committee are currently:

Andrew Garard (Chairman of the Remuneration Committee)
Christopher Satterthwaite

During the financial year Nicholas Taylor and Peter Bertram served as Chairman and member of the committee respectively.

The remuneration committee met twice in the financial year ended 30 June 2019. The attendance record is as follows:

Remuneration Committee Meetings

	Remuneration committee meetings in the financial year
Peter Bertram	2
Nicholas Taylor	2

Risk Committee Report

The Risk Committee was established at the beginning of the financial year to embed effective risk management to execute and deliver strategy. At 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.

The members of the Risk Committee are currently:

Nicholas Taylor (Chairman of the Risk Committee)
Christopher Satterthwaite

Peter Bertram served on the committee during the financial year.

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

Board of Directors (continued)

The risk committee met once in the financial year ended 30 June 2019. The attendance record is as follows:

	Risk committee meetings in the financial year
Nicholas Taylor	1
Peter Bertram	1

Constructive use of the AGM

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

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

On behalf of the board

Christopher Satterthwaite
11 November 2019

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 2019 which comprise the 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 statement of changes in equity, Company statement of changes 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 2019 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 group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group key audit matters

Impairment of goodwill and intangible assets

Risk:

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

Refer to note 10 to the financial statements for the disclosures relating to the goodwill and the related impairment calculations.

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

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

We have used our knowledge of comparable companies and market data to challenge the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flows. We have assessed the validity of the model and challenged the valuation model and the basis of management's impairment considerations.

We assessed management's earnings assumptions in the models compared to current year performance and forecasted performance for the next financial year by reference to the proportion of productions contracted at the date of signing this report. We have reviewed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate. We have further considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions were adequate and properly reflected the risks inherent in the valuation of the cash generating units.

Revenue recognition – TV division

Risk:
The group's largest operating segment, the TV division, has two major revenue streams within it; TV production revenue and distribution revenue. See notes 1.4 and 2 for further details.

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

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

Our response:
In order to address the risk of misstatement related to cut off around TV production revenue recognition we performed testing focusing in particular on the major contracts not complete at the year end. Our tests of detail focused on confirming the percentage complete calculation was appropriate based on costs incurred at the year end compared to budgeted costs to complete the production and on verifying the revenue recognised to an underlying contract. For distribution revenue, we have verified a sample of revenue transactions recognised for the year ended 30 June 2019 to underlying agreements and support.

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

Going concern

Risk:
As disclosed in Note 1.2.1 to the financial statements, the Group made a loss for the year of £2.7m and has £3.7m of borrowings due for repayment in December 2020. The calculations supporting management's going concern assessment require management to make significant judgments. The calculations are based on estimates of future performance and are key to assessing the suitability of the basis adopted for the preparation of the financial statements. As consideration of the calculations, assumptions and judgements requires significant amounts of time from senior members of the audit team we have determined this to be a key audit matter.

Our response:
Our audit procedures included reviewing management's cash flow model and discussing the model with management.

We have reviewed and challenged the key assumptions within the model, namely EBITDA forecasts, in relation to current year performance and forecasted performance for the next financial year by reference to the proportion of revenue contracted at the date of signing this report.

The Group's borrowings are held exclusively with two of the group's largest shareholders. As part of our work in assessing management's conclusions on going concern we have considered the ongoing support of these shareholders. We have also challenged management's mitigating actions which could be used if the group is in a cash shortfall position.

Parent company key audit matters

Impairment of investment in subsidiaries

Risk:
As disclosed in Note 27 to the parent company financial statements, the company has investments in its subsidiary undertakings of £9.1m after recording an impairment provision against this balance of £1.2m. Management is required to perform impairment testing on this balance where there is an indicator of impairment. In light of the impairment test performed for the Communications cash-generating unit, the risk is that the parent company balance sheet may not properly reflect any impairment in the cost of investment.

Our response:
Management provided us with their calculation of the impairment charge of £1.2m. In order to assess this charge, we established from management that the recoverable amount of the investment was calculated as the higher of the fair value less costs to sell and value in use of the Communications cash-generating unit. The work we performed is documented in the key audit matter 'Impairment of goodwill and intangible assets' above.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £182,000 which was revised to £200,000 as the audit progressed. Materiality for the parent company financial statements as a whole was calculated as £88,000, which was not significantly 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 £10,000, as well as differences below that threshold 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 subsidiary companies were not subject to individual statutory audit and the consolidated financial statements were therefore audited using Group materiality. The parent company financial statements were audited using the parent company materiality. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets and entity profit before tax and net assets.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and 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 14, 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.

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

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.

RSM UK Audit LLP

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

11 November 2019

Consolidated income statement

	Notes	Year to 30 June 2019 £'000	Year to 30 June 2018* £'000
Continuing operations			
Revenue	2	**24,633**	21,683
Cost of sales	3	**(17,725)**	(15,055)
Gross profit		**6,908**	6,628
Operating expenses	3	**(6,781)**	(6,137)
Adjusted EBITDA		**127**	491
Depreciation & amortisation	10 & 11	**(889)**	(711)
Share based payment charge	5	**(27)**	(74)
Exceptional items	6	**(1,744)**	(1,264)
Operating loss		**(2,533)**	(1,558)
Finance costs	7	**(327)**	(253)
Finance income	7	**1**	–
Loss before tax		**(2,859)**	(1,811)
Taxation credit/(charge)	8	**127**	(44)
Loss for the year		**(2,732)**	(1,855)
Continuing operations attributable to:			
Equity holders		**(2,740)**	(1,855)
Non-controlling interest		**8**	–
Retained loss for the year		**(2,732)**	(1,855)
Earnings per share			
From continuing operations:			
Basic	9	**(0.20)p**	(0.17)p
Diluted	9	**(0.20)p**	(0.17)p

* The Group has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1.4.

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

Consolidated statement of comprehensive income

	Year to 30 June 2019 £'000	Year to 30 June 2018* £'000
Loss for the year and total comprehensive income for the year	**(2,732)**	(1,855)
Attributable to:		
Equity holders	**(2,740)**	(1,855)
Non-controlling interest	**8**	–
	(2,732)	(1,855)

* The Group has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1.4.

Consolidated statement of financial position

	Note	As at 30 June 2019 £'000	As at 30 June 2018* £'000
Assets			
Non-current			
Goodwill and intangible assets	10	**5,436**	7,132
Property, plant and equipment	11	**369**	355
		5,805	7,487
Current assets			
Inventories	12	**236**	333
Trade and other receivables	13	**6,858**	5,224
Cash and cash equivalents	14	**3,213**	3,545
		10,307	9,102
Total assets		**16,112**	16,589
Equity			
Called up share capital	20	**5,928**	5,928
Share premium account	20	**30,509**	30,414
Share based payment reserve	20	**133**	106
Merger reserve	20	**875**	777
Preference shares	20	**839**	934
Retained earnings	20	**(35,625)**	(32,781)
Total equity attributable to equity holders of the parent		**2,659**	5,378
Non-controlling interests		**8**	–
Total equity		**2,667**	5,378
Liabilities			
Non-current			
Borrowings	16	**3,743**	3,548
Contingent consideration	16	**595**	583
Deferred tax	19	**128**	300
Secured finance leases	16	**20**	–
		4,486	4,431
Current			
Trade and other payables	15	**8,423**	5,929
Contingent consideration	16	**500**	750
Current tax liabilities	8	**4**	45
Secured finance leases	16	**32**	56
		8,959	6,780
Total equity and liabilities		**16,112**	16,589

* The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1.4.

The consolidated financial statements were authorised for issue and approved by the Board on 11 November 2019 and are signed on its behalf by Will Sawyer.

Company registration number: SC075133

Consolidated statement of cash flows

	Note	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Cash flows from operating activities			
Loss for the year before tax		**(2,859)**	(1,811)
Adjustments for:			
Depreciation	11	**178**	138
Amortisation and impairment of intangibles	10	**1,696**	1,763
Finance costs	7	**327**	253
Finance income	7	**(1)**	–
Share based payment charge	5	**27**	74
Loss/(gain) on remeasurement of deferred contingent consideration	6	**138**	(700)
Contingent consideration deemed remuneration	6	**286**	487
Gain on disposal of assets		**–**	(6)
		(208)	198
Decrease/(increase) in inventories		**97**	(125)
Increase in trade and other receivables		**(1,634)**	(1,100)
Increase/(decrease) in trade and other payables		**2,275**	(1,327)
Cash generated/(used) in operations		**530**	(2,354)
Finance costs paid		**(4)**	(3)
Finance income		**1**	–
Tax paid		**(87)**	(4)
Net cash flows generated/(used) in operating activities		**440**	(2,361)
Investing activities			
Acquisition of subsidiary undertakings, net of cash and overdrafts		**–**	86
Payment of contingent consideration	18	**(563)**	–
Purchase of property, plant and equipment	11	**(192)**	(65)
Proceeds on sale of property, plant and equipment		**–**	6
Purchase of intangible assets		**–**	(122)
Net cash flows used in investing activities		**(755)**	(95)
Financing activities			
Issue of ordinary share capital (net of issue costs)		**–**	3,066
Capital element of finance lease payments		**(4)**	(23)
Net cash flows (used)/generated from financing activities		**(4)**	3,043
Net (decrease)/increase in cash and cash equivalents		**(319)**	587
Translation differences		**(13)**	(15)
Cash and cash equivalents at beginning of year	14	**3,545**	2,973
Cash and cash equivalents at 30 June 2019 and 2018	14	**3,213**	3,545

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Preference shares £'000	Retained earnings £'000	Total equity attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 July 2017*	**5,926**	**25,013**	**47**	**27**	**2,909**	**(30,926)**	**2,996**	**–**	**2,996**
Loss and total comprehensive income for the year	–	–	–	–		(1,855)	(1,855)		(1,855)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,855)**	**(1,855)**	**–**	**(1,855)**
Equity-settled share-based payments	–	–	74	–	–	–	74	–	74
Issue of shares on acquisition	–	–	–	750	–	–	750	–	750
Conversion of preference shares	1	2,277	–	–	(1,975)	–	303	–	303
Deferred tax on share options	–	–	(15)	–	–	–	(15)	–	(15)
Shares issued	1	3,506	–	–	–	–	3,507	–	3,507
Expenses of issue of shares	–	(382)	–	–	–	–	(382)	–	(382)
Total transactions with owners of the Company	**2**	**5,401**	**59**	**750**	**(1,975)**	**(1,855)**	**2,382**	**–**	**2,382**
Balance at 30 June 2018*	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**	**–**	**5,378**
Balance at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**	**–**	**5,378**
Change in accounting policies in respect of IFRS 15	–	–	–	–	–	(193)	(193)	–	(193)
Restated balance as at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,974)**	**5,185**	**–**	**5,185**
Loss and total comprehensive income for the year	–	–	–	–		(2,740)	(2,740)	8	(2,732)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(2,740)**	**(2,740)**	**8**	**(2,732)**
Equity-settled share-based payments	–	–	27	–	–	–	27	–	27
Issue of shares on acquisition	–	–	–	98	–	89	187	–	187
Conversion of preference shares	–	95	–	–	(95)	–	–	–	–
Total transactions with owners of the Company	**–**	**95**	**27**	**98**	**(95)**	**(2,651)**	**(2,526)**	**8**	**(2,518)**
Balance at 30 June 2019	**5,928**	**30,509**	**133**	**875**	**839**	**(35,625)**	**2,659**	**8**	**2,667**

* The Group has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1.4.

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 communications content 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 £2.74 million mainly due to exceptional costs of £1.74m (2018: £1.26m) which are set out in note 6.

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

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

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

In light of the forecasts, the expectation of support from the loan providers, along with mitigating measures available to be used if needed, the Directors believe that the going concern basis upon which the financial statements have been prepared is reasonable. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.2.2) 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 2019 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
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 16	Leases	1 January 2019
Annual Improvements	Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019

The above amendments are effective for annual periods beginning on or after 1 January 2019 and, other than those standards discussed below, are not expected to have a material impact on the Group's financial statements.

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 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.

IFRS 16 "Leases", addresses the definition of a lease, recognition and measurement of leases, and it establishes principles or reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, "Leases" and related interpretations. The Directors have reviewed all lease contracts and concluded that six property leases would be affected by IFRS 16. The modified retrospective method will be taken, together with the practical expedients to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The financial impact applying the modified retrospective method will be to recognise opening balances at 1 July 2019 as follows:

	At 1 July 2019 (under IAS 17) £'000	IFRS 16 Adjustment £'000	At 1 July 2019 (Adjusted) £'000
Non-current assets			
Right-of use assets	–	398	398
Current liabilities			
Lease liability	(32)	(318)	(350)
Non-current liabilities			
Lease liability	(20)	(80)	(100)

On the adoption of IFRS 16, lease arrangements will give rise to a right-of-use asset and a lease liability for future lease payables. The asset will be depreciated on a straight line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expenses recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expenses recognition being accelerated for leases which would be currently accounted for as operating leases. The Group will enter into a new London property lease in March 2020 and the Directors are currently reviewing the requirements of the new standard to determine its impact.

New standards effective for 30 June 2019 which have been applied in the financial statements

- IFRS 2 Amendments, classification and measurement of share-based payment transactions
- IFRS 9 Financial Instruments: Classification and measurement
- IFRS 15 Revenue from Contracts with Customers

1.3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an Invested, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

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

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

1.4) Changes in accounting policies

IFRS 2

The IFRS 2 amendments apply to the Group's financial reporting for year ending 30 June 2019. 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 do not have a material impact on the Group.

1) Accounting policies (continued)

IFRS 9 – Financial instruments: Classification and measurement

IFRS 9 is effective for the year ending 30 June 2019 onwards. IFRS 9 introduces:

- New requirements for the classification and measurement of financial assets and financial instruments. Loans and receivables are now classified as financial assets at amortised cost. There has been no change in measurement of these assets;
- A new model for recognising provisions based on expected credit losses; and
- Simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

Following a review and further impact assessment, it was concluded that the Group's use of financial instruments is limited to short term trading balances such as receivables and payables. The Group does not have complex financial instruments in place. Furthermore, there have also been no material changes arising from the adoption of the expected losses impairment model or loss allowance provisions made in respect of trade receivables. On this basis the Group have concluded that adoption does not have a material impact on either the Income Statement or Statement of Financial Position of the Group or Company. See note 13 for details of the loss provision model.

IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

TV – production revenue

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

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

TV – distribution revenue

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

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

i) an agreement has been executed by both parties; and

ii) the programme has been delivered; and

iii) the licence period has begun.

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

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

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

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

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

Other considerations
The Group's typical payment terms are to be paid within 14-30 days of an invoice being raised. As the timing between the provision of the services and the payment is less than 12 months, the group has taken advantage of the practical expedient in IFRS 15 not to take account of any financing benefit in relation to these specified services.

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

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

Statement of financial position as at 1 July 2018

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

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

1) Accounting policies (continued)

Income statement

	IFRS 15 Year to 30 June 2019 £'000	IAS 18 Year to 30 June 2019 £'000	Adjustment £'000
Revenue	24,633	24,413	220
Cost of sales	(17,725)	(17,647)	(78)
Gross profit	**6,908**	**6,766**	**142**
Operating expenses	(6,781)	(6,781)	–
Adjusted EBITDA	**127**	**(15)**	**142**
Depreciation & amortisation	(889)	(889)	–
Share based payment charge	(27)	(27)	–
Exceptional items	(1,744)	(1,744)	–
Finance costs	(327)	(327)	–
Finance income	1	1	–
Tax	127	127	–
Loss for the period	**(2,732)**	**(2,874)**	**142**
Basic earnings per share	**(0.20)p**	**(0.21)p**	**0.01p**
Diluted earnings per share	**(0.20)p**	**(0.21)p**	**0.01p**

Statement of financial position as at 30 June 2019

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

1.5) 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.

1.6) 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 2 years

1.7) 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.

1.8) 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.

Communications

Inventories comprise costs of unsold publishing stock and costs on projects that are incomplete at the year-end less any amounts recognised as cost of sales.

1.9) 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 contract liabilities (prior to the adoption of IFRS 15 this was referred to as deferred income); where the sales recognised exceed sales invoiced the amounts are classified as contract assets (prior to the adoption of IFRS 15 this was referred to as accrued income). Where it is anticipated that a production will make a loss, the anticipated loss is provided for in full.

1.10) 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.

1.11) Cash and cash equivalents

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

1.12) 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.

1.13) Financial instruments

Recognition of financial instruments

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

Financial assets

Initial and subsequent measurement of financial assets

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of trade receivables

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

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

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

Initial and subsequent measurement of financial liabilities

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

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

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

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

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

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

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

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

1.14) Employee benefits

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

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

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

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

1) Accounting policies (continued)

1.15) 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.

1.16) 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.

1.17) Significant judgements and estimates

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

Revenue recognition

The main judgements regarding revenue recognition relate to TV production revenue. The Group considers the production and licence elements to be a combined performance obligation to be satisfied and recognised over time. This is explained in note 1.4 under IFRS 15 – Revenue from Contracts with Customers.

Impairment of goodwill and intangible assets

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate to calculate the present value of these cash flows. Actual outcomes could vary. See note 10 for details of how these judgements are made.

Deferred tax asset on losses

Significant estimates are made to determine deferred tax assets on losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date. See note 19 for details of the deferred tax asset recognised at 30 June 2019.

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. See note 6 for details of the contingent consideration recognised for the year ended 30 June 2019.

1.18) Segmental reporting

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

Segmental information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who categorise the Group's three service lines as three operating segments: TV, Publishing and Communications, and further described in the accounting policy note. These operating segments are monitored, and strategic decisions are made on the basis of adjusted segment operating results.

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

	TV		Publishing		Communications*		Central and plc		Total	
Continuing Operations	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Revenue	**21,230**	17,598	**1,858**	2,132	**1,463**	1,864	**82**	89	**24,633**	21,683
Adjusted EBITDA	**394**	26	**177**	298	**(48)**	227	**(396)**	(60)	**127**	491
Depreciation	**(150)**	(120)	**(12)**	(13)	**(4)**	(4)	**(12)**	(1)	**(178)**	(138)
Amortisation	**(711)**	(573)	**–**	–	**–**	–	**–**	–	**(711)**	(573)
Share based payment charge	**–**	–	**–**	–	**–**	–	**(27)**	(74)	**(27)**	(74)
Exceptional items	**(236)**	(1,362)	**(36)**	(13)	**(1,026)**	(72)	**(446)**	183	**(1,744)**	(1,264)
Operating (loss)/profit	**(703)**	(2,029)	**129**	272	**(1,078)**	151	**(881)**	48	**(2,533)**	(1,558)
Segment Assets	**13,770**	12,343	**1,234**	1,275	**441**	1,765	**667**	1,206	**16,112**	16,589
Segment Liabilities	**(7,063)**	(4,421)	**(706)**	(647)	**(92)**	(226)	**(5,584)**	(5,917)	**(13,445)**	(11,211)
Other Segment Items:										
Expenditure on intangible assets	**–**	2,864	**–**	–	**–**	122	**–**	–	**–**	2,986
Expenditure on tangible assets	**147**	53	**–**	2	**–**	8	**45**	2	**192**	65

* In the prior year annual report this division was called Digital

The impairment charge of £0.99m related to Goodwill is included within exceptional items within the Communications segment.

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

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom was £19.67m (2018: £20.30m), and the total revenue from external customers in other countries was £4.97m (2018: £1.38m). There was only one customer that accounted for more than 10% of Group revenue in the year, and that customer accounted for £2.91m (2018: £nil) or 11.8% of Group revenue.

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

Revenue

Contract balances

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

	30 June 2019 £'000	1 July 2018* £'000
Receivables, which are included in 'Trade and other receivables'	**3,502**	2,406
Contract assets	**2,329**	1,903
Contract liabilities	**(1,810)**	(388)

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

2) Segmental information and revenue (continued)

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

	2019	
	Contract assets £'000	**Contract liabilities £'000**
Opening balance 1 July 2018*	1,903	(388)
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	388
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(1,810)
Transfers from contract assets recognised at the beginning of the period to receivables	(1,903)	–
Increases as a result of changes in the measure of progress	2,329	–
Closing balance 30 June 2019	**2,329**	**(1,810)**

* The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

Transaction price allocated to the remaining performance obligations

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

Contract costs

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

3) Expenses by nature

	2019 £'000	2018 £'000
Cost of sales		
Production costs	**14,324**	11,408
Salary costs	**2,938**	2,973
Royalties	**427**	679
Distribution costs	**106**	120
Movement in WIP/stock	**(70)**	(125)
Total cost of sales	**17,725**	15,055
Operating expenses		
Salary costs	**3,685**	3,373
Leases on premises	**610**	579
Other administrative expenses	**2,499**	2,185
Foreign exchange (gain)/loss	**(13)**	–
Total operating expenses	**6,781**	6,137

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

	2019 £'000	2018 £'000
Statutory audit services		
Annual audit of the company and the consolidated accounts	**83**	88
Other services		
Tax advisory services	**17**	16
Audit-related assurance services	**9**	–
Payroll services	**12**	–
Total	**121**	104

4) Staff costs

	2019 £'000	2018 £'000
Wages & salaries	**5,520**	5,400
Social security & other costs	**737**	706
Pension costs	**366**	240
Share based payment charge	**27**	74
Total	**6,650**	6,420

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

	2019	2018
TV	**129**	84
Publishing	**44**	41
Communications	**14**	17
Other	**5**	5
Total	**192**	147

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 £366,000 (2018: £240,000). Contributions totalling £58,000 (2018: £19,000) 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:

				2019	2018
	Salaries and fees £'000	Benefits in kind £'000	Pension* £'000	Total £'000	Total £'000
Executive Directors					
David Galan (appointed 23.4.19)	107	5	9	**121**	171
Will Sawyer (appointed 9.10.18)	114	1	6	**121**	–
Mark Browning (appointed 23.4.19)	51	–	–	**51**	–
Harry Bell (appointed 5.11.18)	47	11	45	**103**	–
Non-Executive Directors					
Peter Bertram (Chairman)	50	–	–	**50**	50
Jonnie Goodwin (resigned 5.11.18)	–	–	–	–	30
Nicholas Taylor	18	–	12	**30**	30
	387	17	72	**476**	281

* During the year, £72,000 (2018: £34,000) was paid with respect to personal pension schemes for 4 Directors (2018: 2).

Key management personnel compensation

	2019 £'000	2018 £'000
Short term employee benefits (includes employers NICs)	**520**	272
Post-employment benefits	**72**	34
Share-based payments	**20**	33
Total	**612**	339

The amount for share based payments charge (see note 5) which relates to the Directors was £20,289 (2018: £21,119).

5) Share based payments

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

	2019 £'000	2018 £'000
EMI share option scheme	**30**	64
Unapproved share option scheme	**(3)**	10
Total	**27**	74

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

Share Option Schemes

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

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

Unapproved share option scheme

	2019		2018	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**5,000,000**	**0.0078**	3,000,000	0.075
Transferred from EMI scheme	**12,000,000**	**0.0075**	2,000,000	0.0083
Lapsed during the year	**(3,000,000)**	**0.0075**	–	–
Outstanding at the end of the year	**14,000,000**	**0.0076**	5,000,000	0.0078
Exercisable at the end of the year	**–**	**–**	–	–

EMI Share option scheme

	2019		2018	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**74,000,000**	**0.0077**	60,000,000	0.00755
Granted during the year	**89,616,352**	**0.0033**	14,000,000	0.00825
Lapsed during the year	**(22,000,000)**	**0.0077**	–	–
Transferred to unapproved scheme	**(12,000,000)**	**0.0075**	–	–
Outstanding at the end of the year	**129,616,352**	**0.0047**	74,000,000	0.0077
Exercisable at the end of the year	**–**	**–**	–	–

The options outstanding as at 30 June 2019 have the following exercise prices and expire in the following financial years:

Expiry	Exercise Price £	2019 No	2018 No
December 2026	**0.0075**	**35,000,000**	60,000,000
June 2027	**0.0085**	**3,000,000**	3,000,000
November 2027	**0.0083**	**15,000,000**	15,000,000
April 2028	**0.0075**	**1,000,000**	1,000,000
November 2028	**0.0040**	**2,000,000**	–
November 2028	**0.0043**	**9,000,000**	–
May 2029	**0.0032**	**78,616,352**	–
		143,616,352	79,000,000

No options were exercised during the year (2018: 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 model used to calculate a share option charge involves using several estimates and judgements to establish the appropriate inputs, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

Options issued in November 2018

The Group issued 2,000,000 share options to a member of the Tern TV management team in November 2018. The options are exercisable at 0.40 pence per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of the grant. Of the share options issued, 1,000,000 of them are subject to a performance condition based on the share price being more than 0.80 pence per share on the third anniversary of the date of grant.

The Group issued 9,000,000 share options to the Chief Financial Officer, Will Sawyer, in November 2018. The options are exercisable at 0.43 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, 4,500,000 of them are subject to a performance condition based on the share price being more than 0.85 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 2018 are as follows:

Scheme	**EMI**
Weighted average share exercise price	**0.42 pence**
Weighted average expected volatility	**56.8%**
Average expected life (years)	**3 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.

Options issued in May 2019

The Group issued 78,616,352 share options to the Chief Executive Officer, Mark Browning, in May 2019. Half the options will become exercisable on the third anniversary of their grant with the remaining half vesting after the fourth anniversary of their grant. The options, which have a ten year life, are exercisable at 0.318p per share.

The inputs into the option pricing model for the options granted in May 2019 are as follows:

Scheme	**EMI**
Weighted average share exercise price	**0.32 pence**
Weighted average expected volatility	**56.8%**
Average expected life (years)	**3 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 perfomance.

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

Reorganisation and restructuring costs

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

Zinc Communicate impairment

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

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

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

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

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

7) Finance costs

	2019 £'000	2018 £'000
Interest payable on borrowings	(235)	(250)
Interest payable on finance leases	(4)	(3)
Interest on unwinding of present value of contingent consideration	(88)	–
Finance Costs	**(327)**	(253)
Finance Income		
Interest received	1	–
Net finance costs	**(326)**	(253)

8) Income tax expense

Taxation Charge

	2019 £'000	2018 £'000
Current tax expense:		
Charge in respect of prior periods	**45**	–
	45	–
Deferred tax		
Origination and reversal of temporary differences (note 19)	**(172)**	44
	(172)	44
Total income tax (credit)/charge	**(127)**	44

Reconciliation of taxation expense:

	2019 £'000	2018 £'000
Loss before tax	**(2,859)**	(1,811)
Taxation expense at UK corporation tax rate of 19% (2018: 19%)	**(543)**	(344)
Impairment and amortisation non deductible	**322**	428
Contingent consideration non taxable	**–**	(133)
Other non-taxable income/non-deductible expenses	**(79)**	1
Tax losses not recognised	**123**	197
Temporary timing differences	**5**	(105)
Charge in respect of prior periods	**45**	–
Total income tax expense	**(127)**	44

9) 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 £2.74m (2018: loss of 1.86 million) divided by the weighted average number of issued ordinary shares of 1,399,591,089 (2018: 1,086,267,290).

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

	2019 Number of Shares	2018 Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**1,399,591,089**	1,086,267,290
Potentially dilutive effect of share options	**2,014,248**	1,999,431

	£'000	£'000
Loss for the year from continuing operations attributable to share holders	**(2,740)**	(1,855)
Continuing operations		
Basic Loss per share (pence)	**(0.20)p**	(0.17)p
Diluted Loss per share (pence)	**(0.20)p**	(0.17)p

10) Intangible assets

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Multimedia Products & Websites £'000	Distribution Catalogue £'000	Total £'000
Cost						
At 1 July 2017	27,950	4,318	2,621	–	–	34,889
Additions	1,444	179	798	122	443	2,986
At 30 June 2018	29,394	4,497	3,419	122	443	37,875
At 30 June 2019	**29,394**	**4,497**	**3,419**	**122**	**443**	**37,875**
Amortisation						
At 1 July 2017	(24,164)	(3,958)	(858)	–	–	(28,980)
Charge for the year	–	(88)	(426)	–	(59)	(573)
Impairment charge	(1,190)	–	–	–	–	(1,190)
At 30 June 2018	(25,354)	(4,046)	(1,284)	–	(59)	(30,743)
Charge for the year	–	(97)	(464)	(61)	(89)	(711)
Impairment charge	(985)	–	–	–	–	(985)
At 30 June 2019	**(26,339)**	**(4,143)**	**(1,748)**	**(61)**	**(148)**	**(32,439)**
Net Book Value						
At 30 June 2019	**3,055**	**354**	**1,671**	**61**	**295**	**5,436**
At 30 June 2018	4,040	451	2,135	122	384	7,132

All additions arose on business combinations with the exception of Multimedia Products and Websites which were internally generated by the Communications division.

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

Distribution Catalogue
The distribution catalogue intangible asset arises on the acquisition of Tern Television Productions. It is amortised over 7 years and as at 30 June 2019 the remaining useful life was 5 years.

Brands and Customer Relationships
Brands and customer relationships relate to the acquisition of Reef Television and Tern Television Productions. They are amortised over a period of 7 years and as at 30 June 2019 there were 3 more years of useful life remaining for Reef Television and 5 years remaining for Tern Television Productions.

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

Impairment Tests for Goodwill
The carrying amount of goodwill by operating segment is:

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

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

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

The financial year 2019/20 business unit forecasts are based on the budget set for the year. In TV expected gross margin improvements have been forecast in 2020/21 and in the following years a growth rate of 2.5 per cent has been used. In Tern Television a 2.5 per cent growth rate has been used from 2020/21 onwards. Management believe the 2.5 per cent growth 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, they 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 2019 was 11.6 per cent (2018: 10.5 per cent). A sensitivity analysis of an increase in the discount rate by 2 per cent is shown below.

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

Assumption	**Judgement**	**Sensitivity**
Discount Rate	As indicated above the rate used is 11.6 per cent.	An increase in the discount rate to 13.6 per cent. will result in no impairment charge.
Growth Rate	A rate of 2.5 per cent. has been used for financial year 2020/21 onwards.	If a zero per cent average growth rate was applied for financial years 2020/21 onwards, the Tern TV CGU would not be impaired, and there would be an impairment of £0.5m in the TV CGU. If a one per cent average growth rate was applied for financial years 2020/21 onwards there would be no impairment in either CGU.

The TV CGU goodwill recoverable amount exceeds the carrying amount by £5.6m. The Tern TV CGU goodwill recoverable amount exceeds the carrying amount by £2.3m.

Communications CGU – impairment
Following Zinc Communicate's disappointing trading and restructure of the business, the Board undertook a detailed impairment review and, despite being optimistic that Zinc Communicate will return to profitability, they have taken a view that the substantial repositioning of the business necessitates a write off to £nil of the carrying value of the goodwill pertaining to Zinc Communicate. This resulted in an impairment charge of £0.99m (2018: £0m). The recoverable amount as at 30 June 2018 was £1.09m.

11) Property, plant and equipment

	Short leasehold land and buildings £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 July 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
Additions	21	–	171	192
At 30 June 2019	**312**	**111**	**2,666**	**3,089**
Depreciation				
At 1 July 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)
Charge for the year	(20)	(18)	(140)	(178)
At 30 June 2019	**(291)**	**(70)**	**(2,359)**	**(2,720)**
Net Book Value				
At 30 June 2019	**21**	**41**	**307**	**369**
At 30 June 2018	20	59	276	355

12) Inventories

	2019 £'000	2018 £'000
Work in progress – Publishing	**66**	66
Work in progress – TV	**96**	189
Stock – Communications	**74**	78
Total Inventories	**236**	333

13) Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	**3,628**	2,508
Less provision for impairment	**(126)**	(102)
Net trade receivables	**3,502**	2,406
Other receivables	**136**	159
Prepayments	**891**	756
Contract assets	**2,329**	1,903
Total	**6,858**	5,224

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
Not more than 3 months	**1,860**
More than 3 months but less than 1 year	**536**
More than 1 year	**112**
Total	**2,508**

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

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

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

Determination of credit-impaired financial assets

- The group considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year-end:
- significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- a breach of contract, including receipts being more than materially past due;
- it becoming probable that the counterparty will enter bankruptcy or liquidation.

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

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

The group applies the following loss rates to trade receivables:
As noted below, a loss allowance of £126,000 has been recognised for trade receivables in the Publishing division based on the expected credit loss percentages for trade receivables that are aged more than 30 days to over a year past due. This equates to a loss allowance of 15%.

TV Division

Trade receivables:	Aging 30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2019
Expected loss rate (%)	0%	0%	0%	0%	0%	0%	**0%**
Gross carrying amount (£'000)	863	321	21	63	46	–	**1,314**
Loss allowance provision (£'000)	–	–	–	–	–	–	–

13) Trade and other receivables (continued)

Communications

Trade receivables:	Aging 30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2019
Expected loss rate (%)	0%	0%	0%	0%	0%	0%	**0%**
Gross carrying amount (£'000)	123	3	42	39	–	–	**207**
Loss allowance provision (£'000)	–	–	–	–	–	–	**-**

The loss allowance provision has been calculated based on historical loss rates. The directors do not believe there are any other forward looking factors to consider in calculating the loss allowance provision as at 30 June 2019. No expected loss provision has been recognised as the directors expect any loss to be immaterial.

Publishing

Trade receivables:	Aging 30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2019
Expected loss rate (%)	3%	4%	5%	6%	8%	33%	**15%**
Gross carrying amount (£'000)	145	90	80	50	177	297	**839**
Loss allowance provision (£'000)	4	3	4	3	14	98	**126**

14) Cash and cash equivalents

	2019 £'000	2018 £'000
Total Cash and cash equivalents	**3,213**	3,545

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).

15) Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	**1,997**	2,048
Other payables	**83**	95
Other taxes and social security	**1,010**	694
Accruals	**3,523**	2,704
Contract liabilities	**1,810**	388
Total	**8,423**	5,929

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

16) Borrowings and other financial liabilities

	2019 £'000	2018 £'000
Current		
Contingent consideration payable	**500**	750
Finance leases	**32**	56
Sub total	**532**	806
Non-current		
Debt facility – unsecured borrowings	**2,759**	2,620
Loan notes – unsecured borrowings	**984**	928
Finance leases	**20**	–
Contingent consideration payable	**595**	583
Sub total	**4,358**	4,131
Total	**4,890**	4,937

Maturity of Financial Liabilities

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

	2019 £'000	2018 £'000
Repayable within one year and on demand:		
Finance leases	**32**	56
Trade and other payables	**2,080**	2,143
Accrued expenses	**3,523**	2,705
	5,635	4,904
Repayable between one and two years:		
Debt facility – unsecured	**2,932**	–
Loan notes – unsecured	**1,074**	–
	4,006	–
Repayable between two and five years:		
Finance leases	**20**	–
Debt facility – unsecured	–	2,845
Loan notes – unsecured	–	1,078
	20	3,923
Total	**9,661**	8,827

Debt Facility

Loans totalling £2.76 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.

Loan notes – unsecured

The unsecured Loan Notes of £0.98 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. There are no financial covenants in place in respect of this debt.

Contingent consideration

The contingent consideration at 30 June 2019 relates to the potential cash outflows payable in respect of Tern Television to the former shareholders should the earnout targets be achieved (see note 18 for further details).

Finance leases

Net obligations under finance leases are secured on related property, plant and equipment.

16) Borrowings and other financial liabilities (continued)

Change in liabilities arising from financing activities

	2018 £'000	Cash flows £'000	Non-cash changes £'000	2019 £'000
Borrowings – debt facility	2,620	–	139	**2,759**
Borrowings – loan notes	928	–	56	**984**
Finance leases	56	(4)	–	**52**
Total liabilities from financing activities	3,604	(4)	195	**3,795**

17) Financial instruments

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

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

Risk	Potential impact	How it is managed
Liquidity	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 investment strategies are to be funded through the use of shareholder loans or where possible capital markets.

Capital management policy and risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

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

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

	2019 £'000	2018 £'000
Borrowings (debt facility and loan notes)	**(3,743)**	(3,548)
Cash and cash equivalents	**3,213**	3,545
Net Debt	**(530)**	(3)
Total equity	**2,667**	5,378
Net debt to equity ratio	**20%**	–%

The increase in the Group's gearing ratio arises as a result of the fall in the value of equity due to retained losses increasing and a reduction in the cash balances at year end.

Financial instruments by category

	2019 £'000	2018 £'000
Categories of financial assets and liabilities		
Financial assets – measured at amortised cost*		
Trade and other receivables	**5,967**	4,468
Cash and cash equivalents	**3,213**	3,545
Financial Liabilities – other financial liabilities at amortised cost		
Trade and other payables	**(5,603)**	(4,847)
Borrowings	**(3,743)**	(3,548)
Finance leases	**(52)**	(56)
Financial Liabilities – other financial liabilities at fair value		
Contingent consideration payable	**(1,095)**	(1,333)

* Trade and other receivables, cash and cash equivalents were classified as loans and receivables as at 30 June 2018 in accordance with IAS 39

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

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 11.6%.

18) Business combinations

Issue of consideration shares

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

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.

There is overachievement consideration of up to £0.6m payable if certain EBITDA earnout targets are exceeded, and the accounting treatment is summarised in note 6.

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 second-year earnings target was achieved. This is explained in more detail in Note 23.

19) 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.

	Losses carried forward £'000	Intangible assets £'000	Total £'000
At 30 June 2018	203	(503)	(300)
Recognised in the income statement	62	110	172
At 30 June 2019	**265**	**(393)**	**(128)**

Deferred tax assets estimated at £3.5 million (2018: £3.2 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.

20) Share capital and reserves

	30 June 2019	30 June 2018
Ordinary shares with a nominal value of:	**0.00025p**	0.00025p
Authorised:		
Number	**Unlimited**	Unlimited
Issued and fully paid:		
Number	**1,419,113,435**	1,359,586,281
Nominal value (£'000)	**3.5**	3.4
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	**838,633**	933,887
Paid up value (£'000)	**839**	934

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

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

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

The principal terms of the preference shares are as follows:

(a) they are convertible at 2.5 pence per ordinary share at the holder's option (which would give rise to the issue of 33,545,320 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.

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

	2019				2018			
Ordinary shares	**Number of Shares**	**Share Capital £'000**	**Share Premium £'000**	**Merger Reserve £'000**	Number of Shares	Share Capital £'000	Share Premium £'000	Merger Reserve £'000
At start of year	**1,359,586,281**	**3.4**	**30,414**	**777**	619,775,478	1.5	25,013	27
Share placing and subscription for cash	**–**	**–**	**–**	**–**	389,603,280	0.97	3,505	–
Consideration paid in shares	**39,473,685**	**0.09**	**–**	**98**	93,750,000	0.23	–	750
Shares issued in lieu of fees	**–**	**–**	**–**	**–**	3,333,333	0.01	30	–
Expenses of issue of shares	**–**	**–**	**–**	**–**	–	–	(412)	–
Shares issued in preference share dividend conversion	**–**	**–**	**–**	**–**	33,708,222	0.08	304	–
Shares issued in preference share conversion	**20,053,469**	**0.05**	**95**	**–**	219,415,968	0.55	1,974	–
At end of year	**1,419,113,435**	**3.5**	**30,509**	**875**	1,359,586,281	3.4	30,414	777

In November 2018, the Company issued 39,473,685 new ordinary shares at 0.475p per share as part of the consideration for the acquisition of Tern Television, to the Tern Television selling shareholders. The difference between the nominal value of the shares issued and the issue price gives rise to a premium of £0.19m, of which £0.09m has been credited to retained earnings as it relates to consideration deemed remuneration previously recognised in the income statement and the remaining £0.10m has been added to the merger reserve.

In November 2018, the Company converted £0.095m of preference shares into 20,053,469 new ordinary shares at 0.475p. Herald Investment Trust plc and the John Booth Charitable Foundation, the holders of the Company's preference shares, converted such number of preference shares and accrued dividends on the preference shares into ordinary shares such that the combined current holding of ordinary shares of approximately 38 per cent of the issued ordinary share capital in the Company was maintained.

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

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

21) Commitments

Capital commitments

The Group had no capital commitments in relation to leasehold improvements to its premises as at 30 June 2019 (2018: £nil).

Operating leases

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

	30 June 2019		30 June 2018	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**375**	**6**	493	6
More than one year but within five years	**41**	**5**	389	11
Total	**416**	11	882	17

22) Related party transactions

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 £6,500 (2018: £9,584) 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 2019 including accrued interest is £3.74m (2018: £3.55m). Interest accrued on the debt amounted to £0.2m (2018: £0.3m).

Herald Investment Trust plc hold all the preference shares disclosed in Note 20.

23) 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 second-year earnings target was achieved, meaning that the second year earnout payment of £0.50m became payable to the Tern Television sellers. In accordance with the SPA the buyers elected to make this payment partially in cash and partially in Zinc Media Group shares. On 6th November 2019 £375,000 was settled in cash and £125,000 was 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 was satisfied from existing cash resources of the Group.

The Company 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 accepted this offer and the company issued ordinary shares to Herald at the same time as the issue of earnout shares to the Tern sellers. The conversion shares issued to Herald were issued at the same price per share as to the Tern sellers.

24) Guarantee in relation to subsidiary audit exemption

On 16 October 2019, 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 2019

	Note	30 June 2019 £'000	30 June 2019 £'000	30 June 2018 £'000	30 June 2018 £'000
Fixed assets					
Investments	27		**9,073**		10,225
Tangible assets	28		**37**		4
			9,110		10,229
Current assets					
Debtors	29	**1,151**		1,505	
Cash at bank		**6**		812	
		1,157		2,317	
Creditors					
Amounts falling due within one year	30	**(3,903)**		(3,831)	
Net current liabilities			**(2,746)**		(1,514)
Total assets less current liabilities			**6,364**		8,715
Creditors					
Amounts falling due after more than one year	31		**(4,353)**		(4,131)
Net assets			**2,011**		4,584
Capital and reserves					
Called up share capital	20		**5,928**		5,928
Preference shares	20		**839**		934
Share premium account	20		**30,509**		30,414
Share based payment reserve	20		**133**		106
Merger reserve	20		**848**		750
Profit and loss account	20		**(36,246)**		(33,548)
Shareholders' funds			**2,011**		4,584

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 £2.79m (2018: loss £2.27m).

The financial statements were authorised for issue and approved by the Board on 11 November 2019 and are signed on its behalf by Will Sawyer.

Company registration number: SC075133

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Preference shares £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 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**
Balance at 1 July 2018	**5,928**	**30,414**	**934**	**750**	**106**	**(33,548)**	**4,584**
Loss for the year and other comprehensive income	–	–	–	–	–	(2,787)	(2,787)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(2,787)**	**(2,787)**
Equity-settled share-based payments	–	–	–	–	27	–	27
Issue of shares on acquisition	–	–	–	98	–	89	187
Conversion of preference shares	–	95	(95)	–	–	–	–
Balance at 30 June 2019	**5,928**	**30,509**	**839**	**848**	**133**	**(36,246)**	**2,011**

Notes to the company financial statements

25) Accounting policies – Company

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

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

(a) Reduced disclosure

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

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

(b) Going concern

The Going concern is addressed in the consolidated financial statements of the Group per note 1.2.2 and in the Directors' Report page 14.

(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.

25) 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 investments

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

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

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

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

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

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

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

26) Employees

	2019 £'000	2018 £'000
Wages and salaries	**288**	223
Social security costs	**32**	22
Other pension costs	**35**	38
Total	**355**	283

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.

27) Investments

	£'000
Total investments in subsidiaries at 1 July 2018	10,225
Impairment charge for the year	(1,152)
Investment in subsidiaries at 30 June 2019	**9,073**

The impairment charge relates to the investment in the Communications division and the investment has been written down to £nil based on the same rationale as writing the associated goodwill to nil, as detailed in note 11 of the Group accounts.

27) 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	^^	Communications
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
Gadabout Films Limited	England & Wales	Ordinary	50% Indirect	^	TV Production
Children's Traffic Club Limited*	England & Wales	Ordinary	100% Indirect	^^	Dormant
DBDA Limited	England & Wales	Ordinary	100% Indirect	^^^	Dormant
Ten Alps Communicate Limited	England & Wales	Ordinary	100% Indirect	^^^	Dormant

^ 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

28) Tangible fixed assets

	Short leasehold land and buildings £'000	Office and computer equipment £'000	Total £'000
Cost			
At 1 July 2018	–	14	14
Additions	21	24	45
At 30 June 2019	**21**	**38**	**59**
Accumulated Depreciation			
At 1 July 2018	–	(9)	(9)
Charge for year	(9)	(4)	(13)
At 30 June 2019	**(9)**	**(13)**	**(22)**
Net Book Value			
At 30 June 2019	**12**	**25**	**37**
At 30 June 2018	–	4	4

29) Debtors

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings	**338**	984
Other debtors	**30**	26
Deferred taxation	**266**	–
Prepayments and accrued income	**517**	495
Total	**1,151**	1,505

30) Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**452**	475
Amounts due to subsidiary undertakings	**2,784**	2,440
Accruals and deferred income	**163**	166
Finance leases	**4**	–
Contingent consideration payable	**500**	750
Total	**3,903**	3,831

31) Creditors: amounts falling duc after more than one year

	2019 £'000	2018 £'000
Debt facilities	**2,759**	2,620
Loan notes	**984**	928
Finance leases	**15**	–
Contingent consideration payable	**595**	583
Total	**4,353**	4,131

See note 16 for details of company borrowings.

32) 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.

33) Share capital and reserves

For details of share capital and reserves please see note 20.

34) Related party transactions

For details of related party transactions please see note 22.

35) Post balance sheet events

For details of post balance sheet events please see note 23.

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