15 March 2019

Zinc Media Group plc
("Zinc Media" or the "Company")

Unaudited Interim Results for the six months ended 31 December 2018

Zinc Media Group plc, the TV and multimedia content producer, today announces its unaudited interim results for the six months to 31 December 2018.

Highlights

- Half year revenues increased year-on-year
- Tern Television continues to perform strongly
- Sustained growth in international TV series
- Order book in TV at £20.5m
- Adjusted EBITDA profit at the half year which is expected to increase for the full year, due to the traditionally busier second half
- Mark Browning appointed as new CEO and Will Sawyer started as CFO
- Zinc Media demonstrated its strength as one of the UK's leading 'Nations and Regions' producers with significant commissions in Manchester, Bristol, Glasgow, Aberdeen and Belfast

Financial Performance

- Group revenues of £9.86m (H1 18: £9.76m)
- Gross margin of 32.8 per cent. (H1 18: 33.0 per cent.)
- Adjusted EBITDA of £0.01m (H1 18: £0.24m) *
- Diluted loss per share 0.05p (H1 18: diluted earnings per share of 0.01p)
- Cash of £2.12m (H1 18: £3.69m)
- Tern Television first year earnout paid from existing cash resources and through the issue of shares
- £0.1m conversion of preference shares completed during the period

Operational Performance

- Current TV commissioned order book at £20.5m (H1 18: £14.4m) which, together with the current sales pipeline, gives a basis for confidence in the outlook for the full year.
- Management expect adjusted EBITDA to be higher in the traditionally busier second half of the year.
- Significant commissions won in all six production bases - three bases in England, two in Scotland and one in Northern Ireland.
- Zinc Media is ideally placed to capitalise on the significant growth in the production market out of London in the 'Nations and Regions'. UK TV broadcasters have adopted Nations and Regions quotas and targets, the BBC has invested £19m in a new channel, BBC Scotland, and Channel 4 will soon be opening offices in Leeds, Bristol and Glasgow.
- Strategic shift in TV programming continues, with a move towards higher value series for both UK and international broadcasters and less reliance on one-off lower value commissions.
- Action taken to address lag in the period in Popular Factual TV by reducing fixed overhead base. The performance of the Popular Factual division mirrors the UK market trend away from heavily formatted factual to more access driven and talent led content .
- Publishing division continues to trade profitably.
- Mark Browning appointed as CEO and Will Sawyer appointed as CFO in the period. Providing a strong and experienced team to build Zinc Media's ambitions in the TV and digital markets, particularly given Mark's vast experience in the field.
- David Galan moving from CEO to a non-executive role from April 2019, retaining his knowledge and experience of the Group.

* Adjusted EBITDA defined as EBITDA before share based payment charges and exceptional items.

Outlook

Our strategy for the last few years has been to move towards bigger budget series, in both the UK and international markets. We are currently in production on several big budget international commissions, particularly for National Geographic. Whilst the start of some of these projects was somewhat delayed, impacting our first half results, we strongly believe that this type of work is key to our future and demonstrates our credentials and ability to play in the international arena.

The current year TV order book for this financial year stands at £20.5m, relating to TV content which is commissioned and already recognised or expected to be recognised within the current financial year. The Board considers the order book in the majority of the TV divisions to be strong and to provide a solid foundation for future growth. The Group has historically experienced a revenue weighting towards the second half of the financial year, which will, as a result of the delays outlined above, be more pronounced in the current financial year. Whilst there are still programme commissions to be won over the next few months, given the size of the current TV order book the Board expects the Group to be adjusted EBITDA positive for the full year.

The UK TV market remains challenging; we mitigate against these pressures by focusing on key UK commissioner relationships, developing UK returnable series ideas on which we retain the distribution rights and securing more international work. Our recent co-production with a new SVOD (streaming video on demand) customer, Love Nature, in North America, demonstrates our ability to diversify and expand into international markets.

The Group's focus over the coming months will be to continue the conversion of its pipeline into commissions and to ensure that as much production activity as possible falls into the current financial year, whilst also building a strong pipeline into the next financial year. Our new CEO, Mark Browning, joins the Group in April and the Group looks forward to utilising his industry contacts and experience to expand existing relationships in the UK and to develop new international relationships, markets and products.

David Galan, CEO, commented:

"*Despite a disappointing performance in one of our TV units, the other TV units, including our latest acquisition, Tern Television, continue to trade well and we continue to see results in our strategy to secure a higher mix of longer running series and international revenues. We expect this year to be second half weighted and have a contracted order book underpinning this expectation*"

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Chairman's Statement

The re-shaping, streamlining and future proofing of the Group has continued in the first half of the year. Our strategy to focus on the TV business, and in particular to secure more longer running series with higher production values and to position ourselves as a major 'Nations and Regions' operator continues to gain traction. Our business mix is now radically different to that of a few years ago, with our out of London businesses contributing significantly to Group turnover and margins. We see that trend continuing and our strategy is necessary to adjust to changing broadcaster demands. Whilst the performance of our Popular Factual unit has been a drag on profitability, we are pleased with the performance of our recent acquisition of Tern Television and the other parts of the TV business.

TV continues to be the most significant area of the business, representing over 80 percent of Group revenues at the half year.

We expect to deliver full year profitability at the adjusted EBITDA level, for the third year running. Whilst the levels of profitability are still below our ambitions, we believe that the foundations are in place for future growth and the business is positioned as one of the industry leaders in the independent TV production sector. We are continuing to adjust and reduce our TV overhead base to ensure that the business can deliver profitability from lower revenue levels, although our strategy remains to grow revenues through securing a mix of business with longer running, repeatable programmes with international appeal and for international customers.

Significant changes have also been made and are being made to the senior management structure of the Group. As recently announced, David Galan is stepping down as CEO to pursue business opportunities in a different sector and moving to a non-executive role. Mark Browning joins as our new CEO in April this year and we are delighted to have one of the most experienced executives in the TV production industry join the Group. His track record at ITN Productions, where he was most recently CEO, is directly relevant to Zinc Media. We are delighted to have welcomed Will Sawyer, who worked directly with Mark as CFO of ITN Productions, as our new CFO during the period. Will has settled in well and made an immediate positive impact on the business. We also welcomed Harry Bell, the Managing Director of Tern Television, to the Board. We believe that these changes position Zinc as one of the most experienced and strongest TV businesses in the sector, with the ability to deliver significant future growth.

While the majority of the Group's TV units performed in line with management expectations, the small adjusted EBITDA profit shown at the half year reflects difficult trading in our London based Popular Factual Division, which predominantly comprises the Group's restructured Reef Television business. We have made management changes in the unit and more generally are reducing the fixed overhead base in our London business. The other TV units performed in line with management expectations. Based on our current order book and sales pipeline management expects adjusted EBITDA to be positive for the full year.

As 'out of London' commissioning grows, due to industry level decisions to commission more from the Nations and Regions, we are reacting by reducing our London overhead base and investing in our 'out of London' business. We believe we are one of the best placed 'indies' to capitalise on this trend.

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

CEO's Statement

The highlights of the first half have been the continued strong performance of our most recent acquisition, Tern Television, and significant new TV commissions for big budget programmes for international broadcasters. We are currently in production on more commissions worth over £1 million in revenue to the Group than ever before. Whilst the sales cycle for these higher value orders can be protracted, and therefore timing can impact negatively on short term revenues and margins, we continue to believe that this type of business is the right type to pursue.

Industry policy decisions made by the domestic broadcasters have meant that the major UK TV broadcasters are increasing their commissioning outside of London and reducing the business awarded to London indies. Strict Nations and Regions quotas and targets are now in place and are having significant repercussions across the industry. Against this backdrop we strongly believe our decision to acquire Tern Television, bringing with it a presence in Scotland and Ireland, was the right one and have also invested in expanding our capacity in our

Manchester TV business, Blakeway North, and we have opened a Bristol office. The investment has mainly taken the form of hiring new talent and although this investment impacted margins in the first half we are confident it will deliver results in the future.

Our TV business is now structured as three London units, Specialist Factual, Documentaries and Popular Factual, a Manchester business, Blakeway North, a new Bristol business, Blakeway West and Tern Television with offices in Glasgow, Aberdeen and Belfast. In addition to our TV business, we have Zinc Communicate, our Digital Division in London, and our remaining publishing business in Macclesfield. Specialist Factual, Documentaries, Blakeway North and West and Tern Television all traded strongly or in-line with management expectations during the first half. Popular Factual was significantly below expectations. Popular Factual consists primarily of the former Reef Television business. Reef was historically very dependent on Channel 4 and specialised in a genre of programme that Channel 4 has moved away from. Therefore, we are re-establishing Popular Factual in different genres and with new customers. Whilst we have had some successes in this regard, and the Popular Factual unit is now making programmes in new genres for new customers, it has not yet experienced the volume required to achieve profitability. A restructuring exercise has been implemented to reduce overheads in the division to reduce losses and plan a path back to profitability.

Highlights in the TV division were big budget series commissions from National Geographic for both the Documentaries and Specialist Factual divisions. Both series have the potential to be returnable and firmly mark our abilities and credentials on the international stage. Tern Television was awarded a raft of series commissions for the new BBC Scotland channel which is launching this year, as well as several new commissions with Channel 4. Tern has continued on its growth trajectory and is now active for both network, regional and international markets. Blakeway North continued to build on its reputation for long running series such as *'Bargain Brits' and* '*The People's Vet*' and has invested in further expansion through new talent hires at the executive producer level. Our new Bristol office, Blakeway West, is focussing on our growing reputation for blue chip nature and natural history programming and is already busy in production on multiple programmes.

The Digital division specialises in corporate social responsibility (CSR) and educational communication campaigns. The markets in these areas have been difficult as corporate spend in CSR and education is often the first to be cut when the economic environment becomes challenging or uncertain. Against this backdrop we are disappointed to report that Transport for London (TfL) has chosen not to continue with Children's Traffic Club (CTC), our educational road safety programme for young children in London. This contract, which we have operated for over a decade and has won multiple awards, has made a major impact in reducing child road fatalities in London but has been terminated due to budgetary constraints at TfL. We are working hard to seek a new sponsor and corporate partner for this important campaign.

This TfL contract represented approximately 50 percent of the Digital division's revenues. and, as a result of its loss, a restructuring exercise has commenced to reduce the cost base accordingly and to focus on securing new clients and replacement sponsors for CTC. The division has had some notable new client wins, including a partnership with Kidzania and HS2. The longer-term strategy is to secure both new clients and a broader mix of work from existing clients, building on our niche CSR and educational credentials to move into what we view as the more lucrative mainstream digital markets, with a focus on short form corporate video communications and branded content.

The Publishing division remains profitable and, whilst the LABC contract remains the most significant part of the business, it has been awarded the contract to publish a suite of directories for the RIBA for the second year running.

Our new CEO, Mark Browning, one of the most experienced executives in the TV production industry, is joining the business in April this year, at which point I am stepping in to a non-executive role. I will be working closely with Mark and Will to ensure a smooth transition. When I joined Zinc three years ago the business was active in multiple different areas, with a large loss making B2B print publishing business, spread across multiple business units and locations. We have worked hard to restructure and re-shape the business, with today's business predominantly focussed on TV production.

I strongly believe that it is the right time for the business to have a CEO directly from the TV industry. Mark grew ITN Productions from a fledgling business into a large and successful player and brings business development expertise through high level broadcaster contacts and relationships, together with a detailed operational focus on margins and efficiency. I believe that Mark is the ideal appointment to execute the Group's next stage of growth and development.

BUSINESS OVERVIEW

Television Division

TV production now represents over 80% of our business by revenue. Our strategy in the TV division continues to be to expand our position as a major independent TV production company. We believe that being a larger TV group will provide the opportunity to capitalise on the more lucrative international marketplace as the Group will have more creative breadth, produce content in a wider range of factual genres, and have more production resource and increased relationships with international commissioners and broadcasters.

We are positioned as one of the largest ‘indies’ that has a significant ‘Nations and Regions’ footprint. The domestic TV market remains challenging and we believe that our position as one of the largest ‘Nations and Regions’ indies puts us in the best possible position to grow revenues and profitability in the domestic market. This would not be possible in our view if we were purely London based. Consistent with this view, we are achieving strong trading in Tern Television and investing in expanding our Blakeway North operation in Manchester and our newly opened Blakeway West business in Bristol. As detailed at the previous year end, we have restructured our London TV business into genre-based units, Specialist Factual, Documentaries and Popular Factual.

In line with the shift in domestic business towards the Nations and Regions, including new higher quotas for out of London production from domestic broadcasters, we continue to reduce our London TV overheads. Other than the cost of our people, our London premises cost is by far the largest overhead. We have taken steps to reduce this and have recently sub-let approximately 25% of our London office.. Our lease on our central London office expires in 2020 and we will consider our options to reduce our property costs further from this point.

We were happy with the trading results delivered by all of the TV units, with the exception of the Popular Factual unit which delivered a disappointing performance. The re-building of this division (previously Reef Television) has taken longer than we expected. The team has worked extremely hard to reinvent and reposition the Popular Factual business and has demonstrated resilience in changing the type of programming that it used to be known for. From an almost entirely daytime and ‘heritage Britain’ style of programming, the unit has won two series commissions in the crime and emergency services genres. We are hopeful that these series will be recommissioned and represent a platform on which the unit can build. We have reduced overheads in this unit and are confident that the worst performance is behind us.

Recognising that public service broadcaster budgets for programme spending have been under pressure, we have been reacting to this over the past few years by reducing the Group’s reliance on these revenue streams and through developing new domestic broadcaster relationships. We have reduced our historic reliance on the BBC and Channel 4 and now also undertake significant work for ITV, Channel 5, Sky and others. We also count National Geographic as a major customer and are starting to gain traction in the SVOD market with a significant commission from Love Nature. In the international markets, alongside National Geographic and Love Nature, we have also worked for HBO, ARTE and Smithsonian. We are in regular dialogue with and pitch work to Netflix and believe that the SVODs will become an increasingly important customer segment for us in the future.

Overall, the TV division is in healthy shape for growth with strong talent in each company and a diverse pipeline. We are pursuing a strategy of higher budget programming (through co-productions or series) to help drive profitability and are continually focussed on content that will sell well internationally.

Tern Television

Tern is busy on all fronts with over 20 different titles currently in production and the Glasgow and Belfast offices at full capacity. Tern Glasgow is expanding to another floor in their office building to assist expansion and renovation is scheduled for Spring 2019.

Approximately 95% of Tern’s internal budget for the financial year is already commissioned.

Tern is also in good shape for the 2020 financial year with two big recent Channel 4 commissions: ‘*Bones’* and another ‘blue light’ series that together are worth over £2m, capitalising on ‘*Emergency Helicopter Medics* series *3*’. Tern is confident of being in pole position to benefit from the BBC and Channel 4’s ‘out of London’ commissioning policies. With the success of a co-production with the Popular Factual unit in London, ‘*Critical*

Incident' for BBC via Tern Belfast, there should be other opportunities to maximise Group value via Nations offices.

Highlights:

- *'Emergency Helicopter Medics series 2 & 3'* – this returning hit brand for More 4 is now delivering series 2 for the channel, due to transmit in March, with series 3 going straight into production. It has also had a 'halo effect' for other commissions from the Channel 4 group.

- A new trauma rescue series – commissioned for Channel 4 as a 10-part series as a companion to Tern's other hit series for the channel '*Emergency Helicopter Medics'.*

- *'From Hell series 3'* – Channel 4's hit 9pm brand is returning via Tern Belfast with '*Holidays from Hell'* and '*Roads from Hell'.*

- *'Britain's Wildest Weather 4 2019'* is also re-commissioned via Tern Glasgow.

- *'Great British Road Journeys',* reuniting the stars of *All Creatures Great and Small*, Christopher Timothy and Peter Davison, was recently Channel 4's biggest weekend ratings show and discussions have started for a super-sized re-commission.

- *'Bones'* has recently been commissioned as an 8 part series by Channel 4 via Tern Belfast. Its innovative mix of new science (via forensics and DNA) and history (via archaeology) has attracted considerable pre-sales.

Blakeway North

Blakeway North, our regional indie based in Manchester, is taking full advantage of the pressure on domestic broadcasters to produce from the regions. The strategy is to grow this business through hiring new talent at the executive producer level, to be able to win and deliver a higher volume of commissions. Blakeway North has continued to exploit a variety of markets, from Children's Television at the BBC through to winning tenders for commercial enterprises like The Tate Liverpool. Most recently it won a series from another new digital client, BBC Learning.

Series 4 of *'Bargain Loving Brits'* for Channel 5 has delivered consistently high audiences so there is an expectation of a recommission, but the team has also been developing other returnable series ideas for the Channel. Blakeway North also picked up some high profile awards for its work, including The Japan Prize 2018 and an International Emmy Nomination 2018 for '*Nikki Lilly' and* Best Independent Production Company 2018 in the Prolific North Awards.

Specialist Factual

This unit has continued to grow with a particular focus on natural history, history and archaeology. To capitalise on the trend for regional production and a highly skilled pool of available talent in the genres that the business is active in, the Specialist Factual unit has opened a regional office in Bristol. The Bristol team is already in production on several series including *'The Wonderful World of Baby Animals*', a six-part series for Channel 5, and we are optimistic about our plan to grow a significant business here. We are keeping the overheads as low as possible in the initial stages of its growth.

Business relationships are particularly strong with National Geographic Channel and Channel 5.

A new business relationship has been established with the North American streaming video on demand (SVOD) operator, Love Nature, and they have commissioned, as a co-production with ARTE, a 4-part series, '*The Farm*' for international distribution. This is the first commission for an international SVOD and will also be produced by the Bristol office.

There has also been an emphasis on working with talent – Tony Robinson for Channel 5 on a 4-part series for Channel 4, '*History of Britain'*, and Albert Lin for National Geographic in a five-part series, '*Lost Cities'.* Both are expected to yield recommissions.

Documentaries

This unit has been reshaped by moving a number of executive producers from other divisions to facilitate more cross division working (part of the strategy to enable the Group to win larger commissions). This has resulted in a co-commission for Lucy van Beek (Specialist Factual) and Emma Hindley for a drama-doc 3-part series for Channel 5: '*Henry VIII*'. We hope to build on such collaborations in the coming year.

Norma Percy delivered her 3-part Europe series to BBC 2 amid great critical acclaim. Nigeria's Stolen Daughters was delivered to HBO and we are in production with another 75-minute documentary, fully funded by HBO.

The unit has steadily built its slate of 'feature docs' which have attracted multiple international co-production partners. These include '*Brexit Behind the Scenes*', a 2-part series for the BBC, ZDF ARTE, NRK and others. '*Gaddafi's Missing Millions*' for BBC, VPRO and ARTE and, '*Blasphemy*' for BBC, ARTE and Scandinavian broadcasters.

There has also been a successful building of relationships with National Geographic, resulting in a six-part series '*World War II from Space*'.

Popular Factual

The Popular Factual unit has undergone a significant restructuring exercise reducing costs and overheads. This unit, which consists mainly of the former Reef Television business, was heavily dependent on a particular genre of daytime television and on one customer, Channel 4. When Channel 4 refocussed under new management, Reef lost many of its long-running series and had to develop new genres and customer relationships. Ann Walsh and Rachel Platt, are driving the business, focusing on longer running feature series. In the first 6 months they have won a series, '*Code Zero*', with Channel 5 (a new client for them) which has moved them into peak scheduling from their original daytime expertise. They have also won another potentially long running series for BBC Daytime, '*Critical Incident*', in a co-production with Tern Television in Belfast. The strategy is to continue to build business through co-productions with other parts of the Group who have offices in the Nations and Regions.

Digital Division

The Group's digital division, Zinc Communicate, experienced challenges this period as many clients and potential clients delay making decisions around their traditional CSR (corporate social responsibility) budget spend in this uncertain economic climate. In order to reduce the impact, Communicate is diversifying its product offering with a fresh focus on engaging with direct 'social purpose'; creating content that communicates the broader alignment with the client's business portfolio, its vision and social values to all its stakeholders.

The Children's Traffic Club (CTC) exemplifies this and was Communicate's largest contract, managed on behalf of TfL (Transport for London), solely focussing on delivering an education programme for under 5s and their families. We recently received a Prince Michael Road Safety Award in recognition of CTC's contribution toward TfL's Vision Zero, linked to the promotion of active travel and improvement in air quality. It was also recognised for embracing innovation and technology with potential use worldwide. Unfortunately, due to budget constraints, TfL will not be renewing this contract once it expires in the second half of the financial year. Communicate does run a road safety product range outside of the TfL contract and will seek to secure replacement partners in place of TfL for this very important product; important both for the amazing results it achieves in terms of reducing child road fatalities and the significance of the contract to Communicate.

Communicate is delighted to have signed an exclusive partnership with the Kidzania Group, a global brand delivering immersive experiences for young people. The collaboration serves to enhance the division's relationship with Kidzania's existing partners in the UK and internationally, such as Shell, Nintendo, The National Space Centre and Al Jazeera News Agency.

The division delivered a much-acclaimed short form film and campaign assets for Nationwide Building Society**,** aimed at engaging employees to be inspired in their workplace. For BBC Factual, Communicate delivered a series of five short films for the #BodyPositivity strand.

The Body Shop Educational Programme was launched at the end of 2018, with the aim of supporting future generations of consumers to explore the impact of ethical consumerism and sustainable supply chains on people, product and planet.

After the successful win of HS2, Communicate launched a series of workshops in schools to enable young people to explore the range and scope of career opportunities in the rail and construction industry.

Once again, Communicate was delighted to sign a further 12-month contract with Siemens, continuing to cement its long-term position as a trusted education provider and evidencing a successful collaboration with one of the world's leading engineering companies.

Publishing Division

The Publishing Division traded in line with management expectations and continues to be profitable. The business entered a second year of a contract publishing relationship with the RIBA and continues to review opportunities for growth and diversification. The majority of the business continues to be the operation of a contract with Local Authority Building Control (LABC).

David Galan
Chief Executive Officer

FINANCIAL REVIEW

Income statement

Revenue was £9.86m (H1 18: £9.76m). The increase is due to Tern Television, which was purchased midway through the prior year period, partially offset by lower revenue in the Popular Factual TV division. TV divisional revenues were £8.10m in the first half, an increase of £0.32m on the prior period. The Digital division generated revenues of £0.72m, a decrease of £0.19m on the prior period. The Publishing division delivered static revenues of £0.99m, a decrease of £0.04m on the prior period.

Gross margin decreased from 33.0 percent to 32.8 percent in the period, with operating expenses increasing to 32.7 percent of revenues (H1 18: 30.6 per cent.). The decrease in gross margin is due to lower net distribution revenues on recent TV programmes, which are typically high margin. Operating expenses increased in the period due to investment in the Popular Factual and Blakeway North divisions. The Popular Factual division has been restructured since the period end and the fixed cost base reduced. The investment in Blakeway North is expected to yield a return in future periods. We have reduced our London property overheads through sub-letting approximately 25 per cent of the footprint of our London premises. This took place towards the end of the period, so the reduction in overhead will be seen primarily in the second half.

The Company reported adjusted EBITDA of £0.01m (H1 18: profit of £0.24m). Adjusted EBITDA is reported before exceptional items of £0.17m, which is predominantly contingent consideration treated as a remuneration charge in respect of the Tern Television earnout. The operating loss was £0.59m (H1 18: profit of £0.14m).

The finance charges for the period were static at £0.12m (H1 18: £0.14m) and reflect the accrued costs on the Company's outstanding long-term debt obligations. The loss for the period was £0.70m (H1 18: profit of £0.10m).

Earnings per share

Basic and diluted loss per share in the period was 0.05p (H1 18: earnings of 0.01p) and was based on the loss for the period of £0.70m (H1 18: profit of £0.10m) with a weighted average number of shares in issue during the period of 1,380,068,743 basic and diluted (H1 18: 812,948,299 basic and 819,680,403 diluted). Adjusted basic and diluted loss per share (adjusting for amortisation, restructuring, share based payment charges and exceptional costs) in the period was 0.01p (H1 18: earnings 0.02p) and was based on the adjusted loss for the period of £0.18m (H1 18: profit of £0.14m).

Dividend

No dividend is proposed. The Board considers the Group's investment plans, financial position and business performance in determining when to pay a dividend.

Statement of Financial Position

Assets

Total assets of the Group were £14.78m (June 18: £16.59m) with the main movements being a decrease in goodwill and intangibles and cash. The decrease of £0.33m in goodwill and intangibles is a result of the amortisation charge on Reef Television and Tern Television intangibles. The Group had a cash balance of £2.12m as at 31 December 2018 (June 18: £3.55m). The £1.43m decrease relates to the payment of deferred consideration to the Tern TV shareholders and an increased working capital requirement in the TV division.

Equity and Liabilities

Total shareholders' equity at the period end was £4.70m (June 18: £5.38m). Retained losses have risen by £0.89m, reflecting the £0.70m loss for the period plus opening balance adjustment relating to the change in IFRS 15 accounting policy on revenue recognition of £0.19m (see note 3). In the current period £0.10m of preference shares were converted into ordinary shares.

Current liabilities, consisting of trade, other creditors, deferred consideration payable and deferred income, are £6.01m (June 18: £6.78m). The decrease is driven by a £0.76m reduction in trade creditors.

The repayment date on all the Company's long-term debt obligations is a bullet repayment on 31 December 2020. The Group had an outstanding balance on long term debt of £3.65m at the period end (June 18: £3.55m), held by two of the Company's shareholders and with no financial covenants relating to the debt. Total non-current liabilities total £4.08m, including £0.19m deferred contingent consideration (payable as a mix of cash and shares) in respect of the acquisition of Tern Television. The other £0.50m of deferred consideration in respect of the acquisition of Tern Television is treated as a current liability.

Comparative information

The Group has adopted IFRS 15 "Revenue from contracts with customers" for the first time in the results for the six months ended 31 December 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed in note 3. 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.

Will Sawyer
Chief Financial Officer

Zinc Media Group plc consolidated statement of comprehensive income
For the six months ended 31 December 2018

	Notes	**Unaudited Half year to 31 Dec 2018 £'000**	Unaudited Half year to 31 Dec 2017 £'000	Audited 12 months to 30 Jun 2018 £'000
Continuing operations				
Revenue	4	**9,864**	9,763	21,683
Cost of sales		**(6,628)**	(6,542)	(15,055)
Gross Profit		**3,236**	3,221	6,628
Operating expenses		**(3,224)**	(2,985)	(6,137)
Adjusted EBITDA		**12**	236	491
Depreciation & amortisation		**(408)**	(275)	(711)
Share based payment charge		**(23)**	-	(74)
Exceptional items	5	**(172)**	182	(1,264)
Operating (loss) / profit		**(591)**	143	(1,558)
Finance costs		**(120)**	(141)	(253)
(Loss) / profit before tax		**(711)**	2	(1,811)
Taxation		**11**	94	(44)
(Loss) / profit and total comprehensive income for the period attributable to equity holders		**(700)**	96	(1,855)
Basic (loss) / earnings per share	6	**(0.05)p**	0.01p	(0.17)p
Diluted (loss) / earnings per share	6	**(0.05)p**	0.01p	(0.17)p

Zinc Media Group plc consolidated statement of financial position
As at 31 December 2018

	Notes	**Unaudited**	Unaudited	Audited
		31 Dec 2018	31 Dec 2017	30 Jun 2018
		£'000	£'000	£'000
Assets				
Non-current				
Goodwill and intangibles	**7**	**6,807**	8,837	7,132
Property, plant and equipment		**359**	394	355
		7,166	9,231	7,487
Current assets				
Inventories		**441**	596	333
Trade and other receivables		**5,052**	4,902	5,224
Cash and cash equivalents		**2,120**	3,692	3,545
		7,613	9,190	9,102
Total assets		**14,779**	18,421	16,589
Equity and liabilities				
Shareholders' equity				
Called up share capital	**8**	**5,928**	5,928	5,928
Share premium account	**8**	**30,696**	31,162	30,414
Share based payment reserve		**129**	47	106
Merger reserve		**777**	27	777
Preference shares		**839**	934	934
Retained earnings		**(33,674)**	(30,830)	(32,781)
Total equity attributable to equity holders of the parent		**4,695**	7,268	5,378
Liabilities				
Non-current				
Borrowings		**3,648**	3,462	3,548
Contingent consideration		**187**	887	583
Deferred tax		**244**	44	300
		4,079	4,393	4,431
Current liabilities				
Trade and other payables		**5,452**	5,890	5,929
Contingent consideration		**500**	750	750
Current tax liabilities		**6**	120	45
Secured finance leases		**47**	-	56
		6,005	6,760	6,780
Total equity and liabilities		**14,779**	18,421	16,589

Zinc Media Group plc consolidated statement of cash flows

For the six months ended 31 December 2018

	Unaudited	Unaudited	Audited
	Half year to 31 Dec 2018 £'000	Half year to 31 Dec 2017 £'000	12 months to 30 Jun 2018 £'000
Operating activities			
Reconciliation of profit to operating cash flows			
Loss for the period before tax	**(711)**	2	(1,811)
Add back:			
Depreciation	**83**	49	138
Amortisation & impairment of intangibles	**325**	726	1,763
Finance costs	**120**	141	253
Share based payment charge	**23**	-	74
Gain on revaluation of deferred contingent consideration	**-**	(700)	(700)
Contingent consideration deemed remuneration	**104**	-	487
Gain on disposal of assets	**-**	-	(6)
	(56)	218	198
Increase in inventories	**(56)**	(388)	(125)
Decrease / (increase) in trade and other receivables	**172**	(786)	(1,100)
Decrease in trade and other payables	**(722)**	(1,487)	(1,327)
Cash used in operations	**(662)**	**(2,443)**	(2,354)
Finance costs paid	**(2)**	-	(3)
Tax paid	**(86)**	(59)	(4)
Net cash flows used in operating activities	**(750)**	(2,502)	(2,361)
Investing activities			
Acquisition of subsidiary undertakings, net of cash and overdrafts acquired	**-**	116	86
Payment of deferred consideration	**(563)**	-	-
Purchase of property, plant and equipment	**(87)**	(22)	(65)
Proceeds on sale of property, plant and equipment	**-**	-	6
Purchase of intangible assets	**-**	-	(122)
Net cash flows used in investing activities	**(650)**	94	(95)
Financing activities			
Net proceeds on issue of ordinary share capital	**-**	3,122	3,066
Capital repayment of finance lease obligations	**(9)**	-	(23)
Net cash flows from financing activities	**(9)**	3,122	3,043
Net (decrease) / increase in cash and cash equivalents	**(1,409)**	714	587
Translation differences	**(16)**	5	(15)
Cash and cash equivalents at beginning of period	**3,545**	2,973	2,973
Cash and cash equivalents at end of period	**2,120**	3,692	3,545

Zinc Media Group plc consolidated statement of changes in equity
For the six months ended 31 December 2018

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Preference shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**
Change in accounting policies in respect of IFRS 15 (note 3)	-	-	-	-	-	(193)	(193)
Restated balance as at 1 July 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,974)**	**5,185**
Loss for the period	-	-	-	-	-	(700)	(700)
Total comprehensive income	-	-	-	-	-	**(700)**	**(700)**
Equity share-based payments	-	-	23	-	-	-	23
Shares issued in preference share conversion	-	95	-	-	(95)	-	-
Deferred consideration paid in shares	-	187	-	-	-	-	187
Total transactions with owners of the Company	-	**282**	**23**	-	**(95)**	**(700)**	**(490)**
Balance at 31 December 2018	**5,928**	**30,696**	**129**	**777**	**839**	**(33,674)**	**4,695**
Balance at 1 July 2017	**5,926**	**25,013**	**47**	**27**	**2,909**	**(30,926)**	**2,996**
Profit for the period	-	-	-	-	-	96	96
Total comprehensive income	-	-	-	-	-	**96**	**96**
Equity-settled share-based payments	-	-	-	-	-	-	-
Shares issued	1	4,285	-	-	-	-	4,286
Expenses of issue of shares	-	(413)	-	-	-	-	(413)
Conversion of preference shares	1	2,277	-	-	(1,975)	-	303
Deferred tax on share options	-	-	-	-	-	-	-
Total transactions with owners of the Company	**2**	**6,149**	-	-	**(1,975)**	**96**	**4,272**
Balance at 31 December 2017	**5,928**	**31,162**	**47**	**27**	**934**	**(30,830)**	**7,268**
Balance at 1 July 2017	**5,926**	**25,013**	**47**	**27**	**2,909**	**(30,926)**	**2,996**
Loss for the period	-	-	-	-	-	(1,855)	(1,855)
Total comprehensive income	-	-	-	-	-	**(1,855)**	**(1,855)**
Equity share-based payments	-	-	74	-	-	-	74
Issue of shares on acquisition	-	-	-	750	-	-	750
Shares issued	1	3,506	-	-	-	-	3,507
Expenses of issue of shares	-	(382)	-	-	-	-	(382)
Conversion of preference shares	1	2,277	-	-	(1,975)	-	303
Deferred tax on share options	-	-	(15)	-	-	-	(15)
Total transactions with owners of the Company	**2**	**5,401**	**59**	**750**	**(1,975)**	**(1,855)**	**2,382**
Balance at 30 June 2018	**5,928**	**30,414**	**106**	**777**	**934**	**(32,781)**	**5,378**

Notes to the consolidated financial statements

1) GENERAL INFORMATION

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 7 Exchange Crescent, Conference Square, Edinburgh, EH3 8AN.

The Company is listed on the London Stock Exchange's AIM Market.

2) BASIS OF PREPARATION

The interim results for the six months ended 31 December 2018 have been prepared on the basis of the accounting policies expected to be used in the 2019 Zinc Media Group plc Annual Report and Accounts and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('EU') ('IFRS'). The interim results do not include all the information and disclosures required in financial statements prepared in accordance with IFRS and should be read in conjunction with the accounts for the year ended 30 June 2018.

The same accounting policies, presentation and methods of computation are followed in these interim condensed set of financial statements as have been applied in the Group's latest annual audited financial statements, with the exception of the changes in accounting policies detailed in note 3.

The interim results, which were approved by the Directors on 14 March 2019, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures for the year ended 30 June 2018 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

3) CHANGES IN ACCOUNTING POLICIES

IFRS 9 – Financial Instruments

IFRS 9 has ultimately replaced IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual years beginning on or after 1 January 2018 and first application to the Group's financial reporting is in these accounts for the half year to 31 December 2018.

The Group has applied the simplified approach to provide for expected credit losses for all trade receivables prescribed by IFRS 9, which permits the use of the lifetime expected losses. The adoption of the simplified expected loss approach under IFRS 9 has not resulted in any material impact to the carrying value of trade receivables as at 31 December 2018.

Adoption of IFRS 9 has resulted in no material impact to the accounts.

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 has adopted IFRS 15 for the first time in the results for the six months ended 31 December 2018. 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 digital production. As explained below, revenue will continue to be recognised on the same basis as previously for all types of revenue except television distribution advances.

Where the Group's performance of its obligations under a contract exceeds amounts received, accrued income (contract assets) or a trade receivable is recognised depending on Group's billing rights. Where the Group's performance of its obligations under a contract is less than amounts received, deferred income (contract liabilities) is recognised.

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.

Digital

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

Impact on reported numbers

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

Statement of financial position as at 1 July 2018

	30 Jun 2018 £'000	Application of IFRS 15 £'000	1 Jul 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	326	714
Other liabilities	10,823	-	10,823
Total liabilities	**11,211**	**326**	**11,537**
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 31 December 2018.

Income statement

	IFRS 15 Half Year to 31 Dec 2018 £'000	IAS 18 Half Year to 31 Dec 2018 £'000	Adjustment £'000
Revenue	9,864	9,751	113
Cost of sales	(6,628)	(6,547)	(81)
Gross profit	3,236	3,204	32
Operating expenses	(3,224)	(3,224)	-
Adjusted EBITDA	**12**	**(20)**	**32**
Depreciation & amortisation	(408)	(408)	-
Share based payment charge	(23)	(23)	-
Exceptional items	(172)	(172)	-
Finance costs	(120)	(120)	-
Tax	11	11	-
Loss for the period	**(700)**	**(732)**	**32**

Statement of financial position as at 31 December 2018

	IFRS 15 31 Dec 2018 £'000	IAS 18 31 Dec 2018 £'000	Adjustment £'000
Inventories	441	522	(81)
Other assets	14,338	14,338	-
Total assets	**14,779**	**14,860**	**(81)**
Deferred income	1,270	1,383	(113)
Other liabilities	8,814	8,814	-
Total liabilities	**10,084**	**10,197**	**113**
Retained earnings	(38,369)	(38,337)	32
Other equity	33,674	33,674	-
Total equity	**4,695**	**4,663**	**32**
Total liabilities and equity	**14,779**	**14,860**	**(81)**

4) SEGMENTAL INFORMATION

The operations of the group are managed in three principle business divisions, TV, Digital and Publishing. These divisions are the basis upon which the management reports its primary segment information.

Revenues by Business Division	**Unaudited 6 months to 31 Dec 2018 £'000**	Unaudited 6 months to 31 Dec 2017 £'000	Audited 12 months to 30 Jun 2018 £'000
TV	**8,102**	7,783	17,598
Digital	**717**	908	1,864
Publishing	**987**	1,024	2,132
Central and plc	**58**	48	89
Total	**9,864**	9,763	21,683

5) EXCEPTIONAL ITEMS

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

	Unaudited 6 months to 31 Dec 2018 £'000	Unaudited 6 months to 31 Dec 2017 £'000	Audited 12 months to 30 Jun 2018 £'000
Impairment of carrying value of goodwill in respect of Reef TV	-	(500)	(1,190)
Change in fair value of contingent consideration in respect of Reef TV	-	700	700
Reorganisation and restructuring costs	-	(18)	(190)
Contingent consideration treated as remuneration	(104)	-	(487)
Other exceptional items	(68)	-	(97)
Total	**(172)**	182	(1,264)

6) EARNINGS PER SHARE

	Unaudited 6 months to Dec 2018 Number of Shares	Unaudited 6 months to Dec 2017 Number of Shares	Audited 12 months to Jun 2018 Number of Shares
Weighted average number of shares used in basic earnings per share calculation	**1,380,068,743**	812,948,299	1,086,267,290
Potentially dilutive effect of share options	2,973,799	6,732,104	1,999,431
Weighted average number of shares used in diluted earnings per share calculation	**1,380,068,743**	819,680,403	1,086,267,290
	£'000	£'000	£'000
(Loss) / profit for the period from continuing operations attributable to shareholders	**(700)**	96	(1,855)
Amortisation of intangible assets post deferred tax impact	**325**	226	573
Restructuring costs	**-**	18	190
Other exceptional items	**68**	-	98
Change in fair value of contingent consideration	**-**	(700)	(700)
Impairment of carrying value of goodwill in respect of Reef TV	**-**	500	1,190
Share-based payment charge	**23**	-	74
Contingent earnout consideration deemed remuneration	**104**	-	487
Adjusted (loss) / profit for the period from continuing operations attributable to shareholders	**(180)**	140	57
Continuing operations			
Basic (loss) / earnings per share	**(0.05)p**	0.01p	(0.17)p
Diluted (loss) / earnings per share	**(0.05)p**	0.01p	(0.17)p
Adjusted basic (loss) / earnings per share	**(0.01)p**	0.02p	0.01 p
Adjusted diluted (loss) / earnings per share	**(0.01)p**	0.02p	0.01 p

7) GOODWILL AND INTANGIBLES

	£'000
Balance as at 1 July 2018	**7,132**
Amortisation of intangible assets	(325)
Balance as at 31 Dec 2018	**6,807**

8) SHARE CAPITAL

	Unaudited 31 Dec 2018	Unaudited 31 Dec 2017	Audited 30 Jun 2018
Ordinary shares with a nominal value of:	**0.00025p**	0.00025p	0.00025p
Authorised:			
Number	**Unlimited**	Unlimited	Unlimited
Issued and fully paid:			
Number	**1,419,113,435**	1,359,586,281	1,359,586,281
Nominal value (£'000)	**3.5**	3.4	3.4

Preference shares with a nominal value of 0.01p			
Authorised, issued and fully paid:			
Number	**838,633**	933,887	933,887
Paid up value (£'000)	**839**	934	934

Ordinary shares	**Number of shares**	**Share Capital £'000**	**Share Premium £'000**	**Merger Reserve £'000**
Details of share issues				
Balance as at 1 July 2018	**1,359,586,281**	**3.4**	**30,414**	**777**
Contingent consideration paid in shares	**39,473,685**	**0.09**	**187**	**-**
Shares issued in preference share conversion	**20,053,469**	**0.05**	**95**	**-**
Balance as at 31 December 2018	1,419,113,435	3.5	30,696	777

Preference shares	**Number**	**Preference Share Capital**
Details of share issues	**of shares**	**£'000**
Balance as at 1 July 2018	**933,887**	**934**
Conversion of preference shares to ordinary shares	**(95,254)**	**(95)**
Balance as at 31 December 2018	**838,633**	**839**

9) NOVEMBER 2018 ISSUE OF CONSIDERATION AND PREFERENCE SHARE CONVERSION

Issue of Consideration Shares

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

Preference share conversion

In November 2018 the Company converted £0.1m of preference shares into 20,053,469 new ordinary shares at 0.475p.

ENDS