

**Zinc Media Group plc (“Zinc Media” or the “Company”)  
Unaudited Interim Results for the six months ended 31 December 2017**

Zinc Media Group plc, the TV and multimedia content producer, today announces its unaudited interim results for the six months to 31 December 2017.

**Highlights**

- **Profitability increased at the half year**
- **Continued improvement in gross margin**
- **Key acquisition of Tern Television completed**
- **Enhanced balance sheet as a result of completed fundraising and preference share conversion**
- **David Galan appointment as CEO**
- **Zinc Media consolidating its position as a ‘super indie’ in the television industry**

**Financial Performance**

- Group revenues of £9.76m (H1 17: £9.19m)
- Gross margin increased to 33.0 per cent. (H1 17: 30.8 per cent.)
- Adjusted EBITDA increased by over 300 per cent. to £0.24m (H1 17: EBITDA of £0.08m) \*
- Profit after tax from continuing operations of £0.10m (H1 17: loss £0.43m)
- Diluted earnings per share from continuing activities 0.01p (H1 17: diluted loss per share of 0.09p)
- Total assets £18.42m (H1 17: £12.99m)
- Cash at £3.69m (H1 17: £1.63m) and net cash of £0.23m (H1 17: net debt of £1.67m)
- £3.5m fundraising and £2m conversion of preference shares completed during the period to fund acquisition and strengthen cash position and balance sheet

**Operational Performance**

- Key acquisition of Tern Television completed, representing an acceleration of the Group’s M&A strategy, a major foothold in the nations and providing a significant driver of future growth and profitability
- Current TV commissioned order book at £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 second half of the year
- As a consolidator in the independent TV sector we pitch and produce content across many different factual non-scripted TV genres, to a plethora of different broadcasters and from bases in London and nationwide (an important driver in the current UK TV industry); all helping to diversify risk profile
- 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
- Digital division continues to win new blue-chip clients, despite challenging markets
- Publishing division continues to trade profitably and has won new client contracts
- Senior management structural changes, with David Galan promoted to CEO and Katie O’Reilly appointed as Interim Director of Finance

\* Adjusted EBITDA defined as EBITDA before exceptional impairment charges in respect of the carrying value of goodwill in relation to Reef Television, exceptional change in the fair value of contingent consideration in respect of Reef Television and restructuring costs in the publishing and digital businesses.

## Outlook

The current year TV order book stands at £14.4m, defined as commissioned and either already invoiced or planned to be recognised within the current financial year. Whilst there are still programme commissions to be won over the next few months, the size and depth of the TV pipeline gives confidence in our year end outlook.

The UK TV market is challenging, due to budget constraints from the UK public service broadcasters, a tough domestic TV advertising market, pressure to move TV production from London to the regions and nations and stiff competition for viewers from the international broadcasters and new streaming platforms such as Netflix and Amazon. However, we recognise these challenges and see the opportunities within them. Our strategy is designed to take advantage of these opportunities and reduce our business risks into the future. We are now a larger and more diversified TV business, have a strong presence in the regions and nations and produce TV content for an increased number of broadcasters both domestically and abroad.

The Group's focus over the coming months, as ever, will be to convert its pipeline into commissions and 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. The current pipeline has a strong mix and volume of programme proposals across the different factual genres and across multiple broadcasters, both domestic and international.

### David Galan, CEO, commented:

*"We are pleased with the overall results achieved in the first half of the year and we remain committed to delivering on our strategy of building a strong, diversified business, with a broad reach, both domestically and internationally. As a result of the acquisition of Tern Television and the ongoing implementation of structural changes to the television business, the Group is now well placed to meet demand and address the evolving UK and international TV markets.*

*"We have clear growth ambitions and see opportunities to further enhance the potential of the business."*

For further information, please contact:

#### **Zinc Media Group plc**

Peter Bertram, Chairman  
David Galan, Chief Executive Officer  
[www.zincmedia.com](http://www.zincmedia.com)

**+44 (0) 20 7878 2311**

[www.zincmedia.com](http://www.zincmedia.com)

#### **N+1 Singer (NOMAD and Broker to Zinc Media Group plc)**

Shaun Dobson / Lauren Kettle

**+44 (0) 20 7496 3000**

#### **Peterhouse Corporate Finance Limited (Joint Broker)**

Martin Lampshire / Duncan Vasey / Eran Zucker

**+44 (0) 20 7469 0932**

#### **Yellow Jersey PR**

Georgia Colkin / Katie Bairsto

**+44 (0) 7825 916715**

## **Chairman's Statement**

The business is in radically different shape to two years ago. TV production, which is now the clear focus of the Group, has been expanded and significantly enhanced through the acquisition of Tern Television, completed in the period. We are now positioned as one of the largest independent TV production companies in the UK, and a leader in the production of non-scripted factual programming. TV production is expected to represent approximately 84 per cent. of Group revenues in the current year.

We are focussed on continuing to increase profitability with a clear strategy of growing our TV business, both organically through hiring new talent and through the acquisition of carefully selected complementary TV businesses.

The Board is pleased to report the successful equity fundraising of £3.5 million, which completed in November 2017. The proceeds were used primarily to fund the Tern Television acquisition and to provide additional working capital to the Group. We also converted approximately £2m of preference shares into ordinary shares. Both the fundraising and the preference share conversion have significantly strengthened the financial position of the Group and provided a very firm footing for the management team to execute the growth strategy. At the half year end, the Company has a net cash position compared to a net debt position at the end of the prior comparative period. The Board is appreciative of our existing shareholders and new investors for facilitating the fundraising and preference share conversion and for showing confidence in the planned trajectory of the business.

Significant changes have also been made to the senior management structure of the Group. I am pleased to report that David Galan was appointed as CEO in February 2018 and Katie O'Reilly as interim Director of Finance. The Group has been without a CEO since July 2016 and in that time David has been the driving force for much of the structural change to the business, including the exit from the majority of the publishing businesses, the acquisition of Tern Television and the recent fundraising and balance sheet restructuring. As CEO David has a direct mandate to continue the pace of the Group's transformation and return to profitability and we wish him continued success in the role.

The Group welcomes the addition of the Tern Television senior team, including well respected and award-winning programme makers Harry Bell, David Strachan, Andrew Snowball and Gwyneth Hardy, strengthening the Group's TV management.

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

## **CEO's Statement**

The highlight of the first half has been the acquisition of Tern Television and we are delighted to welcome the Tern team into the Group. The acquisition is fundamental to the Group's strategy of acting as a consolidator in the independent TV sector and will broaden and enhance the Group's creative capabilities.

I am pleased to report that adjusted EBITDA for the first half is significantly higher than that reported in the comparative prior year period. There is still a long way to go to fulfil the potential of the business and our ambitions are to substantially grow profitability in the future. I was delighted to be appointed as CEO of the Group last month and I intend to continue to drive changes to enhance the operational performance and efficiency of the Group. With a period of significant restructuring behind us, the short-term objectives are to make the TV business more efficient, through improving our TV organisational structure and to ensure that we achieve higher net margins from our position as one of the leaders in the independent TV sector. The TV business has grown through multiple acquisitions over the years and there is the scope to achieve a far greater level of integration between the different units and realise greater synergies and efficiencies, without diluting the creative legacy or energy of the individual units and brands.

The first half of the year has had its challenges and trading was mixed across the different TV units. Whilst there were areas of strong outperformance, performance in certain units was disappointing, in particular in Reef Television. However, despite this backdrop we still delivered an adjusted EBITDA increase. We remain confident however that we understand the reasons for the areas of underperformance and have reacted or are

reacting with appropriate strategies to rectify this. Therefore, we are confident that we can deliver higher profits for the full year.

We believe strongly in our strategy to move the business towards longer running repeatable series and to focus on securing relationships and commissions from a broader spread of UK broadcasters and increasingly with the international market. We have many examples of recent programme commissions that demonstrate the success of this strategy such as the recent commission of a twelve-part prime-time series by Channel 5 as a follow up to *'The Wonderful World of Puppies'*, the commission by ITV of a three-part prime-time series about the RAF and the recently aired 24-episode series *'Village of the Year'* for Channel 4. Our international strategy is key to the future and the rewards will be far higher production budgets and longer running series. While this strategy will take time to develop and we are in the relatively early stages of its implementation, examples of the early stages of this bearing fruit are development commissions from A+E Networks and co-productions with Smithsonian, Arte, National Geographic and PBS.

The remedial action required to reshape the business and withdraw from the old loss making Ten Alps print publishing businesses is now complete. The remaining Macclesfield based publishing division continues to trade profitably and as a standalone non-core unit. It still concentrates primarily on one contract in the home and build sector for LABC.

The Digital division had a relatively tough first half against a backdrop of shrinking budgets in the CSR (corporate social responsibility) marketplace. However, despite these challenges the business continues to win new blue-chip clients such as Body Shop, BBC and Freemantle Media and is reacting to a tougher market environment by seeking out new client opportunities and by broadening its product offering and skillset. A one-year extension to the TFL contract was announced in October 2017.

## **BUSINESS OVERVIEW**

### **Television Division**

The strategy in our TV division is 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 aiming to expand through a mixture of acquisitions, such as Tern Television, and through an organic strategy of producing fewer lower value 'singles' and more higher value long running series and repeatable formats. Organic growth requires additional executive talent to push new ideas and expand our traditional content boundaries into new factual genres and formats. We have already made significant senior hires in the TV business and continue to look at 'talent' opportunities regularly as they arise. We have recently hired an executive producer on a part time basis who has an excellent record in formats to bolster development in that area and we are re-examining our strategy for the US market to see if we can move beyond co-production to bespoke commissioning from the US.

The UK TV market is challenging, due to budget constraints from the UK public service broadcasters, a tough domestic TV advertising market, political pressure to move increasing amounts of TV production from London to the regions and nations and stiff competition for viewers from the international broadcasters and new streaming platforms such as Netflix and Amazon. However, we recognise these challenges and see opportunities within them. We are now a larger and more diversified TV business, have a strong presence in the regions and nations and produce TV content for more broadcasters both domestically and abroad.

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. Whilst BBC and Channel 4 are extremely valued and significant customers of the Group, we have also produced many hours of programming during the period for ITV, Channel 5, Sky and others. There are also continued shifts in consumer viewing habits and the growth of major new streaming platforms such as Netflix, Amazon and Apple means that there are new buyers in the marketplace with the ability to commission very high value productions. The appointment last year of a Director of International signalled our commitment to exploiting the potential in this global marketplace. There is also a growing trend by the major UK broadcasters to require production to be based outside of London, having the effect of reducing available budgets for London based production companies. We have acquired Tern

Television based in Scotland and Northern Ireland, and already had a production unit in Manchester, Blakeway North. We are now able to produce large scale programmes in Manchester, Glasgow, Aberdeen and Belfast.

Overall, the TV division is in healthy shape for continuing 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.

#### *Blakeway North*

Blakeway North, based in Manchester, is performing well. This is thanks to a successful strategy of developing long running series such as *'Bargain Brits'* for Channel 5, and a new 20-part series *'The Peoples' Vet'* for Channel 4, alongside bespoke singles for a full range of broadcasters. The addition of a second executive producer has extended the range and versatility of the company so they are able to take advantage of the increasing regional quotas needed by the different broadcasters. They have also explored new digital markets, achieving success with *'Born to Vlog'* for CBBC – a series of online shorts with 13-year-old Nikki Lilly interviewing high profile figures including Theresa May and Jeremy Corbyn – a spin off from the *'My Life'* programme which won a Children's BAFTA nomination.

#### *Blakeway London*

In Blakeway London, the strategy of moving away from low budget current affairs has paid off. We have developed and won a high profile 3 part series for ITV (*'Dambusters'*) with significant US co-production interest. As recently announced we have also won a 12-part prime-time commission for Channel 5, a follow up to the successful *'Wonderful World of Puppies'* series which has just aired to high audience ratings. Blakeway's international reputation for quality programme making and genres of expertise (Natural History and History) have meant that its productions can attract co-production investment. This means the end product has higher production budgets and can be more easily sold, enhancing the back end.

#### *Brook Lapping*

Brook Lapping has experienced a slow start to the year because of the severely delayed start of the Norma Percy Europe series. This was largely due to the extended period of time required to secure the necessary co-production partners. However, it appears likely that, for the first time in many years, Norma will have two series in production at once – including a series on Cuba looking likely as a 2 part-series for ARTE and the BBC. There was also a 3-month delay in the start of *'Suffragettes'* – a high budget 90-minute drama documentary special for BBC, for the new Creative Director of Brook Lapping, Emma Hindley.

#### *Films of Record*

Films of Record has had an injection of energy with the hiring last year of Roy Ackerman as MD of the division. They have stretched out of pure observational documentaries to include new genres of music and formats. There will be a time lag on delivery of business because they are changing direction again away from singles and into series and returnable series. They have had success in winning a series commission, *'Love and Drugs on the Streets'* for BBC3 which rated number 1 on iPlayer. Roy has quickly won some commissions in the Arts field and is trying to win business in the returning format territory and from the US.

#### *Reef Television*

Reef Television had a disappointing first half and is expected to fall significantly below internal budgets for the full year. The founder and CEO of Reef Television, Richard Farmbrough recently announced his resignation and will leave in the summer, following an orderly transition.

Reef Television management had expected the recommissioning of several of their long running daytime series. Disappointingly three of these series were not recommissioned for the current year, although two may still be recommissioned in future years. Additionally, despite several new series having been developed and commissioned in the last twelve months, these new series have not been recommissioned.

There is a strong management team in place which has operated alongside Richard, consisting of a managing director, two creative heads and a head of development. Management are considering options to improve performance and the newly empowered Reef senior management team is working closely with the wider Zinc TV team to reinvigorate the Reef business. We believe that both the reputation of the Reef brand and its position as a leader in its marketplace will allow the Reef senior management team to grow the business into the future, despite the current disappointing trading.

### *Tern Television*

We are delighted to welcome Tern Television into the Group and their senior management team, all long established senior executives in the TV industry. Tern, established in 1988, is a successful independent TV production company, specialising in factual production and currently employing 20 staff, based in Scotland and Northern Ireland. Televisual Media's 2017 annual TV industry survey showed Tern at No 29 in the Top True Independents league table and at No 7 in the Genre Ratings: Specialist Factual list, whilst Broadcast's 2017 survey showed Tern at No 14 in the Regional Indies. The company is building a strong reputation for programming in two distinct genres: Documentary & Specialist Factual and Popular Factual & Formats. Typically, Tern will produce over 60 hours of TV annually for broadcasters including BBC One, BBC Two, BBC Four, BBC Scotland, BBC Northern Ireland, Channel 4, Sky 1, Discovery, and National Geographic Channels. Awards include BAFTAs, Prix Italia, Royal Television Society awards and a Cine Golden Eagle.

The Board believes that the acquisition has broadened and enhanced the Group's creative capabilities. Tern has experience and produces content in factual niches that the Group is not currently active in. The Board has noted the growing trend by the major UK broadcasters to require production to be based outside London. By having a leading nations TV producer such as Tern within the Group, Zinc will benefit by being able to produce major productions specifically in the nations and regions, where there are strong indications of future growth. In February 2017, the BBC announced that it had reviewed its programming and services in the nations and, as a result of this, it will be making significant changes and major investments there including the biggest single investment in broadcast content in Scotland in over twenty years. The BBC is investing £20 million in a new TV channel to be broadcast from Autumn 2018 – BBC Scotland – and intends to invest a further £20 million in increased network production from Scotland. Tern is in active dialogue with BBC Scotland about a significant number of projects for the new channel which would consolidate the company's position as a core supplier of returning business.

In terms of current trading and the outlook for the full year Tern is in a very strong position, with a high degree of visibility over revenues. Over 77 per cent. of Tern's internal full year revenue projections are either already delivered, contracted or already in production. Tern's strategy includes expanding the number of broadcasters it supplies in order to broaden its client base and reduce reliance on any one broadcaster. This strategy is working, with its first commissions won with Channel 5 over the last few months and advanced stage sales discussions ongoing with a whole host of other UK broadcasters. We believe that the acquisition by Zinc Media will help to accelerate this process.

### **Digital Division**

The Digital division continues to develop its product offering and this will be key to its future growth. Its historical heartland is CSR (corporate social responsibility) campaigns for blue chip corporates and public bodies. Its largest contract with TfL is the largest example of this and reflects this core competency and market expertise. However, to drive growth the division is developing new skills and expertise such as short-form film production which will take it into new client relationships and product offerings. Recent wins such as Body Shop, BBC and Freemantle Media are examples of the success of the push into new areas. They continue to see opportunities for short-form film production to complement the TV production business, particularly as the boundaries change between the traditional platforms for consuming TV content and the new platforms and devices that make video content ever more prevalent.

Highlights during the period include a 12-month contract extension for the Children's Traffic Club, which continues their fifteen-year relationship with TfL. New client wins include BBC, as a short form film client, where they won a commission to deliver a six-part series on 'being British' which will feature on BBC's online learning platform. The Body Shop International is another significant new client win; they are delighted to have won a contract to develop Body Shop's education portfolio to engage with their new generation of consumers. They

also secured a 12-month contract extension with Siemens to manage its STEM (science, technology, engineering and mathematics) education programme. This marks the 6<sup>th</sup> consecutive year of contract renewal.

## Highlights

### TV

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

#### *Blakeway*

- *'Diana: 7 days that Shook the Windsors'* for Channel 5 was such a critical success at the end of June that it was repeated in August around the anniversary of the Princess of Wales' death and generated a significant level of international sales;
- *'Shakespeare Uncovered'* – series three, consisting of six one-hour episodes, went into production for PBS;
- *'Dambusters'* – ITV commissioned a three-part series with exclusive access to the RAF as they reform the famous squadron to fly the new F35 fighter jet;
- Post period end a new twelve-part series on puppies commissioned by Channel 5 following the highly rated *'Wonderful World of Puppies'*;

#### *Blakeway North*

- *'Bargain loving Brits in Blackpool'* – a six-part series spin-off from the Benidorm series broadcast on Channel 5 with above average audiences for the slot;
- *'My Life: Born to Vlog'* for CBBC – nominated for a Children's BAFTA and spawned a spin off online series *'Nikki Lilly Meets...'*;
- Production began on a ten-part daytime feature series on an animal hospital for Channel 4, a new market for Blakeway North;

#### *Brook Lapping*

- *'Wasting Away: The Truth about Anorexia'* – a single for Channel 4. ITN correspondent, Mark Austin and his daughter Maddy explore the issue of anorexia. Shortlisted for Best Current Affairs in the Broadcast Awards;
- *'The Search for a New Earth'* – a 90-minute high profile special for BBC, France 5 and Smithsonian – hosted by Stephen Hawking the programme examined the science behind the race to find a new planet for mankind;
- Norma Percy's Europe series started production – a three-part series for the BBC, France3, Smithsonian and other international co-production partners;
- *'Suffragettes'* – a 90-minute high profile drama documentary for BBC Two started production, a new departure for Brook Lapping in the hybrid drama genre;

#### *Films of Record*

- *'Love and Drugs on the Streets'* – a three-part series for BBC 3 about homeless women was recommissioned for a second series and was No 1 on the BBC i-Player straight after broadcast;
- *'Stage Fight'* – a paid development for a format series from Motion Group takes Films of Record into the new genre of formats;
- *'Lennon Lacy'* – the investigation of the violent death of a black teenager in the US attracted a \$200k development budget from a major US network, the first time Films of Record has worked bespoke for a US network;

#### *Reef Television*

- *'Village of the Year'* – a 24-part daytime and peak series, presented by Dame Penelope Keith, for Channel 4, Reef's largest ever commission;

- *'Flying across Britain with Arthur Williams'* – a four-part series for Channel 4 which is expected to transmit in the Spring;
- *'Lucy Worsley's Nights at the Opera'* – a two-part series for BBC2;
- *'Getting the Builders In'* – a 15-part daytime series for BBC; the format has been sold in the international market;
- Strong distribution revenues achieved during the period, reflecting the international appeal of Reef content;

#### *Tern Television*

- *'Helimedics'* – a ten-hour Channel 4 series following air ambulance helicopters carrying doctors who carry out life-saving surgery on location;
- *'Best Laid Plans'* – another ten-hour series screened on Channel 4, is Tern's first venture into programmes which had commercial sponsorship, in this case by Hiscox Insurance;
- *'Britain's Wildest Weather'* – a returning series, and *'World's Wildest Weather'* for Channel 4 and currently being re-edited for international exploitation;
- *'Britain's Lost Masterpieces'* – a BBC Four series which found an undiscovered Rubens in Series One and a Raphael in Series Two, and has been commissioned for a third series to be made in Belfast.

**David Galan**  
**Chief Executive Officer**

## **FINANCIAL REVIEW**

Revenue was £9.76m (H1 17: £9.19m), the increase being due to the benefit of the recent acquisition of Tern Television, partially offset by lower revenues in the Digital and Reef TV businesses. TV divisional revenues were £7.78m in the first half, an increase of £1.08m on the prior period. The Digital division saw revenues of £0.91m, a decrease of £0.66m on the prior period. The Publishing division delivered revenues of £1.02m, an increase of £0.12m on the prior period.

Gross margin increased from 30.8 per cent. to 33.0 per cent. in the period, with operating expenses increasing slightly to 30.6 per cent. of revenues (H1 17: 29.9 per cent.). The increase in gross margin is due to a focus on higher value productions and distribution revenues.

The Company reported a profit at the adjusted EBITDA level of £0.24m (H1 17: £0.08m). Adjusted EBITDA is reported before a net exceptional credit of £0.18m, which is analysed in further detail in note 4. Included in exceptional items is a £0.7m credit due to a change in the fair value of contingent consideration in respect of Reef Television; a goodwill impairment charge of £0.5m in respect of Reef Television and restructuring costs in relation to staff exit costs in the Digital division of £0.02m. Operating profit increased to £0.14m (H1 17: loss of £0.38m).

The finance charges for the period were static at £0.14m (H1 17: £0.15m) and reflect the accrued costs on the Company's outstanding long-term debt obligations. No corporation tax charge was incurred, as carried forward losses continue to be utilised and there was a credit in respect of the movement in deferred taxation in the period. The profit for the period was £0.1m (H1 17: loss £0.49m).

#### *Earnings per share*

Basic and diluted earnings per share from continuing operations in the period was 0.01p (H1 17: loss 0.09p) and was based on the profit for the period of £0.1m (H1 17: loss of £0.43m) with a weighted average number of shares in issue during the year of 812,948,299 basic and 819,680,403 diluted (H1 17: 468,567,143 basic and diluted). Adjusted basic and diluted profit per share (adjusting for amortisation, restructuring and exceptional costs) from continuing operations in the period was 0.017p (H1 17: loss 0.002p) and was based on the adjusted profit for the period of £0.14m (H1 17: loss of £0.01m).



## *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*

Non-current assets consisted of goodwill and intangibles of £8.84m (H1 17: £7.12m), property, plant and equipment of £0.39m (H1 17: £0.28m). The increase in goodwill and intangibles is a result of the addition of the goodwill and intangibles arising out of the Tern Television acquisition and the impairment of the carrying value of goodwill in respect of Reef Television. Reflecting the poor trading performance of Reef Television, at the period end a £0.5m impairment charge was taken against the carrying value of the Reef Television goodwill. A further impairment review of the remaining goodwill will be carried out at the year-end.

Inventories and trade receivables have increased by £1.10m to £3.10 m (H1 17: £2.00m), largely as a result of the Tern acquisition.

The Group had a cash balance of £3.69m as at 31 December (H1 17: £1.63m), the increase mainly as a result of the significant equity fundraising carried out during the period. The Group was in a net cash position at period end of £0.23m, compared to a net debt position of £1.67m at the prior year comparative, after taking into account the long-term debt facility of £3.46m, maturing in December 2020 but not including a total of £1.64m contingent deferred consideration (payable as a mix of cash and shares) in respect of the Tern Television acquisition.

Total assets of the Group were £18.42m (H1 17: £12.99m) with the main movements being an increase in goodwill and intangibles as a result of the Tern Television acquisition and increased cash balances as a result of the fundraising activities.

### *Equity and Liabilities*

Total shareholders' equity at the period end was £7.27m (H1 17: £2.57m), the increase reflecting the impact of the conversion of the preference shares and the recent fundraising activities, which have significantly strengthened the balance sheet.

In November 2017, the Company carried out an equity placing to new and existing shareholders, raising £3.5m gross, and a preference share conversion, converting approximately £2m of preference shares into ordinary shares. Following a debt variation in the prior year, the repayment date on all the Company's long-term debt obligations is a bullet repayment on 31 December 2020. The Group had an outstanding balance on long term debt of £3.46m at the period end (H1 17: £3.30m), held by two of the Company's shareholders and with no financial covenants relating to the debt. Total non-current liabilities total £4.35m, including £0.89m deferred contingent consideration (payable as a mix of cash and shares) in respect of the acquisition of Tern Television. The other £0.75m of deferred consideration in respect of the acquisition of Tern Television is treated as a current liability.

Current liabilities consisting of trade, other creditors, deferred consideration payable and deferred income is broadly unchanged at £6.8m (H1 17: £6.1m).

**Zinc Media Group plc consolidated income statement**  
**For the six months ended 31 December 2017**

		Unaudited	Unaudited	Audited
		Half year to	Half year to	12 months to
		31 Dec	31 Dec	30 June
		2017	2016	2017
	Notes	£'000's	£'000's	£'000's
<b>Continuing operations</b>				
<b>Revenue</b>	<b>3</b>	<b>9,763</b>	9,190	19,756
Cost of sales		<b>(6,542)</b>	(6,364)	(13,447)
<b>Gross Profit</b>		<b>3,221</b>	2,826	6,309
Operating expenses		<b>(2,985)</b>	(2,751)	(5,865)
<b>Adjusted EBITDA</b>		<b>236</b>	75	444
Depreciation & amortisation		<b>(275)</b>	(248)	(517)
Exceptional items	<b>4</b>	<b>182</b>	(210)	41
<b>Operating profit / (loss)</b>		<b>143</b>	(383)	(32)
Finance costs		<b>(141)</b>	(146)	(293)
Finance income		-	-	-
<b>Profit / (loss) before tax</b>		<b>2</b>	(529)	(325)
Taxation		<b>94</b>	98	253
<b>Profit / (loss) for the period</b>		<b>96</b>	(431)	(72)
<b>Discontinued operations</b>				
Loss for the period from discontinued operations		-	(59)	(37)
<b>Profit / (loss) for the period</b>		<b>96</b>	(490)	(109)
Continuing operations attributable to:				
Equity holders		<b>96</b>	(431)	(72)
Discontinued operations attributable to:				
Equity holders		-	(59)	(37)
<b>Retained profit / (loss) for the period</b>		<b>96</b>	(490)	(109)
<b>Basic earnings per share</b>				
	<b>5</b>			
From continuing operations		<b>0.01p</b>	(0.09)p	(0.01)p
From discontinued operations		<b>-p</b>	(0.01)p	(0.01)p
<b>Total</b>		<b>0.01p</b>	(0.10)p	(0.02)p
<b>Diluted earnings per share</b>				
	<b>5</b>			
From continuing operations		<b>0.01p</b>	(0.09)p	(0.01)p
From discontinued operations		<b>-p</b>	(0.01)p	(0.01)p
<b>Total</b>		<b>0.01p</b>	(0.10)p	(0.02)p

**Zinc Media Group plc consolidated statement of comprehensive income**  
**For the six months ended 31 December 2017**

	<b>Half year to 31 Dec 2017 £'000's</b>	Half year to 31 Dec 2016 £'000's	12 months to 30 June 2017 £'000's
<b>Profit / (loss) for the period</b>	<b>96</b>	(490)	(109)
<b>Total comprehensive income for the period</b>	<b>96</b>	(490)	(109)
Attributable to:			
Equity holders	<b>96</b>	(490)	(109)
	<b>96</b>	(490)	(109)

**Zinc Media Group plc consolidated statement of financial position**  
**As at 31 December 2017**

		<b>Unaudited</b>	Unaudited	Audited
		<b>31 Dec</b>	31 Dec	30 June
		<b>2017</b>	2016	2017
	<b>Notes</b>	<b>£ '000</b>	£ '000	£ '000
<b>Assets</b>				
<b>Non-current</b>				
Goodwill and intangibles	6	8,837	7,120	5,909
Property, plant and equipment		394	277	231
		<b>9,231</b>	7,397	6,140
<b>Current assets</b>				
Inventories		596	494	208
Trade receivables		2,504	1,508	1,326
Other receivables		2,398	1,960	1,904
Cash and cash equivalents		3,692	1,626	2,973
		<b>9,190</b>	5,588	6,411
<b>Total assets</b>		<b>18,421</b>	12,985	12,551
<b>Equity and liabilities</b>				
<b>Shareholders' equity</b>				
Called up share capital	7	5,928	5,926	5,926
Share premium account	7	31,162	24,076	25,013
Merger reserve		27	696	27
Share based payment reserve		47	-	47
Preference shares		934	2,909	2,909
Retained earnings		(30,830)	(31,039)	(30,926)
<b>Total shareholders' equity</b>		<b>7,268</b>	2,568	2,996
<b>Liabilities</b>				
<b>Non-current</b>				
Borrowings		3,462	3,295	3,375
Other non-current liabilities		887	1,000	700
		<b>4,349</b>	4,295	4,075
<b>Current liabilities</b>				
Trade payables		1,599	1,450	1,205
Other payables		5,041	4,485	4,275
Current tax liabilities		120	34	-
Deferred tax		44	153	-
		<b>6,804</b>	6,122	5,480
<b>Total equity and liabilities</b>		<b>18,421</b>	12,985	12,551

**Zinc Media Group plc consolidated statement of cash flows**  
**For the six months ended 31 December 2017**

	<b>Unaudited Half year to 31 Dec 2017 £ '000</b>	Unaudited Half year to 31 Dec 2016 £ '000	Audited 12 months to 30 June 2017 £ '000
<b>Operating activities</b>			
<b>Reconciliation of profit to operating cash flows</b>			
Profit / (loss) for the period	96	(490)	(109)
<b>Add back:</b>			
Taxation	(94)	(98)	(253)
Depreciation	49	37	96
Amortisation & impairment of intangibles	726	211	1,421
Finance costs	141	146	293
Share based payment charge	-	-	32
Gain on revaluation of deferred contingent consideration	(700)	-	(1,300)
Proceeds on disposal of assets	-	-	(43)
	<b>218</b>	<b>(194)</b>	<b>137</b>
Increase in work in progress	(388)	(292)	(6)
(Increase) / decrease in trade and other receivables	(786)	342	415
Decrease in trade and other creditors	(1,487)	(2,652)	(1,759)
Cash used in operations	<b>(2,443)</b>	<b>(2,796)</b>	<b>(1,213)</b>
Finance costs paid	-	-	(1)
Tax paid	(59)	(12)	(33)
<b>Net cash flows used in operating activities</b>	<b>(2,502)</b>	<b>(2,808)</b>	<b>(1,247)</b>
<b>Investing activities</b>			
Acquisition of subsidiary undertakings, net of cash and overdrafts acquired	116	-	5
Payment of deferred consideration	-	(500)	(500)
Purchase of property, plant and equipment	(22)	(38)	(69)
Investment in associate	-	100	100
<b>Net cash flows used in investing activities</b>	<b>94</b>	<b>(438)</b>	<b>(464)</b>
<b>Financing activities</b>			
Net proceeds on issue of ordinary share capital	3,122	881	740
Borrowings received	-	432	433
<b>Net cash flows from financing activities</b>	<b>3,122</b>	<b>1,313</b>	<b>1,173</b>
Net increase / (decrease) in cash and cash equivalents	714	(1,933)	(538)
Translation differences	5	(12)	(26)
Cash and cash equivalents at beginning of period	2,973	3,571	3,537
<b>Cash and cash equivalents at end of period</b>	<b>3,692</b>	<b>1,626</b>	<b>2,973</b>

Zinc Media Group plc consolidated statement of changes in equity  
For the six months ended 31 December 2017

	Share capital £000	Share premium £000	Share based payment reserve £000	Merger reserve £000	Preference shares £000	Retained earnings £000	Total equity £000
<b>Balance at 1 July 2017</b>	<b>5,926</b>	<b>25,013</b>	<b>47</b>	<b>27</b>	<b>2,909</b>	<b>(30,926)</b>	<b>2,996</b>
Profit for the period	-	-	-	-	-	96	96
<b>Total comprehensive income</b>	-	-	-	-	-	<b>96</b>	<b>96</b>
Shares issued	1	4,285	-	-	-	-	4,286
Expenses of issue of shares	-	(413)	-	-	-	-	(413)
Shares issued in preference share conversion	1	1,974	-	-	(1,975)	-	-
Accrued dividend on preference shares converted to ordinary shares	-	303	-	-	-	-	303
<b>Total transactions with owners of the Company</b>	<b>2</b>	<b>6,149</b>	-	-	<b>(1,975)</b>	<b>96</b>	<b>4,272</b>
<b>Balance at 31 December 2017</b>	<b>5,928</b>	<b>31,162</b>	<b>47</b>	<b>27</b>	<b>934</b>	<b>(30,830)</b>	<b>7,268</b>
<b>Balance at 1 July 2016</b>	<b>5,925</b>	<b>22,671</b>	-	<b>696</b>	<b>2,909</b>	<b>(30,549)</b>	<b>1,652</b>
Loss for the period	-	-	-	-	-	(490)	(490)
<b>Total comprehensive income</b>	-	-	-	-	-	<b>(490)</b>	<b>(490)</b>
Equity share-based payments	-	165	-	-	-	-	165
Shares issued	1	1,338	-	-	-	-	1,339
Expenses of issue of shares	-	(98)	-	-	-	-	(98)
<b>Total transactions with owners of the Company</b>	<b>1</b>	<b>1,405</b>	-	-	-	<b>(490)</b>	<b>916</b>
<b>Balance at 31 December 2016</b>	<b>5,926</b>	<b>24,076</b>	-	<b>696</b>	<b>2,909</b>	<b>(31,039)</b>	<b>2,568</b>
<b>Balance at 1 July 2016</b>	<b>5,925</b>	<b>22,671</b>	-	<b>696</b>	<b>2,909</b>	<b>(30,549)</b>	<b>1,652</b>
Loss for the period	-	-	-	-	-	(109)	(109)
<b>Total comprehensive income</b>	-	-	-	-	-	<b>(109)</b>	<b>(109)</b>
Equity share-based payments	-	165	32	-	-	-	197
Transfer to share premium account	-	937	-	(669)	-	(268)	-
Tax credit relating to share option scheme	-	-	15	-	-	-	15
Shares issued	1	1,338	-	-	-	-	1,339
Expenses of issue of shares	-	(98)	-	-	-	-	(98)
<b>Total transactions with owners of the Company</b>	<b>1</b>	<b>2,342</b>	<b>47</b>	<b>(669)</b>	-	<b>(377)</b>	<b>1,344</b>
<b>Balance at 30 June 2017</b>	<b>5,926</b>	<b>25,013</b>	<b>47</b>	<b>27</b>	<b>2,909</b>	<b>(30,926)</b>	<b>2,996</b>

## 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 2017 have been prepared on the basis of the accounting policies expected to be used in the 2018 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 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.

The interim results, which were approved by the Directors on 14 March 2018, 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 2017 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) 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.

	<b>Unaudited 6 months to 31 Dec 2017 £'000</b>	Unaudited 6 months to 31 Dec 2016 £'000	Audited 12 months to 30 June 2017 £'000
<b>Revenues by Business Division</b>			
TV	<b>7,783</b>	6,705	15,167
Digital	<b>908</b>	1,567	2,566
Publishing	<b>1,024</b>	904	1,961
Central and plc	<b>48</b>	14	62
<b>Total</b>	<b>9,763</b>	9,190	19,756

### 4) 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.

	<b>6 months to 31 Dec 2017 £'000's</b>	6 months to 31 Dec 2016 £'000's	12 months to 30 June 2017 £'000's
Impairment of carrying value of goodwill in respect of Reef TV	(500)	-	(1,000)
Change in fair value of contingent consideration in respect of Reef TV	700	-	1,300
Reorganisation and restructuring costs	(18)	(64)	(75)
Other exceptional items	-	(146)	(184)
<b>Total</b>	<b>182</b>	(210)	41

## 5) EARNINGS PER SHARE

	6 months to Dec 2017 Number of Shares	6 months to Dec 2016 Number of Shares	12 months to June 2017 Number of Shares
<b>Weighted average number of shares used in basic earnings per share calculation</b>	<b>812,948,299</b>	468,567,143	544,171,445
Potentially dilutive effect of share options	6,732,104	-	11,330,279
<b>Weighted average number of shares used in diluted earnings per share calculation</b>	<b>819,680,403</b>	468,567,143	544,171,445
	<b>£'000</b>	£'000	£'000
<b>Profit / (loss) for the period from continuing operations attributable to shareholders</b>	<b>96</b>	(431)	(72)
Amortisation of intangible assets post deferred tax impact	<b>226</b>	211	421
Restructuring costs	<b>18</b>	64	75
Exceptional transactions	-	146	184
Change in fair value of contingent consideration	<b>(700)</b>	-	(1,300)
Impairment of carrying value of goodwill in respect of Reef TV	<b>500</b>	-	1,000
<b>Adjusted profit / (loss) for the period from continuing operations attributable to shareholders</b>	<b>140</b>	(10)	308
<b>Loss for the period from discontinued operations attributable to shareholders</b>	-	(59)	(37)
<b>Continuing operations</b>			
Basic earnings / (loss) per share	<b>0.01p</b>	(0.09)p	(0.01)p
Diluted earnings / (loss) per share	<b>0.01p</b>	(0.09)p	(0.01)p
Adjusted basic earnings / (loss) per share	<b>0.017p</b>	(0.002)p	0.06p
Adjusted diluted earnings / (loss) per share	<b>0.017p</b>	(0.002)p	0.06p
<b>Discontinued operations</b>			
Basic loss per share	-	(0.013)p	(0.01)p
Diluted loss per share	-	(0.013)p	(0.01)p

## 6) GOODWILL AND INTANGIBLES

	<b>£'000's</b>
<b>Balance as at 1 July 2017</b>	<b>5,909</b>
Impairment of carrying value of goodwill (note 4)	(500)
Provisional goodwill arising on acquisition of Tern Television (note 9)	2,995
Provisional intangible assets recognised on acquisition of Tern Television (note 9)	659
Amortisation of intangible assets	(226)
<b>Balance as at 31 Dec 2017</b>	<b>8,837</b>

## 7) SHARE CAPITAL

	31 Dec 2017	31 Dec 2016	30 June 2017
<b>Ordinary shares with a nominal value of:</b>	<b>0.00025p</b>	0.00025p	0.00025p
<b>Authorised:</b>			
Number	<b>Unlimited</b>	Unlimited	Unlimited
<b>Issued and fully paid:</b>			
Number	<b>1,359,586,281</b>	619,775,478	619,775,478
Nominal value (£'000)	<b>3.4</b>	1.5	1.5



**Preference shares with a nominal value of 0.01p****Authorised, issued and fully paid:**

Number	<b>933,887</b>	2,908,631	2,908,631
Paid up value (£'000)	<b>934</b>	2,909	2,909

<b>Ordinary shares</b>	<b>Number of shares</b>	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>
Details of share issues			
Balance as at 1 July 2017	<b>619,775,478</b>	<b>1.5</b>	<b>25,013</b>
Share placing and subscription for cash	<b>389,603,280</b>	<b>0.97</b>	<b>3,506</b>
Shares issued in lieu of fees	<b>3,333,333</b>	<b>0.01</b>	<b>30</b>
Consideration paid in shares	<b>93,750,000</b>	<b>0.23</b>	<b>749</b>
Expenses of issue of shares	-	-	<b>(413)</b>
Shares issued in preference share dividend conversion	<b>33,708,222</b>	<b>0.08</b>	<b>303</b>
Shares issued in preference share conversion	<b>219,415,968</b>	<b>0.55</b>	<b>1,974</b>
<b>Balance as at 31 December 2017</b>	<b>1,359,586,281</b>	<b>3.4</b>	<b>31,162</b>

<b>Preference shares</b>	<b>Number of shares</b>	<b>Preference Share Capital £'000</b>
Details of share issues		
Balance as at 1 July 2017	<b>2,908,631</b>	<b>2,909</b>
Conversion of preference shares to ordinary shares	<b>(1,974,744)</b>	<b>(1,975)</b>
<b>Balance as at 31 December 2017</b>	<b>933,887</b>	<b>934</b>

**8) NOVEMBER 2017 PLACING, ISSUE OF CONSIDERATION AND FEE SHARES AND PREFERENCE SHARE CONVERSION*****The Placing, Issue of Consideration Shares and Fee Shares***

In November 2017 the Company raised approximately £3.5m (before expenses) through a placing of 389,603,280 new ordinary shares at 0.9p per share. The Company also issued 93,750,000 new ordinary shares at 0.9p per share as part of the consideration for the acquisition of Tern Television, to the Tern Television selling shareholders. The Company also issued 3,333,333 new ordinary shares in lieu of certain adviser fees.

***Preference share conversion***

In November 2017 the Company converted £1.97m of preference shares and £0.30m of accrued dividend on the preference shares into 253,124,190 new ordinary shares at 0.9p.

## 9) BUSINESS COMBINATIONS

### Acquisition of Tern Television Productions Limited

On 14 November 2017 the Group acquired 100 per cent. of the entire issued share capital of Tern Television Productions Limited. The Group paid initial consideration of £2.35m cash and £0.75m in ordinary shares for its 100 per cent. holding, with a further £2.35m payable contingent on certain earn out targets being met between 2018 and 2020. Of the £2.35m maximum earnout consideration potentially payable, the Directors consider that £1.75m is likely, based on the weighted average probability of the possible payment and therefore the present value of this amount is recognised in the Company's balance sheet. The balance sheet acquired was £1.74m in net assets. The provisional fair value of assets and liabilities arising from the acquisition are as follows:

	<b>Provisional Fair Value £'000</b>
Intangible assets	<b>659</b>
Property, plant and equipment	<b>197</b>
Trade and other receivables	<b>894</b>
Cash and cash equivalents	<b>2,436</b>
Trade and other payables	<b>(1,756)</b>
Current tax liabilities	<b>(576)</b>
Deferred tax	<b>(112)</b>
<b>Net assets acquired</b>	<b>1,742</b>
<b>Goodwill capitalised</b>	<b>2,995</b>
<b>Consideration given</b>	<b>4,737</b>
<b>Satisfied by:</b>	
Cash	<b>2,350</b>
Issue of shares	<b>750</b>
Present value of deferred contingent consideration	<b>1,637</b>
	<b>4,737</b>

ENDS