RNS Number : 9378L
Zinc Media Group PLC
25 April 2024

25 April 2024

Zinc Media Group plc

("Zinc" or the "Group")

Results for the year ended 31 December 2023

and

Notice of Annual General Meeting

Zinc Media Group plc (AIM: ZIN), the award-winning television and content production group, is pleased to announce its audited results for the year ended 31 December 2023 ("FY23").

The Group is pleased to report a strong set of results with a record year for revenue and profit growth for FY23, including the following highlights:

Financial Highlights

- Full year revenue increased by 34% to £40.2m (FY22: £30.1m), ahead of market expectations.
    - Revenue growth was driven by 19% organic growth in television revenues of £3.9m alongside a full year contribution of The Edge which was acquired in August 2022.
    - The Group has significantly outperformed the UK television production sector with revenues growing by £23m in two years, a compound annual growth rate (CAGR) of 52%.
    - 80% of revenue was delivered from existing customers, in line with FY22.
- Gross margins have increased from 34.0% to 39.5%, driven by higher margin TV work and the full year impact of The Edge.
- Adjusted EBITDA[1] of £1.0m (FY22: £0.1m), the highest for 13 years and in line with market expectations.
    - Profitability was supressed by some of the Group's businesses still being in an investment stage, where they are delivering rapid revenue growth but are yet to reach profitability and made a combined loss of £1.2m.
- Robust balance sheet with cash of £4.9m as at 31 December 2023 (31 December 2022: £3.6m), a £1.3m increase on FY22 driven by the positive trading performance and working capital inflows. Cash as at 19 April 2023 was £5.8m.
- Loss before tax narrowed considerably to £2.0m (FY22: £3.3m). The loss is largely driven by non-cash items including amortisation related to previous acquisitions, depreciation and one-off costs related to share options.

£m	**2023**	**2022**	**Movement**
Income Statement			
Revenue	40.2	30.1	+10.1
Gross Profit	15.9	10.2	+5.7
Gross Margin	39.5%	34.0%	+5.5%
Loss before tax	(2.0)	(3.3)	+1.3
Adjusted EBITDA Profit (1)	1.0	0.1	+0.9
Statement of financial position			
Cash	4.9	3.6	+1.3
Debt	(3.5)	(3.5)	-
Net cash	1.4	0.1	+1.3

Operational Highlights

- The Group's diversification strategy continues to accelerate and the diversified production base reduces the risk associated with exposure to any one market or territory.
    - Television production now accounts for 60% of the Group's revenues (FY22: 67%), whilst production for brands and businesses accounts for 40% (FY22: 33%).
    - 23% of revenues come from outside the UK (FY22: 18%).
- The Group was crowned "Production Company of the Year" for the second year running at the prestigious New York Festival Film and Television Awards.
- The Edge Picture Company, acquired in August 2022, continues to perform ahead of acquisition expectations, generating £13m of revenue in FY23. Integration of The Edge includes cross-divisional business development opportunities and the co-location with Zinc's other London businesses is enabling cost savings and realising further synergies.
- The Edge won numerous awards for the quality of its work including Cannes Corporate Media & TV Awards, EVCOM London Film Awards and New York Festivals TV & Film Awards.

Highly Acclaimed Programmes

- A record 15 television series were recommissioned, along with 6 new series which have the potential to return in future years.
- The Group produced 250 hours of television production, up from 194 the previous year, with a number of documentaries leading the UK news agenda in FY23, including:
    - *Putin vs The West*, which made global headlines, was one of the most watched programmes on BBC iPlayer and has been nominated for a BAFTA Award.
    - *Deborah James: Bowelbabe in Her Own Words* for the BBC, which details the extraordinary last five years of cancer campaigner Dame Deborah James' life, received national press coverage, was on the front page of the Radio Times and was nominated for a Grierson award.
    - *Gender Wars* explored the issue of transgender women's rights for Channel 4 as part of its remit to make agenda setting programmes which tackle contentious issues.
- The Group was commissioned for its largest ever USA television series worth $9m called *Top Gun: The Next Generation* (working title) for National Geographic Channel and which will be available on Disney+.
- The Group won its largest ever volume television commission in a two-year deal worth over £7m from Channel 5 for 136 hours of the hit show *Bargain Loving Brits*.
- The Group produced its biggest ever digital branded content commission *Big in America with Alex Polizzi*, commissioned by the Department for Business & Trade and broadcast on LinkedIn.
- The Group partnered with Idris Elba to co-produce *Paid in Full: The Battle for Payback* (working title) for broadcasters CBC (Canadian Broadcasting Corporation) and the BBC, examining the systematic exploitation of black artists by the music industry.
- There are currently 40 television programmes produced by Zinc companies available to view in the UK, either on terrestrial channels, on-demand or via subscription TV platforms. A full list of Zinc produced programmes currently available to watch is on the Group's website: https://zincmedia.com/what-to-watch-on-tv/.

FY24 Trading and Outlook

- The Group is trading strongly with £24m of revenue already booked and expected to be recognised in FY24.
- The Group's pipeline remains strong with a further £8m of revenue at a highly advanced stage, along with significant opportunities in earlier stages of development.
- The Group is targeting £0.5m of savings p.a by the end of 2025 as part of an efficiency and synergy programme.
- The Group has good visibility to more than double EBITDA profit as current investments generate returns, modest organic growth continues and identified efficiencies are realised.
- This provides the Board with confidence in delivering FY24 market expectations.

The FY23 results are summarised in a short film on the Zinc website here: https://zincmedia.com/annual-results-2023/

Mark Browning, CEO of Zinc Media Group, commented:

Mark Browning, CEO of Zinc Media Group, commented:

"This has been a year of record achievement for the Group and comes off the back of significant investment in our people and our businesses along with our acquisition of The Edge 18 months ago. We have big ambitions to scale this Group through organic expansion and strategic acquisition".

Copies of the annual report and accounts

The annual report and accounts is available on the company's website at www.zincmedia.com and a hard copy will be posted to those shareholders registered to receive one.

Notice of annual general meeting

Accompanying the annual report and accounts is notice of the Group's 2024 annual general meeting (the "AGM"), which will take place at 10.00am on 22 May 2024 at Singer Capital Markets' offices at 1 Bartholomew Lane, London, EC2N 2AX.

This announcement contains inside information for the purposes of the UK Market Abuse Regulation. The Directors of the Company take responsibility for this announcement.

For further information, please contact:

Zinc Media Group plc	**+44 (0) 20 7878 2311**
Mark Browning, CEO / Will Sawyer, CFO	
www.zincmedia.com	
Singer Capital Markets (Nominated Adviser and Broker)	**+44 (0) 20 7496 3000**
James Moat / Sam Butcher	
IFC Advisory Ltd (Financial PR)	**+44 (0) 20 3934 6630**
Graham Herring / Zach Cohen	

About Zinc Media Group

Zinc Media Group plc is a premium television and content creation group.

The award-winning and critically acclaimed television labels comprise Brook Lapping, Red Sauce, Supercollider, Tern Television, Rex and Atomic, along with Bumblebee Post Production, and produce programmes across a wide range of factual genres for UK and international broadcasters.

The Edge Picture Company produces film content for brands and corporates in the UK, Qatar and other international markets. Zinc Communicate specialises in developing cross-platform content for brands, businesses and rights holders.

For further information on Zinc Media please visit www.zincmedia.com.

Chairman's Statement

2023's financial results continue the strong improvement in performance of the last few years. The Board is delighted to see revenue grow by over 30%, especially in the face of a challenging UK production market, powered by excellent organic growth and a full year contribution from The Edge. Most importantly the Group delivered the highest Adjusted EBITDA in the last 13 years, in line with market expectations.

The Group reports high quality revenue with a significant volume of repeat business, a record number of returning series and a highly diversified client base. Gross margins in the year were at record levels and the Group closed the year with a strong balance sheet.

The Group's content proposition is built on trust and quality. Zinc Media is trusted to tell the world's most important stories, like *Putin vs The West* for the BBC, trusted with complex and sensitive access, as seen in the brilliant documentary *Deborah James: Bowelbabe in Her Own Words*, trusted with enormous returning series like *Bargain Loving Brits*, and trusted to work with the biggest stars in the world, as seen in our current collaboration with Idris Elba. These are all delivered to the highest quality and are recognised with awards such as Production Company of the Year at the New York Festival Film and Television Awards, and the BAFTA nomination in March 2024.

The Group has a clear pathway to more than doubling EBITDA profit and with it delivering long term sustainable operating profits. The Group continues to balance profitability with further organic investment in new markets and continues to seek out suitable acquisition opportunities which can accelerate growth and add to shareholder value by driving further synergies and scale in the Group.

The Board would like to thank the management team, the employees and freelancers for their professional and dedicated work, as well as our shareholders for their support in what has been a year of record achievement for the Group.

CEO's Review

The strategic priorities for 2023 were to:

- deliver strong organic growth initiated by investments made in previous years;
- successfully integrate The Edge acquisition which completed in August 2022; and

- successfully integrate The Edge acquisition which completed in August 2022; and
- deliver against market expectations for both revenue and EBITDA.

Each priority was achieved in the year.

Revenue: Strong organic growth

The Group defied weak market conditions in 2023, delivering total revenue growth of 34% to £40.2m (FY22: £30.1m). It is particularly pleasing that television revenue grew organically by 19% to £24.1m (FY22 £20.2m). This significantly outperformed the wider television market and followed investment in previous years which has seen the Group launch new television labels and diversify into new markets in both the UK and US.

The Group comprises a total of twelve businesses that operate in two areas: television production (Tern, Brook Lapping, Red Sauce, Supercollider, Rex, Atomic Television and Bumblebee post-production) and content production for brands and businesses (The Edge and the Zinc Communicate businesses in Brand Entertainment, Audio, Corporate Film and Publishing).

Four of these businesses, Tern TV, Brook Lapping, Zinc Communicate Publishing and The Edge have been established for many years and are consistently profitable. Seven were launched as part of the Group's transformation plan and are growing income at an accelerated rate, but not all are profitable yet. These comprise the London TV labels Red Sauce, Supercollider and Rex, alongside the Zinc Communicate businesses in brand entertainment, corporate film and audio, the Bristol based business Atomic Television and the post-production business Bumblebee. Together these new businesses contributed £13m revenue (FY22 £9m), accounting for 32% of the Group's turnover.

The Edge performed strongly in the year, delivering £13m of revenue. It is now co-located at the Zinc head office in London, which has supported cross selling with all parts of the Group, and final integration, including all finance systems, will be complete by the end of H1 24.

Excellent revenue quality and a highly diversified client base

The Group has established a loyal customer base built on high levels of repeat business with 80% of revenue delivered from existing customers, which is in line with FY22 and significantly ahead of FY21. This, despite a soft market, demonstrates the Group's resilience and bodes well for when market conditions return to more normal levels. A high level of returning business is particularly pleasing when taking into account the number of new businesses within the Group that are still establishing their client base.

Record levels of Adjusted EBITDA profit with clear path to operating profit

The Group is pleased to report £1.0m of Adjusted EBITDA for FY23 (FY22 £0.1m), with £0.9m of this coming in the second half of the year, which is typically the Group's strongest half. This is the highest level of Adjusted EBITDA since 2010, and before the Group became a predominantly television-based business.

This million-pound milestone is a significant threshold and opens the door to long term sustainable profitability. The £1.0m of Adjusted EBITDA was supressed by some of the Group's businesses still being in an investment stage, where they are delivering rapid revenue growth but are yet to reach profitability and made a combined loss of £1.2m. The Bristol based Atomic Television was launched in January 2023 and won its first commission in April that year. Rex TV and Supercollider are at a similar stage of their development. Alongside a profit lag caused by these investments in maturing labels, two businesses within the Zinc Communicate portfolio struggled in the face of a significant decline in the UK advertising market. The Branded Entertainment and Audio business and the Corporate Film business were both hit by tough trading conditions and were subsequently restructured in Q1 2024 and are now more closely aligned with The Edge.

Everything we produce benefits from Zinc's platform. We've invested in technology, operational infrastructure, post-production and remote workflows so that we can produce content from anywhere in the world, and our work environments enable creative collaboration to thrive. This powers all our companies by bringing specialist expertise together, driving efficiencies, improving margins and building a successful creative culture. Zinc's platform means we can scale quickly as new opportunities arise and it has supported the doubling of revenues over recent years.

To aid the delivery of sustainable operating profitability, the Group is targeting further efficiencies which are anticipated to yield £0.5m of annualised savings in FY25. Current investments generating returns and further organic growth give the Board confidence that the Group can more than double EBITDA without the need for further rapid revenue growth as realised over the last few years.

With operating profitability expected as Adjusted EBITDA reaches the £2m level, we're confident this will be achieved in the near future as the television market recovers.

Programme highlights

2023 was an unrivalled year of programme and editorial highlights.

Across the Group's television labels, 15 series were recommissioned. This is the highest number of returning series the Group has achieved. Returning series are the critical factor of a successful television company as they underpin long term growth and investment. Returning series include *Sunday Morning Live, Con or Cure,* and *Martin Compston's Norwegian Fling* for the BBC, *Special Ops: Crime Squad UK* for Dave, Zinc's largest ever volume commission, *Bargain Loving Brits*, for Channel 5, and a second series of *Putin vs The West* for the BBC. A significant number of series have once again been recommissioned for FY24 with some crossing into FY25.

Our television companies produced a total of 250 hours of original television production, up from 194 hours in FY22. Alongside the commercially valuable returning series were a high volume of reputational feature documentaries and singles. While these do not span numerous years they build considerable industry reputation, which often sees the commissioning channel return year after year for further commissions. These include *Deborah James: Bowelbabe in Her Own Words, Gender Wars, Gilbert and George, Blackadder: The Lost Pilot* and *Get Your Eurovision On!*.

Zinc's proposition is built on trust and quality. It has a global reputation for delivering the highest quality production as evidenced in numerous awards including being crowned Production Company of the Year for the second year running at the New York Festival Awards. It is trusted by clients to deliver exclusive access as demonstrated by the *Putin vs The West* series which featured contributions from the UK Prime Minister and former Prime Ministers, President Zelensky, the Director of the CIA and the UN Secretary General. Zinc is trusted to deliver at significant scale, as evidenced by the 136 hour series *Bargain Loving Brits* for Channel 5. It is trusted to work with some of the biggest global presenters and is currently co-producing a high-profile series with Idris Elba, and it is trusted to deliver on time and on budget which is why the Group has received such high levels of repeat business.

There were a number of significant firsts in the year including:

- The Group's largest ever USA television series worth $9m called *Top Gun: The Next Generation* (working title). This was commissioned by National Geographic Channel and will be available on Disney+. Production commenced in FY23 and the series is due to be delivered in FY25. Zinc has secured trusted access to the US military training base for elite pilots.

- The Group won its largest ever volume television commission in a two-year deal worth over £7m. The commission is from Channel 5 for the hit show *Bargain Loving Brits*.

- The Group produced its biggest ever digital branded content commission *Big in America with Alex Polizzi*. It was commissioned by the Department for Business & Trade and was broadcast on LinkedIn. LinkedIn is the largest B2B networking website in the world, and this is the first televisual series it has broadcast.

- The Group partnered with Idris Elba to co-produce *Paid in Full: The Battle for Payback* (working title) for broadcasters CBC (Canadian Broadcasting Corporation) and the BBC. This series is examining the systematic exploitation of black artists by the music industry.

There are currently over 40 television programmes produced by Zinc companies available to view in the UK, either on terrestrial channels, on-demand or via subscription TV platforms. A full list of Zinc produced programmes currently available to watch is on the Group's new website: https://zincmedia.com/what-to-watch-on-tv/

The number of television productions which are made outside London ("MoL") is an important criterion for the UK's Public Service Broadcasters ("PSBs") and Zinc is well placed to address this need, with substantive production centres in Manchester, Glasgow and Belfast. At the beginning of 2023 the Group opened a new TV label in Bristol, a city world renowned for producing specialist factual programmes including natural history, travel and adventure and history. 70% of Zinc's television production revenues in FY23 were MoL, up from 67% in FY22, driven by the success of Red Sauce in Manchester and Tern TV in Scotland and Northern Ireland.

Supercollider, Zinc Communicate and The Edge produced hundreds of brand and corporate films in 2023 for many of the world's largest and most recognisable brands, with The Edge winning numerous awards for the quality of its work including Cannes Corporate Media & TV Awards, EVCOM London Film Awards and New York Festivals TV & Film Awards.

Dozens of other programmes were produced by Zinc Media Group in 2023, and many more of these can be seen on the company's website, zincmedia.com, and social media channels. Zinc's group of companies produce content that is watched by tens of millions of people across the world every year, and its programmes lead the news and the national conversation across the United Kingdom.

Market

In television, the UK PSB network groups (comprising the BBC, ITV, Channel 4 and Channel 5) represent the largest addressable market for Zinc with the Group producing for all of them.

The total TV commissioning market for UK producers is worth approximately £4bn[2] (UK PSB network groups account for approximately half this), with the factual television spend (specialist factual, general factual and factual entertainment), Zinc's core competence, at £1bn.

The fastest growing market for UK television producers is with the large international channels and subscription video on demand ("SVoD") platforms, which has almost doubled since 2021, reflecting the entry of new players like Apple and Disney. Zinc is capitalising on the growth in this market, having secured its highest ever commission in FY23 with the National Geographic Channel, a joint venture with Disney, and includes SVoD platforms Disney+ and Hulu.

The biggest growth in revenue and share is coming from the largest UK television producers (over £70m turnover), which underlines Zinc's desire to become a producer at scale.

Over the last three years, between 60% and 70% of UK original commissions (i.e. not repeats or acquisitions) has been on returning series, underlying Zinc's focus on securing its highest level of returning series in FY23.

Zinc is well placed to continue to grow from this large factual commissioning market especially as the UK PSB's continue their push to spend on television commissions made outside of London. This validates Zinc's continued investment in Tern TV (Glasgow and Belfast), Red Sauce TV (Manchester) and Atomic Television (Bristol).

While factual television, which is Zinc's television heartland, accounts for approximately 25% of UK original television production, Entertainment and Drama are the two largest genres, being 27% and 37% respectively. As Zinc's proposition develops in the next phase of its growth, it will seek out opportunities to expand organically and via acquisitions into these lucrative genres.

In addition to broadcast television production, the Group's corporate and brand production company The Edge continues to grow at pace, delivering record revenues in FY23 and investing in new markets in FY24. It is anticipated that these investments will deliver further record revenue for The Edge in FY25, further cementing its position as one of the market leaders in this large, and higher margin, production sector.

Outlook

The Group entered 2024 with a significant amount of pre-booked revenue, putting it in the best possible position to navigate the ongoing weak television commissioning market. As at 22 April 2024, revenue booked and at a highly advanced stage on the pipeline totals £32m, which is in line with the same stage in FY23. The Board is confident in achieving market expectations for the year ahead and has heightened confidence that as the UK television market and wider economy recovers, the long-term prospects for sustainable growth, profitability and reputational success remain very strong.

CFO's Report

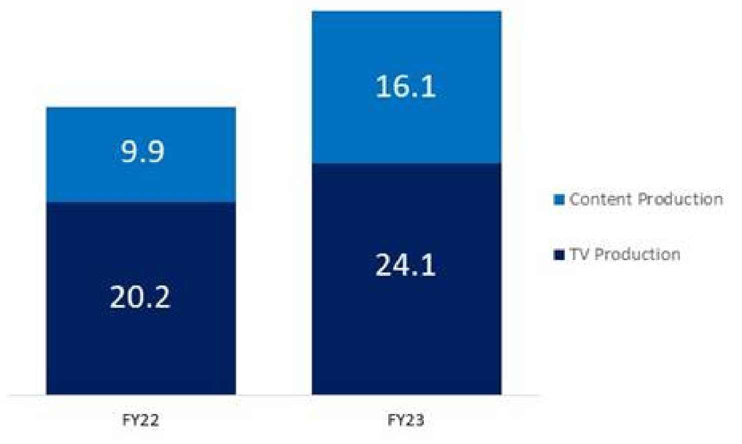
£m	2023	2022	Movement
Income Statement			
Revenue	40.2	30.1	+10.1
Gross Profit	15.9	10.2	+5.7
Gross Margin	39.5%	34.0%	+5.5%
Loss before tax	(2.0)	(3.3)	+1.3
Adjusted EBITDA Profit	1.0	0.1	+0.9
Statement of financial position			
Cash	4.9	3.6	+1.3
Debt	(3.5)	(3.5)	-
Net cash	1.4	0.1	+1.3

Income statement

Revenue

The key drivers for the increase in revenue from £30.1m to £40.2m are organic growth of £3.9m from television revenues and £6.2m from growth in content production. Television revenue growth has been driven by the investment in recent years launching new labels focused on particular sectors of the television market to target new customers and diversify revenue. Content production includes brand and corporate film production, radio and podcast production and publishing, as well as a full year of The Edge which had another strong year following its acquisition in August 2022.

Revenue (£m)

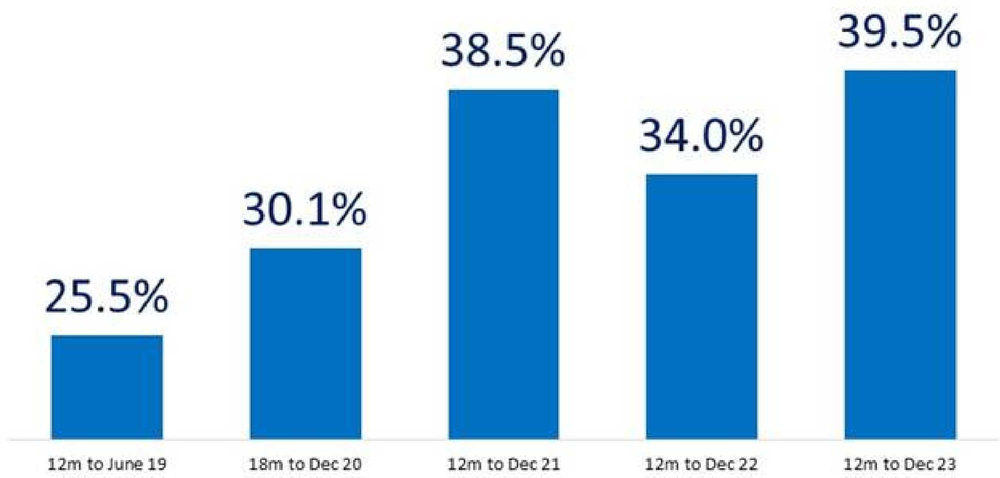


Gross margin and operating expenses

The Group's gross margin increased during the period from 34.0% to 39.5% as margins increased across both television and content production due to winning higher margin TV work and the full year impact of The Edge. In FY22 a strategic decision was taken to increase the volume of lower margin television revenue to support the Group's expansion into new television markets. As these programmes have been recommissioned in FY23 the Group has been able to increase margins due to learnings from earlier series and finding economies of scale across productions. Content production for brands and businesses is typically delivered at a higher margin than television production and a full year effect of The Edge has helped to increase margins in aggregate for the Group.

Group gross margins are the highest they've been in recent years, as demonstrated in the graph below.

Group gross margins (%)



Adjusting items incurred during the year amounted to £0.3m (FY22: £1.3m), which mainly comprised costs relating to share options of £0.5m (FY22: £0.2m) offset by a £0.4m change in the fair value of contingent consideration in respect of The Edge (FY22: nil).

Operating expenses have risen by £4.0m to £17.1m, and whilst this represents a 31% increase on the prior year, the growth has been mainly driven by the full year impact of the costs related to The Edge being part of the Group. Nonetheless, operating costs as a percentage of revenue have fallen for a second consecutive year to 42%.

Adjusted EBITDA of £1.0m (FY22: £0.1m) is the highest for 13 years and in line with market expectations. Adjusted EBITDA is suppressed by £1.2m due to businesses launched in recent years that are yet to reach profitability. The businesses launched in recent years include Atomic Television, which was launched in January 2023. It has already won its first commission, which is being recognised across FY23 and FY24, and we expect it to grow in FY24 and start to contribute to the Group's profitability. The Zinc Communicate businesses in Brand Entertainment and Corporate Film had a challenging year due to being sub-scale whilst trying to grow in difficult market conditions. At the beginning of FY24 these businesses have been restructured and more closely aligned with The Edge's brand and corporate film business. The loss made by the Zinc Communicate businesses has partially offset The Edge's profit within the Content Production segment of the Group.

Finance costs have risen from £0.4m to £0.8m as a result of £0.4m of interest relating to the unwinding of the present value of contingent consideration on The Edge acquisition (FY22: £nil). £0.3m of interest was payable on the Group's long-term debt (FY22: £0.3m).

Loss before tax has narrowed by £1.3m to £2.0m driven by the improved trading performance and non-recurring acquisition costs.

Earnings per share

Basic and diluted loss per share from continuing operations in FY23 was 9.05p (FY22: loss per share of 12.43p). These measures were calculated on the losses for the period from continuing operations attributable to Zinc Media Group shareholders of £2.0m (FY22: loss of £2.3m) divided by the weighted average number of shares in issue during the period being 21,985,965 (FY22: 18,480,039).

Dividend

The Board has not recommended a dividend in respect of the year ended 31 December 2023 (FY22: £nil).

Statement of Financial Position

Assets

The cash balance at the end of December 2023 was £4.9m, representing an increase of £1.3m, or 36%, during the year. The increase in the Group's cash balance was driven by the positive trading performance and working capital inflows, particularly on large projects where working capital has been efficiently managed.

Trade and other receivables have remained flat at £10.6m (FY22: £10.6m) despite revenue increasing by 34%, having agreed more favourable payment terms with customers.

Equity and Liabilities

Total equity has reduced from £7.0m to £5.8m as the loss in the year more than offset the issue of new equity in relation to The Edge's year 1 earn out target being achieved and share options exercised by directors.

Total liabilities increased by £1.4m to £18.5m due to advance payments being received from customers for recognition in the income statement in FY24. The Group had an outstanding balance on long-term debt of £3.5m at year-end (FY22: £3.5m). The long-term debt holders are also major shareholders who own 41% of the Group's shares.

Cash Flows

The Group generated cash of £3.5m in the year (FY22: cash used of £4.6m) in its operations, mainly driven by a decrease in working capital due to tight working capital management, including receiving advance payments from customers on some large productions. The net movement in the year was an increase in cash of £1.3m (FY22: decrease of £2.0m) after financing activity cash outflow and finance costs of £1.6m (FY22: inflow of £3.9m) and cash used in investing activities of £0.5m (FY22: £1.2m), driven by £0.3m of contingent consideration paid in respect of The Edge earn out, £0.5m on capital expenditure (a £0.3m reduction year-on-year), lease payments of £0.9m mainly relating to the Group's offices and £0.4m of long-term debt interest payments.

Key Performance Indicators (KPIs)

In monitoring the performance of the business, the executive management team uses the following KPIs:

- Revenue growth, including revenue from repeat customers and new business pipeline strength
- Profitability assessed by key measures including gross margins and Adjusted EBITDA
- Cash generation and cash management
- Performance and integration of acquisitions

These KPIs have been reported on within the Strategic Report.

Consolidated income statement for the year ended 31 December 2023

	Notes	**12 months ended 31 December 2023 £'000**	12 months ended 31 December 2022 £'000
Continuing operations			
Revenue	4	**40,225**	**30,083**
Cost of sales	5	**(24,328)**	**(19,880)**
Gross profit		**15,897**	**10,203**
Operating expenses	5	**(17,093)**	**(13,083)**
Operating loss		**(1,196)**	**(2,880)**
Analysed as:			
Adjusted EBITDA		**1,006**	**75**
Depreciation	5	(1,478)	(947)
Amortisation	5	(462)	(715)
Adjusting items	8	(262)	(1,293)
Operating loss		**(1,196)**	**(2,880)**
Finance costs	9	**(776)**	**(390)**
Finance income	9	**9**	**1**
Loss before tax		**(1,963)**	**(3,269)**
Taxation (charge)/ credit	10	**(8)**	**987**
Loss for the period		**(1,971)**	**(2,282)**
Attributable to:			
Equity holders		**(1,990)**	**(2,297)**
Non-controlling interest		**19**	**15**
Retained loss for the period		**(1,971)**	**(2,282)**
Earnings per share			
Basic	11	**(9.05)p**	**(12.43)p**
Diluted	11	**(9.05)p**	**(12.43)p**

The loss for the period attributable to equity holders from continuing operations is £1,990k (31 December 2022: £2,297k).

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

Consolidated statement of comprehensive income for the year

Consolidated statement of comprehensive income for the year ended 31 December 2023

	12 months ended 31 December 2023 £'000	12 months ended 31 December 2022 £'000
Loss for the year and total comprehensive expense for the period	**(1,971)**	(2,282)
Attributable to:		
Equity holders	**(1,990)**	(2,297)
Non-controlling interest	**19**	15
	(1,971)	(2,282)

Consolidated statement of financial position as at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current			
Goodwill and intangible assets	12	**7,221**	**7,671**
Property, plant and equipment	13	**1,016**	**1,056**
Right-of-use assets	18	**443**	**1,084**
		8,680	**9,811**
Current assets			
Inventories	14	**63**	**73**
Trade and other receivables	15	**10,649**	**10,591**
Cash and cash equivalents	16	**4,948**	**3,632**
		15,660	**14,296**
Total assets		**24,340**	**24,107**
Equity			
Called up share capital	23	**28**	**27**
Share premium account	23	**9,546**	**9,546**
Share based payment reserve	23	**547**	**457**
Merger reserve	23	**1,163**	**566**
Retained losses	23	**(5,508)**	**(3,653)**
Total equity attributable to equity holders of the parent		**5,776**	**6,943**
Non-controlling interests		**21**	**16**
Total equity		**5,797**	**6,959**
Liabilities			
Non-current			
Borrowings	19	**-**	**3,490**
Lease liabilities	18	**57**	**352**
Deferred tax	21	**-**	**-**
Provisions	22	**276**	**242**
Trade and other payables	17	**1,940**	**2,476**
		2,273	**6,560**
Current			
Trade and other payables	17	**12,282**	**9,753**
Current tax liabilities		**165**	**160**
Borrowings	19	**3,463**	**-**
Lease liabilities	18	**360**	**675**
		16,270	**10,588**
Total liabilities		**18,543**	**17,148**
Total equity and liabilities		**24,340**	**24,107**

The consolidated financial statements were authorised for issue and approved by the Board on 24 April 2024 and are signed on its behalf by Will Sawyer.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Company registration number: SC075133

Consolidated statement of cash flows for the year ended 31 December 2023

	Note	**12 months ended 31 December 2023 £'000**	12 months ended 31 December 2022 £'000
Cash flows from operating activities			
Loss for the year before tax from continuing operations		**(1,963)**	(3,269)
		(1,963)	(3,269)
Adjustments for:			
Depreciation	5	**1,478**	947
Amortisation and impairment of intangibles	5	**462**	715
Finance costs	9	**385**	390
Finance income	9	**(9)**	(1)
Share based payment charge	7	**195**	180
Profit on disposal of fixed assets		**(29)**	-
Fees paid in shares		**30**	30
Remeasurement of contingent consideration payable		**118**	-
		667	(1,008)
Decrease in inventories		**10**	191
Increase in trade and other receivables		**(58)**	(2,841)
Increase/ (decrease) in trade and other payables		**2,876**	(975)
Cash Generated from/(used in) operations		**3,495**	(4,633)
Finance income		**9**	1
Finance costs		**(411)**	(57)
Net cash flows Generated from/ (used in) operating activities		**3,093**	(4,689)
Investing activities			
Purchase of property, plant and equipment	13	**(505)**	(831)
Purchase of intangible assets	12	**(12)**	(50)
Proceeds from disposal of tangible fixed asset		**13**	-
Acquisition of subsidiary net of cash acquired		**-**	(324)
Net cash flows used in investing activities		**(504)**	(1,205)
Financing activities			
Issue of ordinary share capital (net of issue costs)		**-**	4,767
Principal elements of lease payments		**(905)**	(555)
Borrowings repaid		**-**	(265)
Dividends paid to NCI		**(14)**	(23)
Contingent acquisition consideration paid		**(327)**	-
Net cash flows (used in)/generated from financing activities		**(1,246)**	3,924
Net increase/ (decrease) in cash and cash equivalents		**1,343**	(1,970)
Translation differences		**(27)**	(6)
Cash and cash equivalents at beginning of year	16	**3,632**	5,608
Cash and cash equivalents at year	16	**4,948**	3,632

Consolidated statement of changes in equity for the year ended 31 December 2023

	Share capital £'000	**Share premium £'000**	**Share based payment reserve £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity attributable to equity holders of the parent £'000**	**N contı inte £'(**
Balance at 1 January 2022	**20**	**4,785**	**277**	**27**	**(1,386)**	**3,723**	**2**
Loss and total comprehensive expense for the period	-	-	-	-	(2,297)	(2,297)	1
Equity-settled share-based payments	-	-	180	-	-	180	
Shares issued in placing net of expenses	6	4,761	-	-	-	4,767	
Consideration paid in shares	1	-	-	539	-	540	
Directors remuneration paid in shares	-	-	-	-	30	30	
Dividends paid	-	-	-	-	-	-	(2
Total transactions with owners of the Company	7	4,761	180	539	(2,267)	3,220	(
Balance at 31 December 2022	**27**	**9,546**	**457**	**566**	**(3,653)**	**6,943**	**1**
Balance at 1 January 2023	**27**	**9,546**	**457**	**566**	**(3,653)**	**6,943**	**1**
Loss and total comprehensive expense for the	-	-	-	-	(1,990)	(1,990)	1

period							
Equity-settled share-based payments	-	-	90	-	105	195	
Consideration paid in shares	1	-	-	597	-	598	
Directors remuneration paid in shares	-	-	-	-	30	30	
Dividends paid	-	-	-	-	-	-	(1
Total transactions with owners of the Company	1	-	90	597	(1,855)	(1,167)	
Balance at 31 December 2023	28	9,546	547	1,163	(5,508)	5,776	2

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Zinc Media Group plc and its subsidiaries (the Group) produce high quality television and cross-platform content.

Zinc Media Group plc is the Group's ultimate parent and is a public listed company incorporated in Scotland. The address of its registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN. Its shares are traded on the AIM Market of the London Stock Exchange plc (LSE:ZIN).

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

2. BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with UK-adopted-International Accounting Standards. The financial statements have been prepared primarily under the historical cost convention, with the exception of contingent consideration measured at fair value. Areas where other bases are applied are identified in the accounting policies below.

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

2.1) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of signing of the financial statements. The Group is dependent for its working capital requirements on cash generated from operations, cash holdings, long-term debt and from equity markets.

The Directors believe the Group has sufficient cash resources. As at 31 December 2023 the cash holdings of the Group were £4.9m and net cash was £1.5m. The Group also has an overdraft facility of £0.6m available.

The Directors believe the Group has strong shareholder support, evidenced by shareholders investing £12.5m in new equity in recent years and the long-term debt holders, who are also major shareholders with 41% of the Group's shares, having agreed in Q1 2024 to extend the repayment date of the Group's long-term debt from December 2024 to December 2025.

Management have prepared forecasts and scenarios under which cashflows may vary and believe there are sufficient mitigating actions that can be employed to enable the Group to operate within its current level of financing for a period of at least 12 months from the date of signing of the financial statements.

There are several factors which could materially affect the Group's cashflows, including the underlying performance of the business and uncertainty regarding the timing of receipts from customers. The Directors have prepared scenario plans. The main variable is the run rate of new business. Whilst the sales pipeline is healthy the timing of new sales is hard to predict, the scenarios include revenues being over 10% down on budget. The Directors have reviewed management's forecasts and scenarios under which cashflows may vary and remain confident that the Group will have sufficient cash resources for a period of at least 12 months from issuing the financial statements in these scenarios.

In light of the forecasts, the support provided by shareholders and mitigating measures available to be used if

In light of the forecasts, the support provided by shareholders and mitigating measures available to be used if needed, the Directors believe that the going concern basis upon which the financial statements have been prepared is reasonable.

2.2) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

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

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

Non-controlling interests (NCI) represents the share of non-wholly owned subsidiaries' net assets that are not directly attributable to the shareholders of the Group.

2.3) Adoption of new and revised standards

The following pronouncements were effective from 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Effective 1 January 2023)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Effective 1 January 2023)

The following pronouncements were effective from 1 January 2024:

- Amendments to IAS 1 - Non-Current Liabilities with Covenants - Amendments to IAS 1 and Classification of Liabilities as Current and Non-Current (Effective 1 January 2024)
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback (Effective 1 January 2024)
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements (Effective 1 January 2024)

3) ACCOUNTING POLICIES

3.1) Revenue

The Group recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group follow these steps:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met.

Where productions are in progress at the year end and where the revenue amounts invoiced exceed the value of work done the excess is shown as contract liabilities; where the revenue recognised exceeds revenue invoiced the amounts are classified as contract assets. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. Where it is anticipated that a production will make a loss, the anticipated loss is provided for in full.

The accounting policies specific to the Group's key operating revenue categories are outlined below:

TV production and content production revenue

Production revenue from contracts with broadcasters, brands and businesses comprises work carried out to produce film and audio content. Contracts to produce TV programmes include broadcaster licence fees. 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 or content 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 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 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 is recognised when royalty amounts are confirmed.

Publishing

Advertising revenue is recognised on the date publications are published which is when control transfers to the customer. This revenue is included within the content production segment.

3.2) Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold premises	over the term of the lease
Office equipment	10%-20% on cost
Computer equipment	20%-33% on cost
Motor vehicles	25% on cost

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

3.3) Intangible assets

Business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

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

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

Brands, Customer relationships	Over 7 - 10 years
Distribution catalogue	Over 5 years
Software	Over 2 years

Brands and customer relationships relate to the acquisition of Tern Television Productions and The Edge. They are amortised over a period of 7 and 10 years respectively and as at 31 December 2023 there was under 1 year remaining for Tern Television Productions and under 9 years for The Edge.

The distribution catalogue intangible asset arose on the acquisition of Tern Television Productions. It is amortised over 5 years and as at 31 December 2023 the remaining useful life was nil.

The software relates to a finance system that is used across the group and CRM system in Zinc Communicate.

3.4) Leased assets

For any new contracts the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group; and

- The Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or income statement if the right-of-use is already reduced to zero. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the income statement on a straight-line basis over the lease term.

3.5) Inventories

Inventories in Zinc Communicate and The Edge comprise:

- Cumulative costs incurred in relation to unpublished titles or events, less provision for future losses, and are valued based on direct costs plus attributable overheads based on a normal level of activity. No element of profit is included in the valuation of inventories.
- Inventories comprise costs of unsold publishing stock and costs on projects that are incomplete at the year-end less any amounts recognised as cost of sales.

3.6) Impairment of assets

For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at the cash-generating unit level.

Goodwill is allocated to those cash generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. Goodwill and other individual assets or cash-generating units are tested for impairment annually or whenever events / changes in circumstances indicate that the carrying amount may not be recoverable.

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

3.7) Current and deferred taxation

Current tax is the tax currently payable based on taxable profit/(loss) for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax is not recognised in respect of:

- the initial recognition of goodwill that is not tax deductible; and
- the initial recognition of an asset or liability unless the related transaction is a business combination or

affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates and laws that are expected to apply to their respective year of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

3.8) Financial instruments

Recognition of financial instruments

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

Financial assets

Initial and subsequent measurement of financial assets

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of trade receivables

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

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

Financial liabilities and equity

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

Initial and subsequent measurement of financial liabilities

Trade and other payables

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

Loan notes

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

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

Contingent consideration

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

The Group assesses the fair value of contingent consideration liabilities on an annual basis, taking into account changes in circumstances and updated information regarding the probability and timing of payment. Any adjustments to the fair value of contingent consideration liabilities are recognised as an Adjusting Item in the income statement and changes due to discounting are recognised in the income statements.

Equity instruments

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

Derecognition of financial assets (including write-offs) and financial liabilities

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

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

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

3.9) Employee benefits

Equity settled share-based payments

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

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

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

Retirement benefits

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

3.10) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as interest expense.

3.11) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

3.12) Significant judgements and estimates

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

i) Judgements

Revenue recognition

The main judgements regarding revenue recognition relate to TV production and content production revenue. The Group considers the production and licence elements to be a combined performance obligation to be satisfied and recognised over time. This is explained in note 3.1.

ii) ***Estimates***

Impairment of goodwill and intangible assets

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate to calculate the present value of these cash flows. Actual outcomes could vary. See note 12 for details of how these judgements are made and the estimation sensitivities disclosed.

Valuation of contingent consideration

The contingent consideration payable in relation to the acquisition of The Edge has been measured at its fair value using a Monte Carlo simulation where the EBIT for year 1 is based on actual performance and each of the remaining two years of the earn out period is an independent, normally distributed random variable. Values have been calculated for all three years and the total, and the average of these represents the fair value. Estimated sensitivity has been disclosed in note 20.

3.13) Segmental reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products and services provided by the Group. The activities undertaken by the TV segment include the production of television content. The Content Production segment includes brand and corporate film production, radio and podcast production and publishing.

Each of these operating segments is managed separately as each service line requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

4) SEGMENTAL INFORMATION AND REVENUE

Segmental information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who categorise the Group's two service lines as two operating segments: Television and Content Production. These operating segments are monitored, and strategic decisions are made on the basis of adjusted segment operating results.

	TV		Content Production		Central and plc		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Continuing Operations	**£ '000**	£ '000	**£ '000**	£ '000	**£ '000**	£ '000	**£ '000**	£ '000
Revenue	**24,122**	20,218	**16,103**	9,865	**-**	-	**40,225**	30,083
Adjusted EBITDA	**1,736**	611	**390**	573	**(1,120)**	(1,109)	**1,006**	75
Depreciation	**(527)**	(541)	**(728)**	(192)	**(223)**	(214)	**(1,478)**	(947)
Amortisation	**-**	-	**(31)**	(10)	**(431)**	(705)	**(462)**	(715)
Adjusting Items and acquisition costs	**(29)**	(83)	**(81)**	(68)	**(152)**	(1,143)	**(262)**	(1,293)
Operating profit / (loss)	**1,180**	(13)	**(450)**	303	**(1,926)**	(3,171)	**(1,196)**	(2,880)
Finance costs	**(3)**	(5)	-	(11)	**(773)**	(374)	**(776)**	(390)
Finance income	**3**	-	**5**	1	**1**	-	**9**	1
Profit/ (loss)before tax	**1,180**	(18)	**(445)**	293	**(2,698)**	(3,545)	**(1,963)**	(3,269)
Taxation charge	**(8)**	(5)	**-**	828	**-**	164	**(8)**	987
Profit/ (loss) for the year	**1,172**	(23)	**(445)**	1,122	**(2,698)**	(3,381)	**(1,971)**	(2,282)
Segment Assets	**7,156**	11,775	**8,974**	7,175	**8,210**	5,158	**24,340**	24,107
Segment Liabilities	**(7,126)**	(16,326)	**(3,650)**	(3,748)	**(7,767)**	2,926	**(18,543)**	(17,149)
Other Segment items:								
Expenditure on intangible assets	**-**	-	**12**	50	**-**	4,394	**12**	4,444
Expenditure on tangible assets	**416**	190	**333**	544	**51**	97	**800**	831

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and adjusting items as set out in note 8.

Items included under 'Central and Plc' do not constitute an operating segment and relate mainly to Group activities based in the United Kingdom. Central and plc costs relate to Directors, support functions and costs resulting from being listed.

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

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom for the year was £30.9m (year ended 31 December 2022: £24.7m), and the total revenue from external customers in other countries was £9.3m (2022: £5.4m). There were two customers that accounted for more than

10% of Group revenue in the year: one customer accounted for £9.1m or 23% of Group revenue and the other customer accounted for £6.4m or 16% of Group revenue (2022: two customers accounted for £7.3m and £5.9m of revenue). Within these two customers there are multiple separate buyers and commissioners with separate budgets, and the customers are multi-billion pound blue-chip organisations.

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

Revenue

Contract balances

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

	2023	2022
	£'000	£'000
Receivables, which are included in 'Trade and other receivables'	**6,216**	**6,515**
Contract assets	**2,976**	**2,545**
Contract liabilities	**(4,485)**	**(1,895)**

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

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

	2023	
	Contract assets	Contract liabilities
	£'000	£'000
Opening balance 1 January 2023	2,545	(1,895)
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	1,895
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(4,485)
Transfers from contract assets recognised at the beginning of the period to receivables	(2,545)	-
Increases as a result of changes in measure of progress	2,976	-
Closing balance 31 December 2023	**2,976**	**(4,485)**

Transaction price allocated to the remaining performance obligations

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

5) EXPENSES BY NATURE

Costs from continuing operations consist of:

	2023	2022
	£'000	£'000
Cost of sales		
Production costs	**20,016**	**16,813**
Salary costs	**3,166**	**2,250**
Royalties and distribution costs	**1,146**	**817**
Total cost of sales	**24,328**	**19,880**

Operating expenses

Salary costs	**11,330**	**7,815**
Leases on premises	**10**	**10**
Other administrative expenses	**3,545**	**2,296**
Foreign exchange gain	**6**	**7**
Adjusting Items	**262**	**1,293**
Depreciation and Amortisation	**1,940**	**1,662**
Total operating expenses	**17,093**	**13,083**

Auditor, tax and share option advisor fees are included in other administrative expenses. The auditor did not provide any non-audit services in the current or prior year. The fee for statutory audit services was as follows:

	2023 **£'000**	2022 £'000
Statutory audit services		
Annual audit of the company and the consolidated accounts	**180**	**189**

6) STAFF COSTS

Staff costs from continuing operations, including directors, consist of:

	2023 **£'000**	**2022** **£'000**
Wages & salaries	**12,688**	8,682
Social security & other costs	**1,273**	994
Pension costs	**505**	359
Share based payment charge	**195**	180
Consideration paid in shares	**30**	30
Total	**14,691**	10,245

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

	2023	**2022**
Zinc Television	**146**	**134**
Content Production	**126**	**82**
Central and Plc	**11**	**8**
Total	**283**	**224**

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

Directors' emoluments

	Salaries and fees £'000	Bonus £'000	Shares £'000	Pension £'000	**2023 Total remuneration received by directors £'000**	Tax paid on behalf of directors £'000	**2022 Total remuneration received by directors £'000**
Executive Directors							
Mark Browning	270	129	0	27	**426**	59	**432**
Will Sawyer	180	86	0	18	**284**	46	**255**
Non-Executive Directors							
Christopher Satterthwaite (Chairman)	50	0	30	0	**80**	0	**80**
Nicholas Taylor	18	0	0	12	**30**	0	**30**
Andrew Garard	30	0	0	0	**30**	0	**30**
	548	215	30	57	**850**	105	**827**

The tax paid by the Company on behalf of directors arose on the exercise of EMI share options in line with the terms of the share options granted to directors in 2020 and may otherwise have been funded by the directors' selling shares.

Key management personnel compensation

	2023 £'000	2022 £'000
Short term employee benefits (includes employers NICs)	866	840
Post-employment benefits	57	55
Shares (includes employers NICs)	34	34
Share-based payments charge	122	129
Total	**1,079**	**1,058**

The amount for share based payments charge (see note 7) which relates to the Directors was £122k (2022: £129k).

7) SHARE BASED PAYMENTS

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

	2023 £'000	2022 £'000
EMI share option scheme	121	104
Unapproved share option scheme	74	76
Total	**195**	**180**

The share based payment charge for options granted since February 2020 are calculated using a Stochastic model and options granted prior to February 2020 have been valued using the Black Scholes model.

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

Share Option Schemes

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

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

Unapproved share option scheme

	2023		2022	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	913,151	0.033	886,546	0.014
Transferred from EMI scheme	-	-	26,605	0.670
Granted	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	913,151	0.033	913,151	0.033
Exercisable at the end of the year	171,201	0.033	-	-

EMI Share option scheme

	2023		2022	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	1,151,909	0.428	1,097,104	0.390
Granted during the year	-	-	151,622	0.875
Lapsed during the year	(1,000)	3.750	(70,211)	0.713
Transferred to unapproved scheme	-	-	(26,605)	0.670
Exercised during the year	(270,073)	0.001	-	-
Outstanding at the end of the year	880,837	0.555	1,151,909	0.428
Exercisable at the end of the year	-	-	-	-

The options outstanding as at 31 December 2023 have the following exercise prices and expire in the following financial years:

Expiry	Grant Date	Exercise Price £	2023 No.	2022 No.
December 2026	December 2016	**3.75**	**4,000**	6,000
November 2027	November 2017	**4.15**	**5,000**	5,000
April 2028	April 2018	**3.75**	**4,000**	4,000
November 2028	November 2018	**2.00**	**6,000**	6,000
February 2030	February 2020	**0.0013**	**441,273**	711,345
June 2031	June 2021	**0.0013**	**711,345**	711,345
June 2031	June 2021	**0.6695**	**268,237**	268,237
November 2031	November 2021	**0.7060**	**202,511**	202,511
December 2032	December 2022	**0.8750**	**151,622**	151,622
			1,793,988	2,066,060

During the year, 270,073 EMI options were exercised by two Directors on the 22 August 2023, the aggregate amount of gains on the shares exercised by the Directors was £221k (2022: Nil).

Options are forfeited at the discretion of the Board if an employee leaves the Group before the options vest. The Share Option Plan provides for the grant of both tax-approved Enterprise Management Incentives (EMI) options and unapproved options. The model used to calculate a share option charge involves using several estimates and judgements to establish the appropriate inputs, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

8) ADJUSTING ITEMS

	2023 £'000	2022 £'000
Adjusting Items		
Reorganisation and restructuring costs	**(121)**	**(160)**
Acquisition costs	**(80)**	**(953)**
Share based payment charge	**(195)**	**(180)**
Gain on disposal of tangible assets	**29**	**-**
Tax arising on share options paid by company	**(267)**	**-**
Change in fair value of contingent consideration in respect of The Edge	**372**	**-**
Total	**(262)**	**(1,293)**

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

Reorganisation and restructuring costs

Management made changes to operational roles across the Group to improve efficiency and decision making. The non-recurring element of the costs has been presented as adjusting to enable a more refined evaluation of financial performance.

Acquisition costs

Acquisition costs represent costs incurred in the acquisition of The Edge Picture Co. These costs are non-recurring in nature and are therefore treated as an adjusting item for management to better understand the underlying performance of the Group in the year. These costs are also included in operating activities in the cash flow statement.

Change in fair value of The Edge contingent consideration

The contingent consideration in respect of The Edge acquisition has been remeasured based on latest forecasts. The Edge's base earnout targets are still forecast to be exceeded.

Share based payment charge

Share based payment charge

This represents the expense recognised by the Group in relation to services received from employees following the grant of share options.

Tax on share options

The tax paid by the Company on behalf of directors arose on the exercise of EMI share options in line with the terms of the share options granted to directors in 2020 and may otherwise have been funded by the directors' selling shares.

9) FINANCE COSTS

	2023	2022
Finance Costs	**£'000**	£'000
Interest payable on borrowings	**(347)**	**(336)**
Interest on unwinding of present value of contingent consideration	**(387)**	**-**
Interest due to bank charges	**(5)**	**-**
Interest payable on lease liabilities	**(37)**	**(54)**
Finance Costs	**(776)**	**(390)**
Finance Income		
Interest received	**9**	**1**
Net finance costs	**(767)**	**(389)**

10) INCOME TAX EXPENSE

Taxation Charge/credit

	2023	2022
	£'000	£'000
Current tax expense:		
Current tax expense	**4**	4
Charge in respect of prior periods	**4**	-
	8	4
Deferred tax		
Origination and reversal of temporary differences	**-**	(953)
Effect of change in UK corporation tax rate	**-**	(39)
Adjustments in respect of prior periods	**-**	1
	-	(991)
Total income tax charge/(credit)	**8**	(987)

Reconciliation of taxation expense:

	2023	2022
	£'000	£'000
Loss before tax	**(1,963)**	(3,269)
Taxation credit at UK corporation tax rate of 23.5% (2022: 19%)	**(461)**	(621)
Other non-taxable (income)/non-deductible expenses	**(8)**	239
Tax losses not recognised/(recognised)	**473**	(610)
Group relief claimed	**-**	(4)
Effect of changes in UK corporation tax rates	**-**	(39)
Varying tax rates of overseas earnings	**-**	(100)
Adjustments to tax charge in respect of previous years	**4**	147
Charge in respect of prior periods	**-**	1
Total income tax charge/ (credit)	**8**	(987)

The corporation tax rate increased to 25% in April 2023, a rate of 19% was therefore used for the first three months of financial year 2023, with 25% being used for 9 months of the year, to give an average for the full year of 23.5% in 2023 (2022: 19%).

11) EARNINGS PER SHARE

Basic loss per share (EPS) for the period is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

	2023	2022
	Number of Shares	Number of Shares
Weighted average number of shares used in basic and diluted earnings per share calculation	**21,985,965**	18,480,039
Potentially dilutive effect of share options	**1,269,782**	1,558,184
	£'000	£'000
Loss for the year from continuing operations attributable to shareholders	**(1,990)**	**(2,297)**
Continuing operations		
Basic Loss per share (pence)	(9.05)p	(12.43)p
Diluted Loss per share (pence)	(9.05)p	(12.43)p

12) INTANGIBLE ASSETS

	Goodwill £'000	**Brands £'000**	**Customer Relationships £'000**	**Software £'000**	**Distribution Catalogue £'000**	**Order Book £'000**	**Total £000**
Cost							
At 31 December 2021	8,953	679	3,303	230	443	-	13,608
Additions	-	-	-	50	-	-	50
Acquired through business combinations	1,503	1,464	1,450	-	-	119	4,536
At 31 December 2022	10,456	2,143	4,753	280	443	119	18,194
Additions	-	-	-	12	-	-	12
At 31 December 2023	**10,456**	**2,143**	**4,753**	**292**	**443**	**119**	**18,206**
Amortisation and impairment							
At 31 December 2021	(5,898)	(568)	(2,792)	(180)	(370)	-	(9,808)
Charge for the year	-	(113)	(351)	(59)	(73)	(119)	(715)
At 31 December 2022	(5,898)	(681)	(3,143)	(239)	(443)	(119)	(10,523)
Charge for the year	-	(172)	(259)	(31)	-	-	(462)
At 31 December 2023	**(5,898)**	**(853)**	**(3,402)**	**(270)**	**(443)**	**(119)**	**(10,985)**
Net Book Value							
At 31 December 2023	**4,558**	**1,290**	**1,351**	**22**	**-**	**-**	**7,221**
At 31 December 2022	4,558	1,462	1,610	41	-	-	7,671

Impairment Tests for Goodwill

Goodwill by cash generating unit is:

	2023	2022
	£'000	£'000
Tern TV CGU	**1,444**	**1,444**
London & Manchester TV CGU	**1,611**	**1,611**
The Edge CGU	**1,503**	**1,503**
Total	**4,558**	**4,558**

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

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

The 2024 business unit forecasts are based on the budget set for the year. In TV a growth rate of 2 per cent has been used for the following years into perpetuity. Management believes the 2 per cent growth rate is a cautious assumption which may be significantly lower than the growth rate management would expect to achieve.

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

The three cash generating units operate in a similar media landscape and the pre-tax discount rate applied across the segments for period ended 31 December 2023 was 12.9 per cent (2022: 9.1 per cent). A sensitivity analysis of an increase in the discount rate by 1 per cent is shown below.

London & Manchester TV, Tern TV and The Edge CGUs

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

Assumption	**Judgement**	**Sensitivity**
Discount Rate	As indicated above the rate used is 12.9 per cent.	An increase in the discount rate to 13.9 per cent will result in no impairment charge.
Revenue	London & Manchester TV's, Tern TV's and The Edge CGU revenue for 2024 is forecast to increase.	If there is a 20% shortfall in revenue versus FY23 there would be no impairment charge.
EBITDA growth Rate	An average rate of 2 per cent has been used for financial year 2025 onwards.	If a zero per cent average growth rate was applied for 2025 onwards there would be no impairment in any of the CGU's.

Sensitivity analysis using reasonable variations in the assumptions shows no indication of impairment.

13) PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings	**Motor vehicles**	**Office and computer equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 31 December 2021	424	13	1,614	2,051
Additions	24	-	331	355

Disposals and retirements	-	-	(17)	(17)
Acquired through business combinations	-	8	185	193
At 31 December 2022	448	21	2,113	2,582
Additions	-	-	505	505
Disposals and retirements	-	-	(29)	(29)
At 31 December 2023	**448**	**21**	**2,589**	**3,058**
Depreciation				
At 31 December 2021	(187)	(13)	(947)	(1,147)
Charge for the period	(76)	(1)	(319)	(396)
Disposals and retirements	-	-	17	17
At 31 December 2022	(263)	(14)	(1,249)	(1,526)
Charge for the period	(78)	(2)	(463)	(543)
Disposals and retirements	-	-	27	27
At 31 December 2023	**(341)**	**(16)**	**(1,685)**	**(2,042)**
Net Book Value				
At 31 December 2023	**107**	**5**	**904**	**1,016**
At 31 December 2022	185	7	864	1,056

14) INVENTORIES

	31 Dec 2023	31 Dec 2022
	£'000	£'000
Work in progress	**63**	**73**
Total Inventories	**63**	**73**

15) TRADE AND OTHER RECEIVABLES

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current		
Trade receivables	**6,453**	**6,872**
Less provision for impairment	**(237)**	**(380)**
Net trade receivables	**6,216**	**6,492**
Prepayments	**574**	**507**
Other receivables	**883**	**1,047**
Contract assets	**2,976**	**2,545**
Total	**10,649**	**10,591**

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

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

There is no expected credit loss in relation to contract assets recognised because the measure of expected credit losses is not material to the financial statements.

Impairment of financial assets

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

Definition of default

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

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

Write-off policy

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

Impairment of trade receivables and contract assets

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

As noted below, a loss allowance of £237,000 (2022: £380,000) has been recognised for trade receivables in the Zinc Communicate division based on the expected credit loss percentages for trade receivables and reflecting future conditions. The loss allowance relates to the Building Control Communications sub-division within Zinc Communicate, which has been assessed separately to other Zinc Communicate sub-divisions because it has a different debt collection profile due to its focus selling low value / high volume adverts for publications.

In relation to the Television division, the directors do not believe there are any other forward-looking factors to consider in calculating the loss allowance provision as at 31 December 2023. No expected loss provision has been recognised as the directors expect any loss to be immaterial.

No expected credit loss is expected for contract assets (2022: £nil).

Television

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	**Total 2023**
Gross carrying amount (£'000)	502	493	162	88	-	-	-	**1,245**
Loss allowance provision (£'000)	**-**	**-**	-	-	-	-	-	**-**

The expected credit loss in this division is immaterial.

Television

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	**Total 2022**
Gross carrying amount (£'000)	781	590	172	106	-	-	-	**1,649**
Loss allowance provision (£'000)	**-**	**-**	-	-	-	-	-	**-**

The Edge

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	**Total 2023**
Gross carrying amount (£'000)	1,677	923	386	440	-	-	-	**3,426**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

The expected credit loss in this division is immaterial.

The Edge

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2022
Gross carrying amount (£'000)	1,406	1,126	303	366	-	-	-	**3,201**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	-

Zinc Communicate - Publishing "Building Control Communications" division

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2023
Expected loss rate (%)	3%	5%	8%	11%	13%	19%	32%	**13%**
Gross carrying amount (£'000)	355	162	47	96	30	110	590	**1,390**
Loss allowance provision (£'000)	4	6	6	10	6	31	174	**237**

Zinc Communicate - Publishing "Building Control Communications" division

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2022
Expected loss rate (%)	12%	15%	18%	20%	23%	37%	51%	**34%**
Gross carrying amount (£'000)	131	130	128	57	50	354	416	**1,266**
Loss allowance provision (£'000)	15	18	21	10	10	116	190	**380**

Zinc Communicate - All other divisions

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2023
Gross carrying amount (£'000)	109	107	158	18	-	-	-	**392**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	**-**

The expected credit loss in this division is immaterial.

Zinc Communicate - All other divisions

Trade receivables:	Aging 0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-365 days	Over 365 days	Total 2022
Gross carrying amount (£'000)	549	113	68	27	-	-	-	**757**
Loss allowance provision (£'000)	-	-	-	-	-	-	-	-

provision (£'000)	-	-	-	-	-	-	-	-

Movements in the impairment allowance for trade receivables are as follows:

	31 Dec 2023 £'000	31 Dec 2022 £'000
Opening provision for impairment of trade receivables	**380**	549
Increase during the year	**198**	302
Receivables written off during the year as uncollectible	**(341)**	(471)
Movement in provision for impairment during the year	**(143)**	(169)
At 31 December	**237**	380

16) CASH AND CASH EQUIVALENTS

	31 Dec 2023 £'000	31 Dec 2022 £'000
Total Cash and cash equivalents	**4,948**	3,632

The Group's credit risk exposure in connection with the cash and cash equivalents held with financial institutions is managed by holding funds in a high credit worthy financial institution (Moody's A1- stable).

17) TRADE AND OTHER PAYABLES

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current		
Trade payables	**1,150**	1,415
Other payables	**130**	492
Other taxes and social security	**1,479**	1,149
Accruals	**4,646**	4,139
Contract liabilities	**4,485**	1,895
Contingent consideration payable	**392**	663
Total	**12,282**	9,753
Non-Current		
Contingent consideration payable	**1,940**	2,476
Total	**14,222**	12,229

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

18) LEASES UNDER IFRS 16

Right-of-use assets

	Short leasehold land and buildings £'000	**Office and computer equipment £'000**	**Total £'000**
Balance as at 1 January 2022	1,039	122	1,161
Additions	-	42	42
Acquired through business combinations	433	-	433
Depreciation	(455)	(97)	(552)
Balance as at 31 December 2022	1,017	67	1,084
Additions	295	-	295
Depreciation	(869)	(67)	(936)
Balance as at 31 December 2023	**443**	-	**443**

Lease liabilities are presented in the statement of financial position as follows:

	31 Dec 2023	31 Dec 2022

	2023	2022
	£'000	£'000
Current	**360**	675
Non-current	**57**	352
Total lease liabilities	**417**	1,027

The Groups future minimum lease payments are as follows:

	31 Dec 2023	31 Dec 2022
	£'000	£'000
Not later than 1 year	**371**	**707**
Later than 1 year and not later than 5 years	**50**	**312**
Later than 5 years	**-**	**50**
	421	**1,069**

19) BORROWINGS AND OTHER FINANCIAL LIABILITIES

	31 Dec 2023 £'000	31 Dec 2022 £'000
Current		
Lease liabilities	**360**	**675**
Debt facility - unsecured borrowings	**2,485**	**-**
Loan notes - unsecured borrowings	**978**	**-**
Sub total	**3,823**	**675**
Non-current		
Debt facility - unsecured borrowings	**-**	**2,512**
Loan notes - unsecured borrowings	**-**	**978**
Lease liabilities	**57**	**352**
Sub total	**57**	**3,842**
Total	**3,880**	**4,517**

Maturity of Financial Liabilities

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

	31 Dec 2023	31 Dec 2022
	£'000	£'000
Repayable within one year and on demand:		
Lease liabilities	**371**	**707**
Trade and other payables	**1,280**	**1,907**
Accrued expenses	**4,646**	**4,139**
Debt facility - unsecured	**2,682**	**-**
Loan notes - unsecured	**1,111**	**-**
Contingent consideration	**392**	**663**
	10,482	**7,416**
Repayable between one and two years:		
Lease liabilities	**50**	**312**
Debt facility - unsecured	**-**	**3,080**
Loan notes - unsecured	**-**	**1,111**
Contingent consideration	**1,940**	**-**
	1,990	**4,503**
Repayable between two and five years:		
Lease liabilities	**-**	**50**
Contingent consideration	**-**	**2,476**
	-	**2,526**
Total	**12,472**	**14,445**

Debt Facility

Loans totalling £2.5m (2022: £2.5m) are held by Herald Investment Trust Plc and The John Booth Charitable Foundation ("JBCF"), all of whom are a related party through shareholding. During the year the interest on the facility is based on monthly SONIA plus a margin of 4%, subject to a floor of RPI. There are no financial covenants in force in respect of this debt facility. The debt facility is unsecured and at year end was repayable in full on 31 December 2024. Post year end Herald Investment Trust plc and the JBCF agreed to extend the repayment date to 31 December 2025 on the same terms.

Loan notes - unsecured

The unsecured loan notes of £1.0m (2021: £1.0m) relates to short-term loan notes issued to Herald Investment Trust plc, a related party through shareholding. Interest during the year was at a fixed rate of 8%. At year end the interest was accrued and was repayable along with the principal on 31 December 2024. Post year end Herald Investment Trust plc agreed to extend the repayment date to 31 December 2025, with the interest rate remaining unchanged. There are no financial covenants in place in respect of this debt.

Finance leases

Net obligations under finance leases are secured on related property, plant and equipment and are included within lease liabilities.

Overdraft

The Group has an overdraft facility of £600k, which is secured over the assets of subsidiary companies. During the year the Group has not drawn upon the overdraft facility in place. The interest rate on the overdraft is 5.3% per annum over the Bank of England rate.

Net Debt Reconciliation

	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and cash equivalents (Note 16)	**4,948**	3,632
Lease liabilities (Note 19)	**(417)**	(1,027)
Debt facility - unsecured borrowings (Note 19)	**(3,463)**	(3,490)
Net Debt	**(1,068)**	(885)

Change in liabilities arising from financing activities

	31 Dec 2022 £'000	**Cash flows £'000**	**Interest charged £'000**	**Interest paid £'000**	**Non-cash changes £'000**	**31 Dec 2023 £'000**
Cash and Cash equivalents	3,632	**1,316**	-	-	-	**4,948**
Borrowings - debt facility	(2,512)	-	(269)	296	-	**(2,485)**
Borrowings - loan notes	(978)	-	(78)	78	-	**(978)**
Lease liabilities	(1,027)	905	(37)	37	(295)	**(417)**
Total liabilities from financing activities	(885)	2,221	(384)	411	(295)	**1,068**

20) FINANCIAL INSTRUMENTS

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

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

Risk	Potential impact	How it is managed
Liquidity	The Group's debt servicing requirements and investment strategies, along with the diverse nature of the Group's operations, means that liquidity management is recognised as an important area of	The Group's treasury function is principally concerned with internal funding requirements, debt servicing requirements and funding of new investment strategies. Internal funding and debt servicing

	focus. Liquidity issues could have a negative reputational impact, particularly with suppliers.	requirements are monitored on a continuing basis through the Group's management reporting and forecasting. The Group also maintains a continuing dialogue with the Group's lenders as part of its information covenants. The requirements are maintained through a combination of retained earnings, asset sales or capital markets. An overdraft of £0.6m is in place to help fund potential working capital fluctuations. New investment strategies are to be funded through existing working capital or where possible capital markets.

Capital management policy and risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

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

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
Borrowings (debt facility and loan notes)	**(3,463)**	**(3,490)**
Cash and cash equivalents	**4,948**	**3,632**
Net Cash	**1,485**	**142**
Total equity	**5,811**	**6,959**
Net cash to equity ratio	26%	2%

The Group's gearing ratio has changed due to an increased cash balance resulting from operational cash inflows and a decrease in equity due to overall movement in loss and comprehensive expense for the period and share issuance being lower than previous year.

Financial instruments by category

	31 Dec 2023 £'000	31 Dec 2022 £'000
Categories of financial assets and liabilities		
Financial assets - measured at amortised cost		
Trade and other receivables	**10,075**	**10,083**
Cash and cash equivalents	**4,948**	**3,632**
Financial liabilities - other financial liabilities at amortised cost		
Trade and other payables	**(5,926)**	**(6,046)**
Borrowings	**(3,463)**	**(3,490)**
Lease liabilities	**(417)**	**(1,027)**
Financial liabilities - other financial liabilities at fair value		
Contingent consideration payable	**(2,332)**	**(3,139)**

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

The contingent consideration payable is measured at fair value, using level 3 inputs in the calculation of fair value. The contingent consideration is made up of two parts. The larger portion of the consideration is fair valued using a Monte Carlo simulation where the EBIT of the first year is based on actual performance and each of the remaining two years is an independent, normally distributed random variable. An EBIT of £1.3m has been used for year one, £0.8m for year two and £1.2m for year three. Values have been calculated for all three years and in total and the average represents the fair value. As this is based on estimated EBIT the actual amount may be different. The smaller part of the contingent consideration relates to a performance bond that is owed to The Edge. All contingent consideration has been discounted using a discount rate of 12.9%.

A £0.1m increase in EBIT in each of years two and three could increase the contingent consideration payable by £0.2m, and a £0.2m decrease in EBIT in each of years two and three could decrease the contingent consideration payable by £0.4m.

21) DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022:25%) for UK differences. The movements in deferred tax assets and liabilities during the year are shown below.

	Deferred Tax Asset £'000	Deferred Tax Liability £'000	Net Position £'000
At 1 January 2022	**-**	**(190)**	**(190)**
Recognised on intangible assets	-	(801)	(801)
Recognised on current period amortisation	164	-	164
Recognised on tax losses	827	-	827
At 31 December 2022	**991**	**(991)**	**-**
Recognised on intangible assets	-	163	163
Recognised on current period amortisation	-	-	-
Recognised on tax losses	(163)	-	(163)
At 31 December 2023	**828**	**(828)**	**-**

Deferred tax assets estimated at £5.1 million (2022: £4.2 million) in respect of losses carried forward have not been recognised due to uncertainties as to when income will arise against which such losses will be utilised.

22) PROVISIONS

	31 Dec 2023 £'000	31 Dec 2022 £'000
Provisions	**276**	**242**

Movement in provisions

	£'000
At 31 December 2022	242
Additions	76
Utilised in the year	(42)
At 31 December 2023	**276**

Provisions comprise dilapidation provisions relating to properties. The associated forecast cash outflows are £0.2m in 2024. The movement in the provision in the year comprises a £0.04m cash outflow in relation to The Edge vacating their London office to co-locate with the rest of Zinc and an additional £0.08m provision in relation to Tern's Glasgow office.

23) SHARE CAPITAL AND RESERVES

	31 Dec 23	31 Dec 22
Ordinary shares with a nominal value of:	**0.125p**	0.125p
Authorised:		
Number	**Unlimited**	Unlimited
Issued and fully paid:		
Number	**22,765,327**	**21,806,834**
Nominal value (£'000)	**28**	**27**

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

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

	31 Dec 2023					31 Dec 2022			
	Number of Shares	**Share Capital**	**Share Premium**	**Merger Reserve**	**Share Based Payment Reserve**	Number of Shares	Share Capital	Share Premium	Merger Reserve
Ordinary shares		**£'000**	**£'000**	**£'000**	**£'000**		£'000	£'000	£'000
At start of year	**21,806,834**	**27**	**9,546**	**566**	**457**	16,200,919	20	4,785	27
Share placing and subscription for cash	**-**	**-**	**-**	**-**	**-**	5,037,059	6	5,031	-
Expenses of issue of shares	**-**	**-**	**-**	**-**	**-**	-	-	(270)	-
Consideration paid in shares	**654,637**	**1**	**-**	**597**	**-**	540,000	1	-	539
Shares issued in lieu of fees	**33,783**	**-**	**-**	**-**	**-**	28,856	-	-	-
Shares issued to directors	**270,073**	**-**	**-**	**-**	**90**	-	-	-	-
At end of year	**22,765,327**	**28**	**9,546**	**1,163**	**547**	21,806,834	27	9,546	566

Consideration paid in shares

On 21 November 2023 the Group issued 654,637 new ordinary shares in relation to contingent consideration payable in relation to the acquisition of The Edge.

Shares issued in lieu of fees

On 28 August 2023 the Group issued 33,783 new ordinary shares at a price of £0.88 per share to a Director in lieu of payment of director fees.

Shares issued to Directors

On 28 August 2023 the Group issued 270,073 new ordinary shares in relation to the exercise of share options that were awarded to directors under the Company's EMI Share Option Scheme in February 2020 and have been exercised at a price of 0.125 pence per share.

Nature and purpose of the individual reserves

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

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

- Retained earnings include the realised gains and losses made by the Group and the Company.

24) RELATED PARTY TRANSACTIONS

Herald Investment Trust plc and John Booth Charitable Foundation

The Company is the borrower of unsecured debt and loan notes with Herald Investment Trust plc and John Booth Charitable Foundation requiring a bullet repayment on 31 December 2024. The total amount outstanding at 31 December 2023 including accrued interest is £3.5m (2022: £3.5m). Interest accrued on the debt amounted to £0.1m (2022: £0.1m).

25) POST BALANCE SHEET EVENTS

Post year end the long-term debt holders agreed to extend the term of the debt by one year, such that the repayment of the debt is now due on 31 December 2025.

26) GUARANTEE IN RELATION TO SUBSIDIARY AUDIT EXEMPTION

On 18 April 2024, the Directors of the Company provided guarantees in respect of its trading subsidiary companies in accordance with section 479C of the Companies Act 2006. As a result, the following subsidiary entities of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006:

Blakeway Productions Limited (02908076)
Zinc Television London Limited (02800925)
Zinc Communicate CSR Limited (06271341)
Films of Record Limited (01446899)
Reef Television Limited (03500852)
Zinc Television Regions Limited (02888301)
Tern Television Productions Limited (SC109131)
The Edge Picture Co Limited (02557058)

Cautionary note regarding forward-looking statements

This press release may contain certain forward-looking information. The words "expect", "anticipate", believe", "estimate", "may", "will", "should", "intend", "forecast", "plan", and similar expressions are used to identify forward looking information.

The forward-looking statements contained in this press release are based on management's beliefs, estimates and opinions on the date the statements are made in light of management's experience, current conditions and expected future development in the areas in which the Company is currently active and other factors management believes are appropriate in the circumstances. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable law.

Readers are cautioned not to place undue reliance on forward-looking information. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties that contribute to the possibility that the predicted outcome will not occur, including some of which are beyond the Company's control. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements.

Inside Information

The information contained within this announcement constitutes inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) no. 596/2014 as it forms part of UK domestic law by virtue of the European the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. On the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

---

[1] Adjusted EBITDA is defined as EBITDA before Adjusting Items (see Note 8) comprising share based payment charges, gains on disposal of fixed assets, reorganisation and restructuring costs, acquisition costs and contingent consideration

[2] Source: PACT UK Television Production Survey 2023, by Oliver and Ohlbaum