ZOO Digital Group plc
Unaudited Interim Results
for the six months ended
30 September 2018

Chairman and Chief Executive's Statement

Overview

We are pleased to report on a positive first half of the year, which has seen further endorsement of the validity of our growth strategy. The expansion of our localisation service into dubbing has significantly increased the breadth of our offering and the size of our addressable market, as well as enhancing our competitive positioning, as we move towards becoming the leading provider of software-driven localisation services for movie, TV and video content around the world.

Key successes in the half have been the significant growth in dubbing projects and revenue, which have exceeded our expectations for the period, demonstrating growing market acceptance of our innovative cloud-based dubbing service. Our freelancer network has doubled in size, ensuring that talent is available to scale sufficiently to meet the growing levels of demand in both our dubbing and subtitling offerings, and we have extended our affiliate network in Dubai to ensure we are well placed to benefit from the rising trend for global distribution of non-English original content. Innovation has continued in the half, with the addition of several significant technology-based localisation capabilities, increasing the efficiency and speed to market for high quality dubbing and subtitling projects and adding to our competitive strength. While subtitling revenue growth was impacted in the half during the reconfiguring of a major OTT operator's partner programmes, this transition is now complete, and we are now experiencing normal operations under the new frameworks, with projects related to this operator now at a higher level than prior to the disruption. Early indications are that the new programmes will be favourable for ZOO in terms of increasing market share as well as the size and visibility of the order book.

The increase in digital entertainment content, the expansion of distribution channels and disruptive innovation in the sector by vendors such as Amazon, Hulu, Apple and Google are all combining to drive a growing demand for high quality and scalable content localisation services. ZOO's technology is a powerful differentiator and we believe that this, combined with our extensive freelancer and affiliate network and our in-depth industry know-how and connections, means we are uniquely positioned to capitalise on the long-term growth opportunity within the TV and film entertainment market.

Financial Results

Revenues of $14.9 million represent a 17% increase over the corresponding period last year (H1 FY18: $12.7 million). The growth has predominantly been in dubbing services delivered using our ZOOdubs cloud platform. As previously announced, subtitling revenue was impacted in the half by disruption, experienced by us and other market participants in the subtitling supply chain during the transition of a major OTT operator's partner programmes. The disruption has ceased, and normal operations have been restored, with projects related to this operator now at a higher level than prior to the disruption.

Gross profit is slightly ahead of last year at $4.9m (H1 FY18: $4.8m). There has been a temporary drop in margins to 33% from 38% last year, primarily due to the increase in direct staff recruited in line with our ongoing plans to support the significant growth in revenues anticipated in the second half and beyond. The impact of this move was a full 3 percentage points and the balance due to the effect of less subtitling in the period (which, as a more established revenue stream, carries higher margins than dubbing whilst it grows in scale).

It is pleasing that underlying gross profit margins (excluding additional investment in people) showed year on year improvement, with the stand out performance being dubbing up a full 9 percentage points. Our investment in the first half means that our current direct staff capacity can deliver the anticipated increase in revenues without the addition of further costs. This would indicate a return to previous gross profit margin levels.

We have also continued to invest, in line with our expectations and in a disciplined fashion, in operational capabilities to ensure that we remain at the forefront of our industry. This has included expansion of our in-house project coordination team and our global network of freelancers, extending our business development capability and expanding our participation in industry trade shows, activities that we expect to continue in line with increasing demand. As a result, operating costs have increased by 20% in the half to $5.3m (H1 FY18: $4.4m) leading to EBITDA adjusted for share-based payments reducing to $0.5m (H1 FY18: $1.3m). Again, the new level of operating expenses is sufficient to support the forecast second half revenue growth and therefore is expected to deliver a significant uplift in EBITDA margins.

We are pursuing multiple initiatives to continue to diversify our revenue sources; the introduction of our dubbing services is a natural diversification, being subject to differing purchasing processes to that of subtitling. Across our three key service lines of subtitling, dubbing and digital packaging, 74% of sales in the period under review were generated from clients that have taken two or more services (H1 FY18: 67%).

We are optimistic of expanding beyond the "early adopters" of cloud dubbing to include media companies where there is the potential for growing sales outside our largest clients. We are becoming increasingly active in other geographies where we are seeking to secure business with regional media companies, with recent successes in the Middle East and Australia, and have added a business development head in Hong Kong.

The cash balance at 30 September was $0.9m (H1 FY18: $0.7m) and is down from $2.4m at 31 March 2018. The cash outflow of $1.5m relates to the investment in new products ($0.4m), expansion and refit of the US office ($0.2m) and an increased working capital requirement of $1.1m. The second half of the financial year is expected to show a return to a positive cash flow.

The Group has no short-term debt and no borrowings other than its unsecured convertible loan note of $3.6 million (maturing in October 2020 with a conversion price of 48p) and lease commitments of $0.6 million. Should it be required, the Group has unused credit facilities. With regard to the convertible loan notes, as the current share price is above the conversion price, a non-cash provision of $4.7m was created in the March 2018 financial statements reflecting the embedded derivative and is also shown in non-current liabilities.

Market opportunity and Competitive positioning

The transition towards digital consumption of entertainment has been the greatest single change to the industry in modern times and, now that this form of delivery has been widely welcomed and adopted by the mass market, it is difficult to envisage such a cultural change again any time soon. It is now easier for content owners to reach a much wider audience through digital rather than physical products as the supply chain is simplified.

Consequently, content has become commercially available in more and more geographies, and as the territorial reach increases so too does the need for subtitling and dubbing into additional languages. The growth in the number of languages into which entertainment is being localised increases the scope of work for ZOO.

We believe ZOO is well positioned to capture a significant share of this growing number of localisation projects due to the following factors:

- ZOO's innovative use of technology enables content owners to distribute their products to additional territories at a faster speed-to-market and to a consistently higher quality than has previously been possible, with greater security and at a competitive price. The clear benefits delivered by the Company's differentiated proposition have driven significant organic growth in sales.
- ZOO's software enables the Company to collaborate with a worldwide network of thousands of freelance workers, such as translators, voice actors and dubbing directors, and to significantly reduce the human capital requirements of service fulfillment, enabling the Company to scale its capacity efficiently as demand increases and to capitalise on the on-going trend for global distribution of international content originating in a growing number of languages.
- ZOO's long history of service and software provision in the entertainment industry means it has an unrivaled depth of both industry know-how and customer relationships. Recent hires to the Company include senior directors from Walt Disney and traditional industry vendors.

Operations

Given the scale of the market opportunity described above, the principal focus of the Group has been on the continuing progress of our localisation services delivered through our proprietary cloud-based platforms, ZOOsubs and ZOOdubs, for the provision of subtitling and dubbing services respectively.

Dubbing

It is clear from the substantial increase in dubbing orders that the launch of this service has opened a significant new axis of growth for the Company in a market where, due to the complexity and high levels of labour required to create dubbed audio, we estimate the global spend to be approximately five times larger than that of subtitling. We have seen a growing number of orders from both existing and new customers, for which our ability to deliver a "one stop shop" for all multi-lingual localisation and digital packaging services worldwide is a key differentiator.

ZOOdubs facilitates the use of dubbing talent from anywhere in the world, while providing full visibility of work in progress to clients. A recent project saw two of the most in-demand dubbing talents from Latin America work concurrently on a project while one was in Mexico, the other on tour in Argentina, overseen by a dubbing director located in Los Angeles. Using the platform, a four-hour recording session was completed seamlessly and securely, all connected via the cloud.

Cloud dubbing is also opening more choice and opportunity for content owners. Using the cloud, the service can access a huge pool of voice talent, not restricted by geography or proximity to a traditional dubbing facility, meaning clients and casting directors can select the best artist for each role. Combining talent and technology means the service is hugely scalable and both time and cost-efficient. For example, a recent urgent project requiring the casting and recording of eight characters in three languages, resulting in a total of 24 separate recording sessions, was completed in one afternoon with all 24 voice artists working simultaneously. All audio was finished and ready to mix by the end of the day. In a traditional setting, allowing for studio and recording engineer availability, diarising of recording sessions, travel and other logistics, such a project would take significantly longer.

Following an initial test period, we are now moving into a phase of greater efficiency and scalability for our dubbing service. With a software platform that is more developed and established, the level of manual administration is decreasing, while high levels of quality are maintained, which has contributed towards an improvement in dubbing margins and scalability. This transition will continue into the second half of the year and beyond.

Subtitling

Our subtitling proposition continues to be attractive in a market that is calling for professional services delivered to high standards of quality. While we saw some disruption to order flow in the first half, it is important to note that this was related to a transition of the supply chain that affected all leading providers of media localisation services, and that the outlook is undiminished. The board is satisfied that this period of disruption has now passed, and that the changes to the supply chain are favourable for ZOO. The value of the subtitling order book has subsequently recovered following the period of disruption.

A pleasing trend in subtitling orders is that they are becoming increasingly broader in scope and are fulfilled over a longer period. This is contributing to extending the Group's visibility over future business.

Expansion of our Freelance network

We have been pleased with progress in our programme to select, train and engage freelance translators, dubbing directors, voice actors and audio mixers to ensure that talent is available to scale sufficiently to meet the growing levels of demand in both of our dubbing and subtitling offerings, helping us to be more effective and efficient than our competitors. Our freelance network has now increased to around 5,400 professionals, growing from around 4,400 at the end of the previous year, including members from across multiple territories and languages. This network now provides the capability to deliver 81 subtitle languages (of which 35 are frequently ordered) and 25 dubbing languages (nine of which are high frequency), and its continued expansion will remain a focus for the remainder of the year.

Technology and platform innovation

We have continued to make further investments in both dubbing and subtitling offerings to capitalise on our position as a preferred vendor to many of the leading names in an industry undergoing unprecedented growth and upheaval. Three key innovations developed in the half were:

- Launch of lip sync dubbing – in the prior year the majority of our dubbing assignments called for a voiceover approach. We have now extended our technology to support the preparation and delivery of lip syncing, the more complex and therefore higher value form of dubbing, with the initial projects receiving positive feedback from clients, voice actors and dubbing directors. This opens a wider pool of dubbing projects to ZOO.
- Launch of a scripting service powered by a new cloud-based platform, ZOOscripts, which is a cornerstone capability that will enable the Company to process combined subtitling and dubbing assignments consistently, providing our clients with further efficiency and greater control. This is particularly valuable when working on pre-release content, where the work on localisation begins prior to finalising the video edit. In this case, localisation operates as an iterative process, necessitating robust version control. ZOOscripts is one component of our ecosystem that ensures that any changes made to the original language dialogue are automatically propagated to all localised subtitles and dubbed soundtracks.
- Launch of Delta – software to identify automatically the dialogue changes in different versions and iterations of TV and movie content. This removes the need for manual tracking, visual inspection and duplicated work, which cause unnecessary delays and errors in traditional workflows. In a recent project that involved eight language dub streams and 30 subtitle streams, just one round of changes to the original language stream resulted in almost 1,200 affected events and over 13,000 affected words. When producing 38 language versions, with four more rounds of changes, this can give rise to as many as 2.5 million word changes in just one show. Delta enables the differences to be determined accurately and reliably, streamlining the dubbing and subtitling process.

The Company had previously been awarded a grant to explore machine learning within entertainment media localisation. The three-year project, in collaboration with a research partner, commenced in the period and is expected to deliver innovative new localisation methods that the Company will seek to protect by extending its portfolio of international patents.

Affiliate Network

We continue to develop relationships with in-territory partners in order to provide us with additional capacity to meet client demand, particularly in relation to processing of media assets that reside with content owners in their countries. In addition, these affiliates assist us in securing access to skilled linguists, dubbing directors and voice actors in territory.

The newly-built facility in Dubai, established by our affiliate Lime Green Media, is now fully operational and is already engaged to provide cloud dubbing in Arabic on behalf of our OTT clients who wish to extend their service in the Middle East region.

Board Changes

Roger Jeynes will step down as Chair of the board on or before the ninth anniversary of his tenure in April 2019 and will resign his position on the board in that year. In making this decision, Roger considered guidance set out in the Quoted Companies Alliance Corporate Governance Code 2018. The board has initiated a search for his successor.

We were pleased to welcome Phill Blundell as Chief Financial Officer in July 2018. Phill joins ZOO with a strong pedigree in senior finance and operational roles within UK technology public companies, including DotDigital Group plc, Eagle Eye Solutions Group plc and Intelligent Environments plc. He has over 20 years' experience building strong software businesses through product innovation and global strategic partnerships. Phill qualified as a Chartered Accountant with Coopers & Lybrand, now part of PwC.

We would like to thank all our staff, our growing network of freelancers and our shareholders for their continuing support in these exciting times.

Outlook

Trading in the second half of the year has begun positively, with the flow of subtitling orders returning to levels higher than prior to the disruption of the first half, and dubbing orders continuing to grow. We are confident in the prospects for a strong and cash generative second half and anticipate overall full year performance will be in line with market expectations.

The board is very confident in both the long-term opportunity for this market and ZOO's ability to capitalise upon it. All the indicators are that the global media localisation market is continuing to grow strongly, fuelled by demand for a greater volume of original content, delivered through an ever-expanding number of digital channels in a growing number of languages. The expansion of our localisation service into dubbing has significantly increased the breadth of our offering, the size of the addressable market and enhanced our competitive positioning.

ZOO combines the power of cloud computing with its deep understanding and experience of the industry to create a highly valuable proposition, providing localisation and digital packaging services to a growing number of the world's leading creators and distributors of film and TV entertainment. We are just at the very start of our journey and look to the future of the Company with great excitement.

Roger D Jeynes
Chairman

Dr Stuart A Green
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the six months ended 30 September 2018

	6 months to 30 Sep 2018 $000	Restated 6 months to 30 Sep 2017 $000	Year ended 31 Mar 2018 $000
Revenue	**14,895**	12,726	28,551
Cost of sales	**(9,949)**	(7,919)	(18,486)
Gross Profit	**4,946**	4,807	10,065
Other operating income	**47**	-	-
Operating expenses	**(5,292)**	(4,394)	(9426)
Operating (loss)/profit	**(299)**	413	639
Analysed as			
EBITDA before share-based payments	**491**	1,339	2,396
Share based payments	**(81)**	(191)	(276)
Depreciation	**(258)**	(222)	(450)
Amortisation and impairment	**(451)**	(513)	(1,031)
	299	413	639
Exchange gain/(loss) on borrowings	**332**	(184)	(456)
Conversion of convertible loan note	**-**	(145)	(115)
Fair value movement on embedded derivative	**-**	-	(4,666)
Finance cost	**(192)**	(221)	(411)
Total finance cost	**140**	(550)	(5,648)
Loss before taxation	**(159)**	(137)	(5,009)
Tax on loss	**(66)**	222	253
(Loss)/Profit and total comprehensive income for the period attributable to equity holders of the parent	**(225)**	85	(4,756)
Profit per ordinary share			
- basic	**(0.30) cents**	0.13 cents	(6.81) cents
- diluted	**(0.30) cents**	0.11 cents	(6.81) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
as at 30 September 2018

	As at 30 Sep 2018 $000	As at 30 Sep 2017 $000	As at 31 Mar 2018 $000
ASSETS			
Non-current assets			
Property, plant and equipment	**1,186**	1,034	889
Intangible assets	**6,518**	6,671	6,541
Deferred income tax assets	**486**	486	486
	8,190	8,191	7,916
Current assets			
Trade and other receivables	**8,077**	7,100	7,412
Cash and cash equivalents	**910**	722	2,409
	8,987	7,822	9,821
Total assets	**17,177**	16,013	17,737
LIABILITIES			
Current liabilities			
Trade and other payables	**(5,697)**	(3,977)	(6,106)
Borrowings	**(240)**	(734)	(226)
	(5,937)	(4,711)	(6,332)
Non-current liabilities			
Borrowings	**(3,957)**	(3,912)	(4,084)
Seperable embedded derivative	**(4,666)**	-	(4,666)
	(8,623)	(3,912)	(8,750)
Total liabilities	**(14,560)**	(8,623)	(15,082)
Net assets	**2,617**	7,390	2,655
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	**1,016**	1,010	1,010
Share premium reserve	**41,103**	41,033	41,003
Other reserves	**12,320**	12,320	12,320
Share option reserve	**769**	519	688
Capital redemption reserve	**6,753**	6,753	6,753
Convertible loan note reserve	**42**	42	42
Foreign exchange translation reserve	**(992)**	(992)	(992)
Accumulated losses	**(58,341)**	(53,275)	(58,116)
	2,670	7,410	2,708
Interest in own shares	**(53)**	(20)	(53)
Attributable to equity holders	**2,617**	7,390	2,655

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended 30 September 2018

	Ordinary shares	Share premium reserve	Foreign exchange translation reserve	Convertible loan note reserve	Share option reserve	Capital redemption reserve	Other reserves	Accumu-lated losses	Interest in own shares	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2017	7,236	37,007	(992)	42	328	-	12,320	(53,360)	(20)	2,561
Deferred shares	(6,753)					(6,753)				-
Conversion of loan note		145								145
Issue of share capital	527	3,881								4,408
Share-based payments					191					191
Transactions with owners	(6,226)	4,026	-	-	191	6,753	-	-	-	4,744
Profit for the period								85		85
Total comprehensive income for the period	-	-	-	-	-	-	-	85	-	85
Balance at 30 September 2017	1,010	41,033	(992)	42	519	6,753	12,320	(53,275)	(20)	7,390
Share-based payments					169					169
Loan note conversion		(30)								(30)
Purchase of own shares									(33)	(33)
Transactions with owners	-	(30)	-	-	169	-	-	-	(33)	(106)
Loss for the period								(4,841)		(4841)
Total comprehensive income for the period	-	-	-	-	-	-	-	(4,841)	-	(4,841)
Balance at 31 March 2018	1,010	41,003	(992)	42	688	6,753	12,320	(58,116)	(53)	2,655
Share-based payments					81					81
Issue of share capital	6	100								106
Transactions with owners	6	100	-	-	81	-	-	-	-	187
Loss for the period								(225)		(225)
Total comprehensive income for the period	-	-	-	-	-	-	-	(225)	-	(225)
Balance at 30 September 2018	1,016	41,103	(992)	42	769	6,753	12,320	(58,341)	(53)	2,617

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 September 2018

	6 months to 30 Sep 2018 $000	6 months to 30 Sep 2017 $000	Year ended 31 Mar 2018 $000
Cash flows from operating activities			
Operating (loss)/profit for the period	**(299)**	413	639
Depreciation	**258**	222	450
Amortisation and impairment	**451**	513	1,031
Share based payments	**81**	191	360
Purchase of own shares	-	-	(33)
Changes in working capital:			
Increases in trade and other receivables	**(665)**	(3,347)	(3,659)
(Decreases)/increases in trade and other payables	**(409)**	(68)	2,061
Cash flow from operations	**(583)**	(2,076)	849
Tax (paid)/received	**(66)**	222	253
Net cash flow from operating activities	**(649)**	(1,854)	1,102
Investing Activities			
Purchase of intangible assets	**(428)**	(269)	(657)
Purchase of property, plant and equipment	**(555)**	(183)	(266)
Net cash flow from investing activities	**(983)**	(452)	(923)
Cash flows from financing activities			
Repayment of borrowings	**(172)**	(392)	(927)
Proceeds from borrowings	**354**	93	-
Finance cost	**(155)**	(267)	(437)
Issue of Share Capital (net of costs of issue)	**106**	2,987	2,987
Net cash flow from financing	**133**	2,421	1,623
Net (decrease)/increase in cash and cash equivalents	**(1,499)**	115	1,802
Cash and cash equivalents at the beginning of the period	**2,409**	607	607
Cash and cash equivalents at the end of the period	**910**	722	2,409

NOTES

General information

ZOO Digital Group plc ('the Company') and its subsidiaries (together 'the Group') provide productivity tools and services for digital content authoring, video post-production and localisation for entertainment and packaging markets and continue with on-going research and development in those areas. The Group has operations in both the UK and US.

The Company is a public limited company which is listed on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of the registered office is 7th Floor, City Gate, 8 St Mary's Gate, Sheffield. The registered number of the Company is 3858881.

This condensed consolidated financial information is presented in US dollars, the currency of the primary economic environment in which the Company operates.

The interim accounts were approved by the board of directors on 5 November 2018.

This consolidated interim financial information has not been audited.

Basis of preparation

The consolidated financial statements of ZOO Digital Group plc and its subsidiary undertakings for the period ended 31 March 2019 will be prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

This Interim Report has been prepared in accordance with UK AIM listing rules which require it to be presented and prepared in a form consistent with that which will be adopted in the annual accounts having regard to the accounting standards applicable to such accounts. It has not been prepared in accordance with IAS 34 "Interim Financial Reporting".

The policies applied are consistent with those set out in the annual report for the year ended 31 March 2018, and have been consistently applied, unless stated otherwise.

This condensed consolidated financial information is for the six months ended 30 September 2018. It has been prepared with regard to the requirements of IFRS. It does not constitute statutory accounts as defined in S343 of the Companies Act 2006. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2018 which contained an unqualified audit report and have been filed with the Registrar of Companies. They did not contain statements under s498 of the Companies Act 2006.

The 6 months to September 2017 income statement has been restated following the decision by management to include the direct internal costs of sale within cost of sales rather than overheads in order to be more representative of the dynamics of the business going forward. This change of accounting policy has resulted in a total of $3,251,000 of staff costs being moved from operating costs into cost of sales.

Revenue

As of 1 January 2018, the Company adopted IFRS 15 "revenue from contracts with customers". IFRS 15 replaces the sections IAS 11 "Construction contracts", IAS 18" Revenue" and related interpretations.

Revenue arises from the provision of cloud-based localisation and digital distribution services. To determine whether to recognise revenue, the Group follows a 5-step process as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is measured at transaction price, stated net of VAT and other sales related taxes.
Revenue is generally recognised over time as the Group satisfies performance obligations by transferring the promised services to its customers. The transaction price is set out in the contract and is the localisation service fee. It is recognised as the localisation activity takes place over time.

The standard is required to be adopted either retrospectively or using a modified retrospective approach. The Company used the modified retrospective approach to adopt the standard. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognised on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15. The Company has reviewed its various revenue streams and underlying contracts with customers and, as a result of this review, the adoption of IFRS 15 did not have an impact on the Company's statements of comprehensive income and financial position. However, the Company has expanded the disclosures in the notes to its Financial Statements as prescribed by IFRS 15, including disclosing the Company's disaggregated revenue streams by product type. This is shown under "Segmental Reporting" below.

Basis of Consolidation

The consolidated financial statements of ZOO Digital Group plc include the results of the Company and its subsidiaries. Subsidiary accounting policies are amended where necessary to ensure consistency within the Group and intra group transactions are eliminated on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting regularly reviewed by the group's chief operating decision maker to make decisions about resource allocation to the segments and to assess their performance.

	Localisation		**Digital Packaging**		**Software Licensing**		**Total**	
	FY19 H1	FY18 H1	**FY19 H1**	FY18 H1	**FY19 H1**	FY18 H1	**FY19 H1**	FY18 H1
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Revenue	**11,039**	9,127	**2,888**	2,541	**968**	1,058	**14,895**	12,726
Segment contribution	**2,926**	2,757	**1,767**	1,610	**904**	902	**5,597**	5,269
Unallocated cost of sales							**(651)**	(462)
Gross profit							**4,946**	4,807
	27%	*30%*	*61%*	*63%*	*93%*	*85%*	*33%*	*38%*

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are recorded at the prevailing rate of exchange in the month of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognised in the income statement.

Group companies

The results and financial positions of all Group entities that use a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each entity are translated at the closing rate at the period end date;
- income and expenses for each Statement of Comprehensive Income are translated at the prevailing monthly exchange rate for the month in which the income or expense arose and all resulting exchange rate differences are recognised in other comprehensive income with the foreign exchange translation reserve.

Earnings per share

Earnings per share is calculated based upon the profit or loss on ordinary activities after tax for each period divided by the weighted average number of shares in issue during the period.

Weighted average number of shares for basic & diluted profit per share	**30 Sep 2018**	30 Sep 2017	31 Mar 2018
	No. of shares	No. of shares	No. of shares
Basic	**74,462,725**	66,309,079	69,841,166
Diluted	**86,720,202**	78,909,632	81,005,046

Where the Group has recorded a loss, diluted earnings per share is equal to basic earnings per share.

Further Copies

Copies of the Interim Report for the six months ended 30 September 2018 will be available, free of charge, for a period of one month from the registered office of the Company at 7th Floor, City Gate, 8 St Mary's Gate, Sheffield, S1 4LW or from the Group's website: www.zoodigital.com.

COMPANY INFORMATION

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3858881

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Chairman

M Kalifa
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Dr S A Green
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P Blundell
Chief Finance Officer
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