



**ZOO**

**ZOO Digital Group plc  
Unaudited Interim Results  
for the six months ended  
30 September 2013**

## **Chairman and Chief Executive's Statement**

### **Results**

Turnover for the first half to 30 September 2013 has decreased to \$4.7m (H1 2012: \$6.2 million) but shows an improvement compared with the second half of 2012 ( H2 2012: \$4.2 million). Our adjusted EBITDA\* in the period to 30 September 2013 decreased to \$290k (H1 2012: \$930k) but this also shows a marked improvement compared with last year's second half (H2 2102: loss of \$297k).

In January 2013 ZOO announced a contraction in the pipeline of production services work as a major client deferred certain orders which significantly impacted our results for the full financial year to March 2013. Steps were taken to restructure the Group's cost base, reducing operating expenses by over \$1 million since the first half of last year, and match it with the revenue pipeline. Progress was also made in diversifying ZOO's revenue streams in workflow management and productivity software.

The Board is encouraged therefore by the improvement in performance between the second half of 2012 and the first half of 2013, reflecting the strong sense of momentum within the ZOO business resulting from the growth of our subtitling and other software-based services to new clients.

### **Operations**

The major focus of the period under review has been ZOOsubs, the Group's proprietary Cloud-based subtitle production and management system and associated services.

ZOOsubs manages the entire process for the creation of subtitles, including translation services, their use in a variety of geographies and across numerous delivery platforms. Through the use of automation and workflow management delivered by the Company's ZOOcore platform, ZOOsubs is a much more cost efficient process than traditional methods and provides greater flexibility and control for clients. Importantly, freelance translators are engaged on a project basis, providing the Company with production scalability without requiring any significant increase in its fixed cost base.

ZOOsubs has been deployed at three of the six major global studios. Within one of these we have already seen a significant increase in the volume of work and expect this to improve even further, whilst we also anticipate increased volumes at the other two studios in the next calendar year. Equally encouraging is the level of interest in ZOOsubs amongst the large second tier of film and TV studios, which the Company has been targeting in the last few months. A number of these studios have trialled the services on a project basis and the feedback has been particularly positive.

The Company has continued to see adoption of ZOOcore, its Cloud-based workflow and collaboration platform, with increasing workflow and user numbers coming from both existing and new customers.

### **Outlook**

The cost restructuring that was implemented earlier this year has created a more focused and flexible business, but the Board's primary aim is to build sustainable growth in revenues, continuing the progress made in the first half of 2013 compared with the second half of 2012. Adoption of ZOOsubs by the world's leading studios, the large untapped opportunity for ZOOsubs in the wider market, and the relevance of ZOOcore to improving the workflows of leading content owners and creative organisations should support this goal.

Excluding our convertible loan note, the Group has a relatively small amount of debt. We expect to provide an update in respect of an extension in the term of our convertible loan note shortly.

**Roger D Jeynes**  
**Chairman**

**Dr Stuart A Green**  
**Chief Executive Officer**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
for the six months ending 30 September 2013

	6 months to 30 Sep 2013	6 months to 30 Sep 2012	Year ended 31 Mar 2013
	\$000	\$000	\$000
<b>Revenue</b>	<b>4,717</b>	6,211	10,363
Cost of sales	<b>(517)</b>	(381)	(745)
<b>Gross Profit</b>	<b>4,200</b>	5,830	9,618
Other operating income	<b>34</b>	114	293
Operating expenses	<b>(3,944)</b>	(5,014)	(9,278)
Profit before interest, tax, depreciation and amortisation	<b>290</b>	930	633
Depreciation	<b>(141)</b>	(121)	(260)
Amortisation and impairment	<b>(602)</b>	(610)	(1,425)
Total operating expenses	<b>(4,687)</b>	(5,745)	(10,963)
<b>Operating (loss)/profit</b>	<b>(453)</b>	199	(1,052)
Exchange (loss)/gain on borrowings	<b>(186)</b>	(28)	142
Finance cost	<b>(135)</b>	(141)	(286)
<b>Total finance cost</b>	<b>(321)</b>	(169)	(144)
<b>(Loss)/profit before taxation</b>	<b>(774)</b>	30	(1,196)
Tax on (loss)/profit	<b>(2)</b>	(1)	106
<b>(Loss)/profit and total comprehensive income for the period attributable to equity holders of the parent</b>	<b>(776)</b>	29	(1,090)
<b>(Loss)/profit per ordinary share</b>			
- basic	<b>(2.38) cents</b>	0.09 cents	(3.34) cents
-diluted	<b>(2.38) cents</b>	0.07 cents	(3.34) cents

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
as at 30 September 2013

	As at 30 Sep 2013	As at 30 Sep 2012	As at 31 Mar 2013
	\$000	\$000	\$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	399	446	419
Intangible assets	8,997	9,625	9,260
Deferred income tax assets	486	486	486
	<b>9,882</b>	10,557	10,165
<b>Current assets</b>			
Trade and other receivables	1,762	3,340	2,103
Cash and cash equivalents	307	277	960
	<b>2,069</b>	3,617	3,063
<b>Total assets</b>	<b>11,951</b>	14,174	13,228
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(1,992)	(2,672)	(3,014)
Borrowings	(3,340)	(231)	(2,864)
	<b>(5,332)</b>	(2,903)	(5,878)
<b>Non-current liabilities</b>			
Borrowings	(145)	(2,943)	(115)
<b>Total liabilities</b>	<b>(5,477)</b>	(5,846)	(5,993)
<b>Net assets</b>	<b>6,474</b>	8,328	7,235
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Called up share capital	7,236	7,236	7,236
Share premium reserve	37,014	37,014	37,014
Other reserves	12,293	12,293	12,293
Share option reserve	291	262	276
Warrant reserve	523	508	523
Convertible loan note reserve	42	42	42
Foreign exchange translation reserve	(992)	(992)	(992)
Accumulated losses	(49,914)	(48,024)	(49,138)
	<b>6,493</b>	8,339	7,254
<b>Interest in own shares</b>	<b>(19)</b>	(11)	(19)
<b>Attributable to equity holders</b>	<b>6,474</b>	8,328	7,235

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ending 30 September 2013

	Ordinary shares \$000	Share premium reserve \$000	Foreign exchange translation reserve \$000	Convertible loan note reserve \$000	Share option reserve \$000	Share warrant reserve \$000	Other reserves \$000	Accumu- lated losses \$000	Interest in own shares \$000	Total \$000
Balance at 1 April 2012	7,236	37,014	(992)	42	248	440	12,293	(48,053)	(81)	8,147
Share-based payments					14	68				82
Disposal of own shares									70	70
Transactions with owners	-	-	-	-	14	68	-	-	70	152
Profit for the period								29		29
Total comprehensive income for the period	-	-	-	-	-	-	-	29	-	29
Balance at 30 September 2012	7,236	37,014	(992)	42	262	508	12,293	(48,024)	(11)	8,328
Share-based payments					23	15				38
Forfeited Share options					(9)			5		(4)
Purchase of own shares									(13)	(13)
Disposal of own shares									5	5
Transactions with owners	-	-	-	-	14	15	-	5	(8)	26
Loss for the period								(1,119)		(1,119)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,119)	-	(1,119)
Balance at 31 March 2013	7,236	37,014	(992)	42	276	523	12,293	(49,138)	(19)	7,235
Share-based payments					15					15
Transactions with owners	-	-	-	-	15	-	-	-	-	15
Loss for the period								(776)		(776)
Total comprehensive income for the period	-	-	-	-	-	-	-	(776)	-	(776)
Balance at 30 September 2013	7,236	37,014	(992)	42	291	523	12,293	(49,914)	(19)	6,474

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the six months ending 30 September 2013

	6 months to 30 Sep 2013	6 months to 30 Sep 2012	Year ended 31 Mar 2013
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Operating (loss)/profit for the period	(453)	199	(1,052)
Depreciation	141	121	260
Amortisation and impairment	602	610	1,425
Share based payments	15	82	116
Purchase of own shares	-	-	(13)
Disposal of own shares	-	70	75
Disposal and de-recognition of intangible assets	-	-	15
Disposal of property, plant and equipment	-	-	3
Exchange loss	12	20	-
Changes in working capital:			
Decreases/(increases) in trade and other receivables	341	(975)	262
(Decreases)/increases in trade and other payables	(1,022)	(50)	292
<b>Cash flow from operations</b>	<b>(364)</b>	<b>77</b>	<b>1,383</b>
Tax (paid)/received	(2)	(1)	106
<b>Net cash flow from operating activities</b>	<b>(366)</b>	<b>76</b>	<b>1,489</b>
<b>Investing Activities</b>			
Purchase of intangible assets	(321)	(730)	(1,213)
Purchase of property, plant and equipment	(22)	(29)	(252)
<b>Net cash flow from investing activities</b>	<b>(343)</b>	<b>(759)</b>	<b>(1,465)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(118)	(121)	(336)
Proceeds from borrowings	310	-	304
Finance cost	(124)	(133)	(266)
<b>Net cash flow from financing</b>	<b>68</b>	<b>(254)</b>	<b>(298)</b>
Net decrease in cash and cash equivalents	(641)	(937)	(274)
Cash and cash equivalents at the beginning of the period	960	1,234	1,234
Exchange loss on cash and cash equivalents	(12)	(20)	-
Cash and cash equivalents at the end of the period	307	277	960

## 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 The Tower, 2 Furnival Square, 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 30 October 2013.

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 (the "Group") for the period ended 31 March 2014 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 2013, and have been consistently applied, unless stated otherwise.

A copy of the statutory accounts for the year ended 31 March 2013, prepared under IFRS, has been delivered to the Registrar of companies and contained an unqualified auditors' report.

### 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.

### 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 balance sheet date;
- income and expenses for each income statement are translated at the prevailing monthly exchange rate for the month in which the income or expense arise and all resulting exchange rate differences are recognised with foreign exchange translation reserve.

### Equity securities issued

No securities have been issued during the period to 30 September 2013, 31 March 2013 or 30 September 2012.

### 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/(loss) per share

	<b>30 Sep 2013</b>	30 Sep 2012	31 Mar 2013
	<b>No. of shares</b>	No. of shares	No. of shares
Basic	32,660,660	32,660,660	32,660,660
Diluted	41,795,199	41,481,367	41,657,186

### Further Copies

Copies of this announcement and the Interim Report for the six months ended 30 September 2013 will be available, free of charge, for a period of one month from the Company's Nominated Adviser and Broker, finnCap, 60 New Broad Street, London, EC2M 1JJ, from the registered office of the Company at The Tower, 2 Furnival Square, Sheffield, S1 4QL or from the Group's website: [www.zoodigital.com](http://www.zoodigital.com).



## **COMPANY INFORMATION**

### **Registered Office**

The Tower  
2 Furnival Square  
Sheffield  
S1 4QL

### **Company number**

385881

### **Directors**

RD Jeynes  
Chairman

Dr SA Green  
Chief Executive Officer

HP Gilder  
Group Finance Director  
and Company Secretary

G Doran  
Commercial Director

JA Livingston  
Non-Executive Director

### **Bankers**

Royal Bank of Scotland  
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### **Solicitors**

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### **Auditors**

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### **Nominated advisor and broker**

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