



**ZOO Digital Group plc  
Unaudited Interim Results  
for the six months ended  
30 September 2014**

## Chairman and Chief Executive's Statement

### Results

The Board is pleased to report a period of solid progress for the Company with results for the six months to 30 September 2014 in line with management expectations. Revenues grew 47% to \$6.9m (H1 2013: \$4.7m), driven largely by the continued progress from subtitling services delivered using ZOOsubs.

The increasing gross profit contribution from ZOOsubs, which entails the use of subcontract translators as a cost of sales, has led to gross profit margins decreasing to 76% from 89% in the comparative period. Gross profit margins in other parts of the business have, however, remained resilient and, despite ongoing investment to support the rollout of ZOOsubs, including sales, marketing and infrastructure, we report an EBITDA margin similar to the comparative period, with adjusted EBITDA for the period of \$0.4m (H1 2013: \$0.3m), an increase of 38%.

On 24 November, post period end, the Group announced that it had raised \$1.3m (£0.8m) in new working capital support by way of the issue of a new convertible loan note with Herald Investment Trust plc. The key terms are identical to those of the Company's existing Unsecured Convertible Loan Notes of £1,770,500, including a conversion price of 48 pence per ordinary share. Subsequent to this issue, the combined existing and new loan notes have a principal value of £2,570,500.

### Operations

The period under review was characterised by the continued diversification of both the Company's client base and revenue mix. This has been the result of growing demand for the Company's ZOOsubs offering, ZOO's proprietary cloud-based subtitling production and management system. As reported at the time of Company's final results in August 2014, this offering now includes subtitling, captioning and dubbing services, all of which can be efficiently addressed through the technology platform.

Revenue from the ZOOsubs proposition is repeating in nature and the increased work volumes in the period have provided the Company with greater visibility over future revenue and resource requirements. As a result of the strong momentum for ZOOsubs, the Company continues to invest in the service in line with market opportunities, including increased sales and marketing resources.

While the pipeline of new business for ZOOsubs remains strong going into the second half of the year, the Board expects some short term effects following a disruptive restructuring taking place within one of the Company's major customers. As a result of these changes some of the work orders placed by this particular customer have been delayed, however the Board remains confident that the orders will resume back to normal levels in the New Year.

Demand for ZOOcore, the Group's cloud-based workflow and collaboration platform, remains robust and continues to contribute to the Group's recurring revenue base.

### Board Change

Post period end the Company announced that James Livingston, Non-executive Director, stepped down from the Board with effect from 25 November 2014. The Group intends to appoint a replacement independent non-executive director in due course.

### Outlook

The Board is very pleased with the progress achieved in the period under review. The building momentum from the prior year continued into the first half of the year and we are pleased to have grown top line revenues by over 40%. Management focus on the period ahead will be on improving margins and profitability.

We remain encouraged by the increasing interest we are receiving for our Cloud-based solutions, and we believe the propositions we now offer, consisting of differentiated products and services, leave us well placed to continue to grow the business. While restructuring changes within one of the Company's major customers has caused some work projects to be delayed, the Board is confident that this will resume back to normal levels in due course. As ever, we can be impacted by the dynamics of the entertainment industry but we are confident that our broadening range of services is attractive to our increasingly diversified customer base and, as a result, we remain cautiously optimistic about the Group's future prospects.

**Roger D Jeynes**  
Chairman

**Dr Stuart A Green**  
Chief Executive Officer

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
for the six months ending 30 September 2014

	6 months to 30 Sep 2014	6 months to 30 Sep 2013	Year ended 31 Mar 2014
	\$000	\$000	\$000
<b>Revenue</b>	<b>6,930</b>	4,717	9,562
Cost of sales	<b>(1,637)</b>	(517)	(1,708)
<b>Gross Profit</b>	<b>5,293</b>	4,200	7,854
Other operating income	-	34	34
Operating expenses	<b>(4,894)</b>	(3,944)	(8,383)
Profit/(loss) before interest, tax, depreciation and amortisation	<b>399</b>	290	(495)
Depreciation	<b>(114)</b>	(141)	(279)
Amortisation and impairment	<b>(633)</b>	(602)	(1,317)
Total operating expenses	<b>(5,641)</b>	(4,687)	(9,979)
<b>Operating (loss)/profit</b>	<b>(348)</b>	(452)	(2,091)
Exchange (loss)/gain on borrowings	<b>11</b>	(186)	(254)
Finance cost	<b>(301)</b>	(135)	(332)
<b>Total finance cost</b>	<b>(290)</b>	(321)	(586)
<b>(Loss)/profit before taxation</b>	<b>(638)</b>	(773)	(2,677)
Tax on (loss)/profit	<b>66</b>	(2)	(15)
<b>(Loss)/profit and total comprehensive income for the period attributable to equity holders of the parent</b>	<b>(572)</b>	(775)	(2,692)
<b>(Loss)/profit per ordinary share</b>			
- basic	<b>(1.75) cents</b>	(2.38) cents	(8.24) cents
-diluted	<b>(1.75) cents</b>	(2.38) cents	(8.24) cents

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
as at 30 September 2014

	As at 30 Sep 2014	As at 30 Sep 2013	As at 31 Mar 2014
	\$000	\$000	\$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	459	399	509
Intangible assets	8,362	8,997	8,598
Deferred income tax assets	486	486	486
	<b>9,307</b>	9,882	9,593
<b>Current assets</b>			
Trade and other receivables	2,593	1,762	3,207
Cash and cash equivalents	270	307	122
	<b>2,863</b>	2,069	3,329
<b>Total assets</b>	<b>12,170</b>	11,951	12,922
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(2,791)	(1,992)	(2,971)
Borrowings	(1,132)	(3,340)	(147)
	<b>(3,923)</b>	(5,332)	(3,118)
<b>Non-current liabilities</b>			
Borrowings	(4,243)	(145)	(5,238)
<b>Total liabilities</b>	<b>(8,166)</b>	(5,477)	(8,356)
<b>Net assets</b>	<b>4,004</b>	6,474	4,566
<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	312	291	302
Warrant reserve	-	523	-
Convertible loan note reserve	42	42	42
Foreign exchange translation reserve	(992)	(992)	(992)
Accumulated losses	(51,878)	(49,914)	(51,306)
	<b>4,027</b>	6,493	4,589
<b>Interest in own shares</b>	<b>(23)</b>	(19)	(23)
<b>Attributable to equity holders</b>	<b>4,004</b>	6,474	4,566

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ending 30 September 2014

	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 2013	7,236	37,014	(992)	42	276	523	12,293	(49,138)	(19)	7,235
Share-based payments					15					15
Disposal of own shares										-
Transactions with owners	-	-	-	-	15	-	-	-	-	15
Profit for the period								(572)		(572)
Total comprehensive income for the period	-	-	-	-	-	-	-	(572)	-	(572)
Balance at 30 September 2013	7,236	37,014	(992)	42	291	523	12,293	(49,710)	(19)	6,678
Share-based payments					14					14
Forfeited Share options					(3)			1		(2)
Lapsed share options						(523)		523		
Purchase of own shares									(2)	(2)
Disposal of own shares										-
Transactions with owners	-	-	-	-	11	(523)	-	524	(2)	10
Foreign Exchange translation adjustment									(2)	(2)
Loss for the period								(2,120)		(2,120)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,120)	-	(2,120)
Balance at										
31 March 2014	7,236	37,014	(992)	42	302	-	12,293	(51,306)	(23)	4,566
Share-based payments					10					10
Transactions with owners	-	-	-	-	10	-	-	-	-	10
Loss for the period								(572)		(572)
Total comprehensive income for the period	-	-	-	-	-	-	-	(572)	-	(572)
Balance at										
30 September 2014	7,236	37,014	(992)	42	312	-	12,293	(51,878)	(23)	4,004

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the six months ending 30 September 2014

	6 months to 30 Sep 2014	6 months to 30 Sep 2013	Year ended 31 Mar 2014
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Operating loss for the period	(348)	(453)	(2,091)
Depreciation	114	141	279
Amortisation and impairment	633	602	1,428
Share based payments	10	15	27
Purchase of own shares	-	-	(2)
Disposal of own shares	-	-	-
Disposal and de-recognition of intangible assets	-	-	-
Disposal of property, plant and equipment	-	-	-
Exchange (loss)/gain	(9)	12	(2)
Changes in working capital:			
Decreases/(increases) in trade and other receivables	614	341	(1,104)
(Decreases)/increases in trade and other payables	(180)	(1,022)	(43)
<b>Cash flow from operations</b>	<b>834</b>	<b>(364)</b>	<b>(1,508)</b>
Tax received/(paid)	66	(2)	(15)
<b>Net cash flow from operating activities</b>	<b>900</b>	<b>(366)</b>	<b>(1,523)</b>
<b>Investing Activities</b>			
Purchase of intangible assets	(397)	(321)	(766)
Purchase of property, plant and equipment	(64)	(22)	(369)
<b>Net cash flow from investing activities</b>	<b>(461)</b>	<b>(343)</b>	<b>(1,135)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(10)	(118)	(200)
Proceeds from borrowings	-	310	2,327
Finance cost	(290)	(124)	(307)
<b>Net cash flow from financing</b>	<b>(300)</b>	<b>68</b>	<b>1,820</b>
Net decrease in cash and cash equivalents	139	(641)	(838)
Cash and cash equivalents at the beginning of the period	122	960	960
Exchange loss on cash and cash equivalents	9	(12)	-
Cash and cash equivalents at the end of the period	270	307	122

## 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 8 December 2014.

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 2014, 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 2014, 31 March 2014 or 30 September 2013.

### 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 2014</b>	30 Sep 2013	31 Mar 2014
	<b>No. of shares</b>	No. of shares	No. of shares
Basic	32,660,660	32,660,660	32,660,660
Diluted	41,123,844	41,795,199	41,123,844

### Further Copies

Copies of this announcement and the Interim Report for the six months ended 30 September 2014 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

### **Bankers**

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### **Auditors**

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