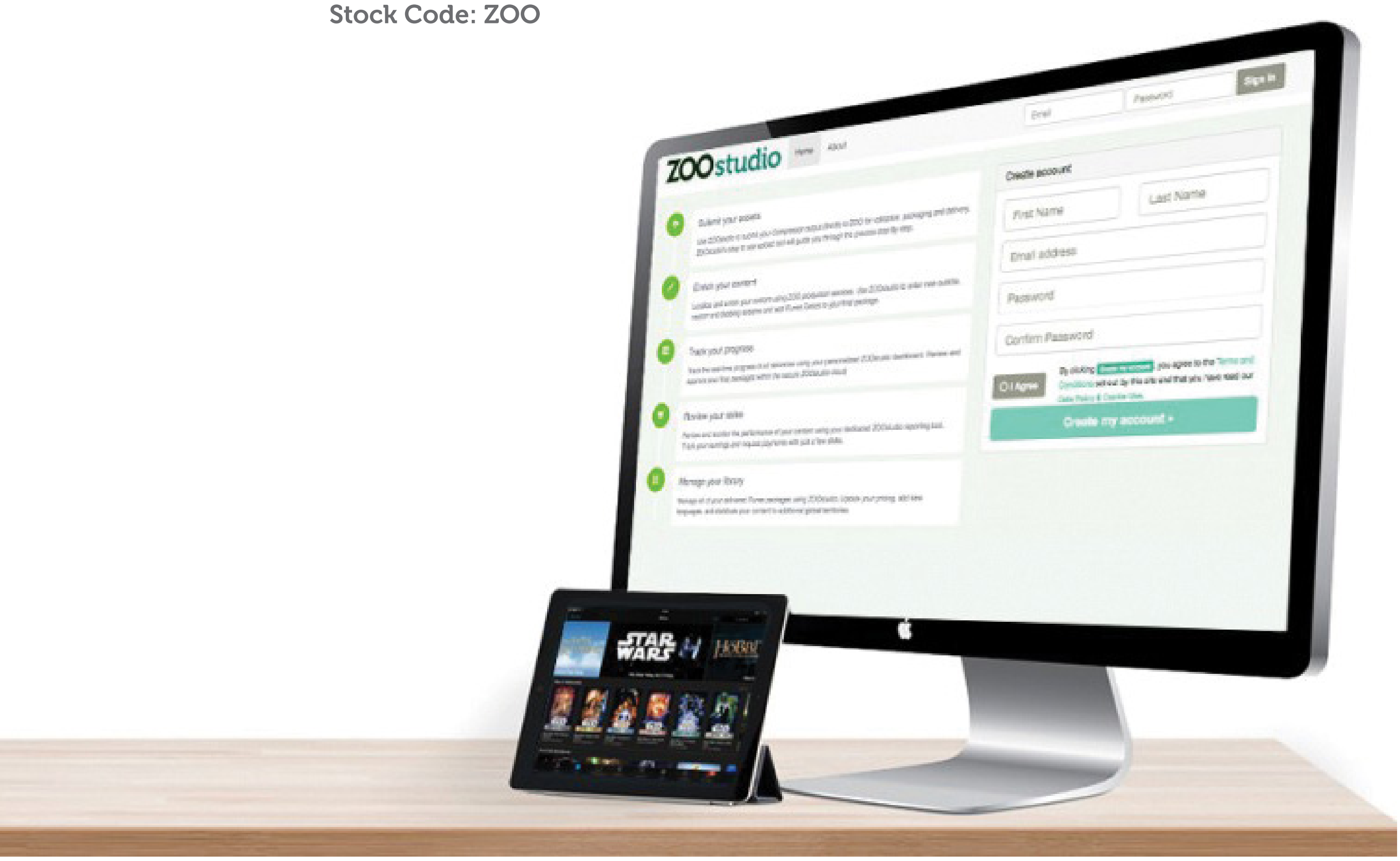
ZOO Digital Group plc

Annual Report and Accounts 2015

Stock Code: ZOO



Delivering The
Next Generation
Of Global Content
Services

Welcome
to ZOO Digital Group

ZOO Digital is a provider of cloud-based media production services and software to global creative organisations, predominantly in the entertainment industry. Our full service proposition includes localisation of audio-visual content (embracing subtitling, captioning and dubbing), digital distribution solutions for a growing number of Over The Top digital video platforms and creative workflow systems.

Our services enable clients to capitalise on new routes to market and deliver localised content to their customers across multiple platforms.

Our clients enjoy reduced time to market, higher quality and lower costs. We do this by delivering differentiated production services through the application of our innovative cloud software. In this way we provide flexible solutions that combine services with software licensing to meet the diverse needs of clients of all sizes across the creative media industries. Our software is used to create localised entertainment products, packaging and marketing campaigns for some of the best known brands in the world.

Contents

Operational Highlights

- **Significant growth** in localisation with client numbers more than doubling in the period.
- **Workflow management** and centralised subtitling platform adopted by BBC Worldwide.
- **Approved by Apple** to deliver motion picture and television content directly to iTunes and appointed as one of four global partners to provide localisation and digital packaging services.
- **New convertible loan note** secured raising $1.2m (£0.8m) in new working capital support.

Key Financials

REVENUE	EBITDA LOSS	OPERATING LOSS
$11.5m	$0.7m	$2.1m
(2014: $9.6m)	(2014: $0.4m)	(2014 : $2.1m)

Group at a Glance

ZOO Digital Group plc ("ZOO") provides a range of software enabled services that support the workflows associated with design, development and distribution of creative media, particularly video content. These include localisation and access services for audio-visual materials, involving subtitling, captioning and dubbing.

By centralising asset storage, order placement, review and approval processes via secure cloud-based platforms, ZOO's proprietary software helps clients to increase their speed of production, reduce costs and protect brand integrity. Our services enable clients to capitalise on new routes to market and deliver localised content efficiently to their customers across multiple platforms.

Smarter Workflows for Creative Media

The group's largest customers include major Hollywood studios, for which the production, marketing and distribution of film and TV properties in numerous formats across many geographies and languages has previously been a lengthy, costly and largely manual process. Our services empower our clients to operate with greater control, to a higher quality and at a lower cost.

Increasingly the group's propositions are benefiting a variety of companies across sectors where the development of media products, localisation, printing, packaging and marketing involves complex processes in multiple countries and languages, and efficient collaboration becomes a significant challenge.

Workflow Solutions for the Creative Media Industries

Our Services

ZOO provides production services delivered through cloud-based software to support creative media preparation and publication, enabling diverse groups of individuals to collaborate efficiently via the internet.

While we may think of creative media in the form of consumer products and content, such as film and video, videogames, music and books, it now plays an ever increasing role in the operations of most B2B and B2C organisations. The preparation of product packaging and marketing materials involves the design, production, review, approval and localisation of creative media and is undertaken by commercial organisations across all sectors, both large and small.

As businesses strive to reach global audiences, creative media must be produced in the local languages of customers all around the world, often as part of simultaneous product releases across many territories. In many industries there is a drive to create more products, faster, in a greater number of languages and at lower cost. This often requires a huge effort by many collaborating groups – suppliers, distributors, licensees, territory offices, legal departments, translators – involving complex workflows with plenty of opportunity for human error.

At ZOO we help our clients to manage their businesses better by delivering fully managed services and by licensing and tailoring a range of software-enabled services that increase productivity, reduce waste and improve management information. Our cloud-based platforms provide the capabilities of workflow management and process automation. The production services we offer are built upon these systems, most significantly for localisation of and access to audio-visual materials including subtitling, captioning and dubbing. Subtitles are usually textual translations of dialogue into other languages while captions are native language text designed primarily to provide access for the deaf and hard of hearing.

Our Services

Our services are delivered through the use of a number of cloud-based software platforms:

ZOOsubs
enabling highly efficient subtitling and captioning services;

ZOOcore
powering creative media collaborative production processes;

ZOOstudio
delivering digital video distribution services globally; and

ZOOdubs
sourcing premium multi-lingual dubbing services.

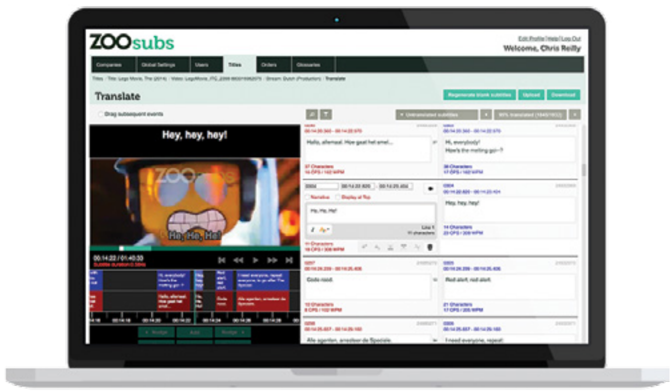
Our revenues are derived mainly from provision of media production services to our clients particularly in the areas of subtitling, captioning and dubbing. In addition, we generate recurring income from our software solutions in the form of Software as a Service licensing fees. In some cases these are charged on a per-user per-month basis, and in other cases they are charged based on the volume of materials processed by the tools. This hybrid approach enables us to tailor our offerings to suit the particular needs and circumstances of each client.

ZOOsubs

The introduction of DVD technology in 1996 led to an explosion in demand for localised programming all over the world. Subsequently, the now widespread distribution of film and episodic TV content via broadcast, cable and satellite, and more recently via a plethora of 'Over The Top' (OTT) online platforms, has resulted in a dramatic growth in localisation services for entertainment content and other video programming.

According to the European Commission, the size of the language industry in the EU for subtitling and dubbing was €0.5B annually in 2009. Costing around one tenth of the price of the equivalent dubbed soundtracks, subtitles have become a popular choice for content owners and broadcasters to deliver localised programming quickly and cost-effectively.

Aggressive programming schedules have made it a challenge to produce high quality entertainment subtitles cost-effectively. The completion of new episodes of popular TV series requires a fast turn-around of subtitles to meet broadcasters' air dates; a drive for so-called "day and date release" of feature films (simultaneous launch of movies in multiple countries on the same day) requires finely managed logistics to produce localised materials ready to launch on time in each country.



The proliferation of delivery channels for film and TV programming, including theatrical releases (in cinemas), broadcast, cable, satellite, DVD, Blu-ray Disc, internet streaming, iTunes, Vudu, CinemaNow, Amazon and many others, brings its own particular technical challenges. This results in the need to prepare subtitles in many different technical formats and specifications. So across several languages and platform types, one episode of a TV series may require the preparation of literally hundreds of digital files, each of which must be created, quality assured, managed and delivered on time.

Our ZOOsubs proposition provides a combination of workflow management, automation and translation services to support the localisation of audio-visual materials. Through this cloud-accessible service our clients and their partners are able to submit native language reference materials, order translations, quality assure, convert, repurpose, store, manage and deliver localised media. For most of our ZOOsubs clients we provide a highly efficient complete service empowered by ZOOsubs and ZOOcore, delivering subtitles and captions in over 50 languages, optimised for all popular delivery formats.

ZOOsubs software and service is being used by large film studios, content distribution platform operators, universities and global corporations to create and manage subtitles for film and video programs delivered to consumers all around the world.

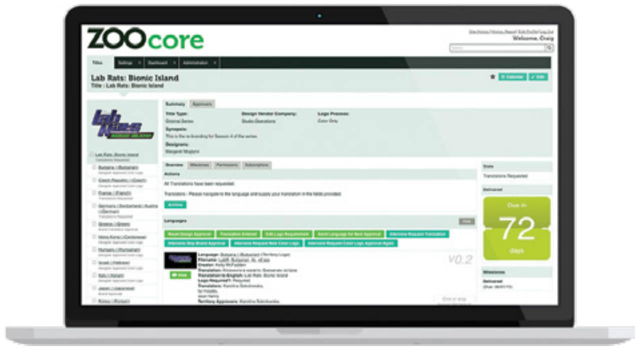
ZOOcore

In the fast pace of today's markets, keeping on top of things is becoming increasingly challenging. Within businesses of many types the world over, managers are expending more and more time and energy checking on progress (of both internal staff and external partners, vendors and suppliers), re-scheduling work and wrestling with run-away review cycles.

Reporting status and progress to senior management and clients is increasingly onerous due to rapidly evolving schedules and can be a drain on resources. The tools employed in many businesses today for managing people and deliverables are often very limited in how they help – frequently being based on generic software such as spreadsheets and email.

Using our ZOOcore platform, we provide information systems that help our clients to schedule, allocate and control work packages easily, including automatic schedule updates and informing the people involved when deadlines move, work packages change or related tasks overrun. Our systems make it very easy for our clients' staff, subcontractors and even their customers to see what is required of them and when. They also provide very simple and effective mechanisms for everyone involved to submit and share their work, comments or approvals.

ZOOcore is a new generation of technology that builds on our extensive experience of creating workflow management systems and services for clients for almost 10 years, and consolidates the software innovations formerly delivered as our Translation Management System and media collaboration toolsets. Experience has taught us that information systems are embraced most readily by organisations when they minimise friction with established, proven working practices and processes. This has led us to architect this new platform such that workflow systems can be configured quickly and easily to match the unique requirements of each business.



The use of tailored ZOOcore installations is a defining feature of the production services we deliver. These align our services exactly with each client's workflows and streamline the interaction between us, our clients and their partners to ensure clear and reliable communications and full visibility of the progress of all projects. This allows us to deploy productivity solutions for internal and external workforces incurring the least possible disruption to their working practices. For other clients and work groups, ZOOcore provides an affordable entry point to introduce proactive workflow management capabilities into their organisations.

We have deployed ZOOcore systems for some of the largest global creative media organisations in the world, including Hollywood studios, TV companies and publishers. We enjoy recurring revenues from monthly utilisation of our services which scale with more widespread adoption throughout our clients' organisations.

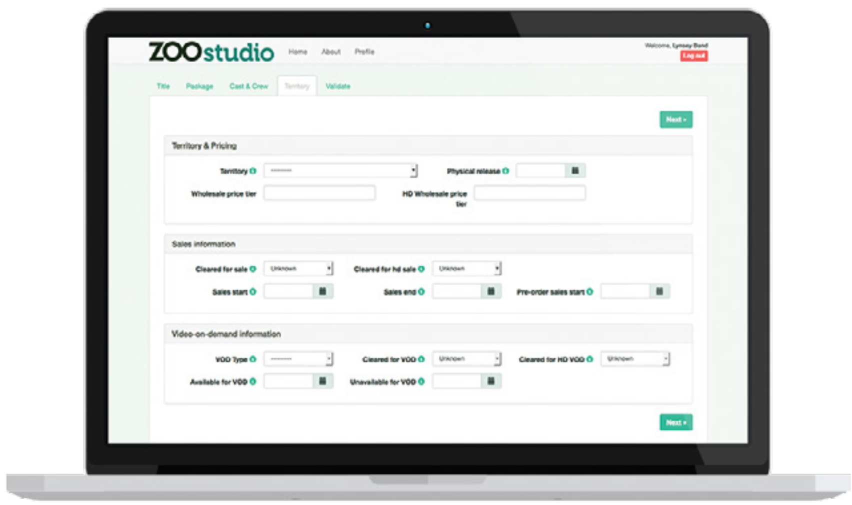
ZOOstudio

The demands and technical challenges associated with the digital distribution of audio-visual programmes, such as feature films and episodic TV series, have increased dramatically over the past four years. Where just a few years ago packaged media in the form of the DVD-Video disc was the primary means to deliver such content to consumers, today there are an ever-growing number of competing formats.

Consumers appreciate the convenience of being able to purchase and view film and video content on multiple formats and at times that best suit them – whether on conventional TV or on mobile devices. This has become possible as a result of a number of distinct distribution models including Electronic Sell-Through (consumers pay a one-time fee to download and view), Video On Demand and Internet Video On Demand (consumers pay per view), and subscription services (consumers pay a monthly fee to access a library of content). In each case multiple vendors compete for market share including Apple, Netflix, Amazon, Microsoft and Sony.

This explosion of technical delivery formats places greater demands and costs on rights holders who must now take the original programme materials and conform them to the specific requirements of each platform operator. This involves formatting of video and audio streams, adapting subtitles and captions, incorporating complex metadata and packaging all these elements together for delivery to the platform operator. Although digital distribution is a leveller in the industry, giving small independent content producers an easier and more direct route to market than ever before, the technical demands of the growing number of OTT platforms can be an inhibitor.

ZOOstudio is our proposition to the entertainment industry to provide a reliable and efficient way to prepare digital distribution packages that are right first time, delivered cost effectively for multiple languages and platforms. Powered by ZOOcore and a number of additional proprietary software tools, ZOOstudio is enabling a growing number of small and medium sized entertainment companies to exploit the emerging opportunities for commercialisation of content across a wide range of digital platforms.



ZOOdubs

While subtitling is the most popular method of localising film and TV content, certain markets and audiences require that materials are dubbed into the local language. This involves recording new voices in the target language and mixing these recordings with original production sound (containing music and effects). In this way the voices of the actors shown on screen are replaced with those of different performers speaking another language.

In order to combat the effects of copyright theft, there is an increasing trend in the entertainment industry to release new feature films in many territories simultaneously, and this imposes a short window of time in which to create dubbed soundtracks for multiple languages. Similarly TV programme makers will seek to syndicate episodic series around the world, necessitating faster turn-around of localised materials to meet broadcast deadlines.

ZOOdubs is a service delivered using a ZOOcore-powered platform that supports dubbing process management to enable multiple recording studios, post production facilities and studio territory offices around the world to collaborate efficiently. We are using ZOOdubs for clients to bring dubbing projects to fruition quickly and cost effectively.

Chairman's Statement

The results for the year ended 31 March 2015 reflect substantial progress by the Group, evidenced by the 20% increase in annual revenue to $11.5m (2014: $9.6m) and further diversification and expansion of our customer base. This was achieved despite significant disruption from corporate activity in one of our largest customers, which depressed trading during the second half and resulted in an EBITDA loss for year of $0.7m (2014: loss of $0.4m).

The Group's content localisation services, delivered using our proprietary ZOOsubs software, are now in use by five of the six largest film and TV studios in the United States, and by content creators, owners and publishers around the world – including BBC Worldwide, which has used ZOOsubs to create a centralised, searchable system to manage and repurpose BBC subtitling and captioning assets. Adoption by such leading organisations convinces the Board that there is a major shift occurring in the way in which content owners approach localisation of their content: they see that systems such as ZOOsubs can not only improve the speed and quality of localisation compared with traditional manual methods, but also offer substantial improvements in their ability to repurpose existing content and better manage these expensive but vital processes.

The Board is very conscious of the time and amount of investment which has been required to transform the business from one which provided software and services for production of physical media, predominantly in one large customer, to one where we provide a range of high value localisation services to many of the leading digital content producers and distributors. We are therefore once again grateful to our stakeholders who provided working capital support for the Group during the year and thereby supported this progress. We also fully appreciate the commitment and flexibility shown by our production, sales, development, and administration teams in the US and the UK and on whom the success of the business ultimately depends.

James Livingston stepped down from the Board in November 2014 after five years of valuable service as a non-executive director, and we are currently in discussions concerning appointment of a replacement director. I look forward to the Group building on the achievements of the 2015 financial year.

Roger D Jeynes
Chairman

Strategic Report

Year ended 31 March 2015

The directors present the strategic report for the year ended 31 March 2015.

Operational review

Introduction

At the time of our interim results we reported a strong first half with revenues up 47% and EBITDA up 38% over the comparative period in the prior year, but indicated that our second half was impacted by organisational changes in a major client. Consequently second half financial results were lower than first half but, despite this, we are pleased to report that revenue for the full year is 20% greater than prior year at $11.5m (2014: $9.6m). We delivered an EBITDA loss of $0.7m (2014: loss of $0.4m).

The organisational changes at our client referred to above have been protracted and, indeed, have continued to date. This has led to a prolonged period of revenue reduction from the major client but despite this, new client wins, primarily in the area of localisation services, have helped to reduce the shortfall.

Working Capital

On 24 November 2014 we announced that we had raised £800,000 in new working capital support by way of the issue of a new convertible loan note. The key terms of this financing are identical to the Company's existing Unsecured Convertible Loan Notes of £1,770,500, namely interest of 7.5 per cent. per annum (payable half-yearly) and a conversion price of 48 pence per ordinary share of 15 pence each.

Software and Services

The localisation services that we offer, for which the use of our proprietary cloud-based technology platforms give clear competitive advantages, continue to receive strong demand and the number of subtitling customers has more than doubled in the period. These include publishers (e.g. programme makers and film studios – our systems have been used to create subtitles for five of the six major Hollywood studios), intermediaries (e.g. post-production facilities) and distributors (e.g. Video on Demand service providers).

In February 2015 we announced that BBC Worldwide, the wholly owned commercial subsidiary of the BBC, had selected ZOO's cloud platforms to provide a pioneering new subtitling and closed captioning solution for its global operations. Subtitles are usually textual translations of dialogue into other languages while captions are native language text designed primarily to provide access for the deaf and hard of hearing. We have delivered a workflow management system and now provide associated subtitle and caption production services to BBC Worldwide. Our products provide a centralised, searchable system to manage and repurpose all BBC subtitling and captioning assets and are available to all BBC Worldwide teams across the globe to access, repurpose and download localised materials for local broadcast and digital distribution. The system automatically localises US English and Australian/New Zealand English versions of programs from the BBC's four UK terrestrial channels, making files immediately available to download in all technical delivery formats. We expect this deal will provide a recurring revenue stream over the long term.

We continue to develop our working relationship with Apple Computer Inc. in the area of professional services for video content publishing on the iTunes Store. We have been approved by Apple to deliver motion picture and television content directly to iTunes which means that our clients, including major Hollywood studios and global broadcasters, are able to benefit from a direct and efficient route to iTunes publishing, making content available for sale sooner in global territories. This elevated status is in recognition of our continuing ability to deliver consistent, outstanding quality content to the iTunes Store.

In a new initiative by Apple that enables small and medium sized publishers to distribute video content globally and cost effectively, ZOO has been appointed as one of four global partners to provide localisation and digital packaging services. This is offered through a new cloud-based management platform, ZOOstudio. This system guides content providers through the entire content delivery process; validating iTunes Store package contents to meet the required technical, metadata and quality standards of iTunes; localising media into multiple languages; and tracking the content through to delivery.

Growth Opportunities

We believe that there are three significant and converging trends that are contributing to conditions that should provide significant opportunities for ZOO to grow.

Firstly, every month new 'Over The Top' (OTT) platform operators are launching new services to deliver digital video entertainment to consumers. This is creating greater demand for captioning and subtitling services due to the global reach of these OTT platforms; by way of illustration, the iTunes store, one of the more mature of such platforms, is currently available in 126 countries/languages.

Secondly, US legislative requirements to provide captions with internet-delivered video became more demanding earlier this year. This, together with the fact that captions became mandatory for content in the US iTunes Store in June 2015, are giving rise to greater demand for captions. We can anticipate that the success of consumer groups campaigning for better access services for the deaf and hard of hearing will lead to a growth in demand in other countries over the coming years.

Thirdly, the consequences of copyright theft have led content owners to make dramatic reductions in the duration of video title release windows. The ultimate aim of this is 'day and date release', that is, availability of content in all formats for all languages on the same day. Such a goal implies significant operational and logistical challenges that ZOO, through its cloud automation platforms, is well placed to service.

Board Change

The Company announced that James Livingston, Non-executive director, stepped down from the Board with effect from 25 November 2014 after five years of service. The Group intends to appoint a replacement independent non-executive director in due course.

Staff

On behalf of the Board I would like to thank all of our staff for their continued contribution and hard work over the past year.

Outlook

Although we have been impacted by continuing changes that have been taking place in the video entertainment industry, we believe that there is a growing demand for localisation and access services. Our technology platforms provide us with the means to capitalise on this opportunity and deliver sustained growth and we remain cautiously optimistic about the Company's prospects.

Financial Review

The financial result for the year has been impacted by the organisational changes within a major customer as referenced above.

The turnover for the second half of the year was lower than the first half, as referred to in the Group's trading update. However, with an increase in new customers making up for the shortfall from this major client, the level of turnover was broadly in line with both the first and second halves of the prior year at $4.5m, bringing the turnover for the year to $11.5m.

The customer diversification was much improved in the year with the dependence on the largest customer reducing from 68% in the prior year to 53% in the current year. Although major customer relationships continue to be excellent, a key focus has been to reduce the concentration of our revenues from individual customers.

The operating expenses increased to $11.1m compared to the prior year of $10.0m. The main component of these increased overheads was staff costs which began increasing in the second half of the prior year to accommodate the greater level of service delivery. The staff levels continued to increase in the year just ended but action has been taken to reduce these in response to the impact from the organisational changes within a major customer.

Working capital has continued to be challenging but has been managed with the use of invoice financing facilities in the UK and the US. The invoice financing facility with Crestmark Bank for invoices raised by the US company remains in place with an increased facility level of $2.5m and a new UK invoice financing agreement with Santander Bank was entered into during the year. The Santander facility covers certain invoices raised by the UK company and has a maximum facility of $0.76m (£0.5m). The loan from the wife of Dr Stuart Green, the CEO, remains in place and, as mentioned in the operational review above, a new convertible loan note was introduced from one of our major investors on terms identical to the existing loan note, namely a conversion price of 48p and a coupon of 7.5%. The value of the new loan is $1.2m which equates to an underlying value of £0.8m.

The margin has been a key focus during the period with initiatives to use technology to deliver margin improvements. Progress has been made and this will continue to be a focus going forward.

Key performance indicators

In addition to the monthly management accounts and information that are produced and monitored against the group's plan and the previous year's performance, the Board uses Key Performance Indicators (KPIs) in the management of the key risks of the business and as a measure of the business efficiencies of the group. The KPIs cover the following:

- Sales performance is measured against budget and the latest expectations which are updated monthly.
- Debtors are monitored by reviewing trends in debtor days and tracking the level of debt becoming overdue.
- Costs and overheads are monitored against budget and against current needs.
- Employee satisfaction is monitored through regular surveys, enabling management to act on emerging trends.

		2015	2014
Revenue	$000	11,465	9,562
EBITDA	$000	(687)	(384)
Movement in cash and cash equivalents	$000	203	(838)
Customer concentration	%	53%	68%
Debtor days	days	27	34
Overdue debtors	$000	83	341
Employee satisfaction	%	86	90

Principal risks and uncertainties

Company law requires the group to report on principal risks and uncertainties facing the business, which the directors believe to be as follows:

International business

The group is domiciled in the UK, but has US operations and 95% of its revenues coming from overseas customers. As with most small yet international businesses the group's risks are around managing the cash flow and exchange rate fluctuations. The group continues to focus closely on conservative cash management and monitor currency transactions taking proactive actions when appropriate.

Technology conservation

The group continues with a patent protection policy, with 31 patents granted. These are integral to the business in the protection of our unique technologies.

Operational risks

The main operational risks are delays in the production of technology products, adoption of technology tools by customers and location of the main production facility within an earthquake zone. This production risk is managed by ensuring very tightly controlled schedules and data back-up procedures, thoroughly planning staff time and allowing time for contingencies.

Loss of the group's largest customer

Client relationships are crucial to the group and the strength of them is key to its continued success. The group mitigates this risk by a diverse number of contacts working closely with the largest customer across different business units and obtaining long term contractual agreements for supply of technology and services. The group has mitigated this risk during the year ended 31 March 2015 through services to new customers and reliance on the major customer has reduced from 68% to 53% during the year.

Financial risks

The main financial risks faced by the group are foreign currency risk and liquidity risk. The directors regularly review and agree policies for managing these risks.

The functional currency and presentation currency of the company is US dollars as the majority of the group's transactions are undertaken in US dollars, however, the Consolidated Statement of Financial Position can be affected by movements between pound sterling and US dollars as the parent company and UK subsidiaries have some pound sterling debtors and creditors. Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure. Further information on the financial risks is given in note 25 to the accounts.

The group is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The group regularly monitors cash flows and cash resources and now has the ability to draw down funds from an invoice financing facility.

By order of the board

Helen P Gilder
Director and Secretary
10 August 2015

Corporate Governance Statement

Compliance with the UK Corporate Governance Code

Under the rules of AIM (The Alternative Investment Market of the London Stock Exchange) the company is not required to comply with the UK Corporate Governance Code 2012. The company is not compliant with the code, but is committed to high standards of corporate governance and the board recognises the value of the code and has regard to its requirements as far as practicable and appropriate for a company of its size and nature. The directors consider the group insufficiently large to warrant the need or cost of an internal audit function.

Board of Directors

Until the retirement of James Livingston as a non-executive director on 25 November 2014 the board consisted of the non-executive chairman, three executive directors and one non-executive director. Thereafter the board consisted of the non-executive Chairman and three executive directors.

The Board meets formally at least eleven times a year to consider those matters which are required to be brought to it for decision, which ensures that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. Directors receive an information pack before each board meeting which contains background information on such matters. Additional meetings are held to review and approve special matters if necessary.

Board committees

There are two committees to deal with remuneration and audit. They are comprised solely of the non-executive directors with certain executive directors attending by invitation when required.

The Audit Committee was chaired by James Livingston until his retirement from the board and thereafter it has been chaired by Roger Jeynes. The committee meets at least twice a year. The group's external auditor is invited to attend these meetings. Consideration is given to the auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in both the Annual and Interim Reports.

The Remuneration Committee is chaired by Roger Jeynes and meets at least once per year.

Internal control

The Board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness.

A comprehensive budgetary process is completed once a year and is reviewed and approved by the Board. The group's results are compared to the budget and prior year and are reported to the board on a monthly basis.

Employees

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, questionnaires and regular feedback.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Going concern

After making enquires and taking into account the group's cash resources as detailed in note 2.1, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least the next twelve months and, for this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the board

Helen P Gilder
Director and Secretary
10 August 2015

Directors and Advisers

Board of Directors

Roger D Jeynes
Chairman
Roger has over 20 years' experience in the technology sector, encompassing senior sales, marketing and general management roles in the UK, Italy and the USA with IBM, Pyramid Technology, and EMC Corporation. From 1997 to 2006 he was Chief Operating Officer at AIM-listed technology merchant bank Interregnum Plc through which he served on the boards of more than a dozen technology companies. He is currently a non-executive director of Downing Three VCT plc, mxData Limited and Charborough Capital Limited, and is Visiting Professor at the Lord Ashcroft International Business School of Anglia Ruskin University.

Dr Stuart A Green
Chief Executive Officer
Stuart brings over 25 years' of experience of team building and executive management in the software industry to his role as CEO. Prior to his appointment as CEO Stuart was Chief Technical Officer, where he was responsible for determining the technology strategy and expanding the core intellectual property of the company. Previously he founded Kazoo3D plc and prior to that was the co-founder of LightWork Design Limited where he served as Technical Director. Stuart received a Ph.D. in Computer Science from the University of Bristol in 1989 for his research into multiprocessor systems for advance computer graphics. He is responsible for securing almost 30 patents in the fields of image processing and digital media processing.

Helen P Gilder
Group Finance Director
Helen has been employed within the technical and services industry for over fifteen years. After qualifying as a Chartered Accountant with PKF in 1991 she moved into a more commercially focussed role. Her extensive managerial and transaction experience came through her role as Finance Director within a highly acquisitive listed IT company. She joined ZOO to assist with the initial float in 2000 as Group Financial Controller and has gathered an invaluable knowledge of the companies in the group. She became the Group Finance Director in 2006.

Gordon Doran
Commercial Director
Gordon has held senior positions in sales and marketing roles for a variety of companies in the software industry since the early 1990s, both in the UK and US. Most recently he was Chief Operating Officer for Mediostream Inc., a consumer DVD software developer, and joined ZOO in 2005 to establish a North American division. In his role as President he is responsible for all ZOO's North America operations and has been pivotal in establishing relationships with a number of large US entertainment companies. Gordon became the Commercial Director in 2009.

Advisers

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Some of our clients

Directors' Report

The directors present their report on the affairs of the group, together with the financial statements and the independent auditor's report, for the year ended 31 March 2015.

Principal activities

The principal activity of the group for the year under review was to provide productivity software tools and services for digital content authoring, video post-production and localisation for entertainment and publishing markets and to continue with on-going research and development in those areas. The principal activity of the company was to act as a holding company for its trading subsidiaries.

Review of the business and future developments

A review of the development of the business together with an indication of future developments is included in the Chairman's Statement and the Strategic Report set out on pages 11 to 16.

The audited financial statements for the year ended 31 March 2015 are set out on pages 29 to 67. The directors do not recommend the payment of a dividend for the year.

Research and development

The group undertakes research and development into software solutions for media transformation. The aim of the software developed is to improve efficiencies, therefore reducing time and costs of producing physical and digital products.

Political contributions

During the year the group made no political donations.

Directors

The directors who served during the year were as follows:

Roger D Jeynes	Non-Executive Chairman
Dr Stuart A Green	Chief Executive Officer
Helen P Gilder	Group Finance Director
Gordon Doran	Commercial Director
James A Livingston *	Non-Executive Director

*Resigned 25 November 2014

Details of the interests in the shares of the company at the beginning or subsequent date of appointment and end of the financial year of those directors who held office at 31 March 2015 are disclosed in the Directors' Remuneration report. In accordance with the company's Articles of Association, Roger Jeynes and Stuart Green retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' indemnities

The group has granted an indemnity to one or more of its directors against liability in respect of any proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. The company has purchased and maintains directors' and officers' insurance cover against certain legal liabilities and costs for claims in connection with any act or omission by such director and officers in the execution of their duties.

Purchase and disposal of interest in own shares

During the year the group purchased 35,600 ordinary shares with a nominal value of 15p (2014: 14,400), this represents 0.11% of the group's share capital. The total cost of the purchase was $4,000 (2014: $2,000). No ordinary shares with a nominal value of 15p were disposed of (2014: Nil). The maximum number of own ordinary shares held in the year was 118,469 (2014: 82,869).

Financial risk management

The financial risk management is included in the Strategic Report and in note 25.

Substantial shareholdings

At 10 August 2015, the company had been notified, in accordance with sections 791 to 825 of the Companies Act 2006, of the following interests in the ordinary share capital of the company:

Name of holder	Percentage held	Number
Funds managed and advised by Foresight Group	19.6%	6,397,539
Herald Investment Trust plc	19.4%	6,350,685
Dr S A Green*	14.9%	4,857,335
John Henry Holdings Inc.	6.6%	2,148,642
Hargreaves Lansdown Nominees Ltd	4.9%	1,609,569
TD Direct Investing Nominees Europe Ltd	3.5%	1,157,438
Lynchwood Nominees Ltd	3.1%	1,018,699

*Shareholdings of directors include any interests of a "connected person".

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The names and functions of all the directors are stated on page 18.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the group's auditor in connection with preparing its report and to establish that the auditor is aware of that information.

By order of the board

Helen P Gilder
Director and Secretary
10 August 2015

Directors' Remuneration Report

Directors' remuneration report

The Directors' remuneration report is presented as a voluntary disclosure in order to aid the understanding of the financial statements.

The Remuneration Committee

During the year ended 31 March 2015 the Remuneration Committee was chaired by Roger Jeynes. James Livingston was also a member of the committee until his retirement from the board in November 2014.

The Remuneration Committee is responsible for determining the Executive Directors' remuneration packages, including bonuses, share options and other incentive schemes.

Executive directors

The committee aims to ensure compensation is fair and reasonable and that it motivates the executive directors in both the short and long-term. The remuneration packages include:

- Basic salary
- Defined contribution to personal pension plans
- Private medical insurance
- Discretionary bonus
- Share options

Non-executive directors

James Livingston was remunerated by fees invoiced from Foresight Group. Roger Jeynes is paid as an employee for his board services and was remunerated for consultancy fees through Charborough Capital Limited.

Directors' remuneration

Directors' remuneration for the year to 31 March 2015 is:

	Salary	Bonus	Benefits	Sub total	Pension	2015 Total	2014 Total
	$000	$000	$000	$000	$000	$000	$000
Dr Stuart A Green	191	-	7	198	7	205	152
Helen P Gilder	136	-	7	143	7	150	145
Gordon Doran	240	52	22	314	-	314	319
Roger D Jeynes	42	-	-	42	-	42	41
James A Livingston	27	-	-	27	-	27	38
	636	52	36	724	14	738	695

Directors' remuneration paid in pounds sterling for the year to 31 March 2015 is:

	Salary	Bonus	Benefits	Sub total	Pension	2015 Total	2014 Total
	£000	£000	£000	£000	£000	£000	£000
Dr Stuart A Green	118	-	4	122	4	126	95
Helen P Gilder	84	-	4	88	4	92	91
Roger D Jeynes	26	-	-	26	-	26	26
James A Livingston	16	-	-	16	-	16	24
	244	-	8	252	8	260	236

Gordon Doran is remunerated in US Dollars.

The balance owing to Foresight Group at 31 March 2015 was $54,000 (2014: $12,000).The balance owing to Charborough Capital Limited at 31 March 2015 was $19,000 (2014: $7,000).

Two directors (2014: two) serving during the year have been members of money purchase pension schemes into which the company contributes.

The highest paid director received emoluments and benefits as follows:

	2015	2014
	$000	$000
Emoluments	314	319
Money purchase pension contributions	-	-
	314	319

The highest paid director did not exercise any share options.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

Name of director	1 April 2014	Granted during the year	Exercised during the year	Surrendered during the year	31 March 2015	Exercise price	Date from which exercisable	Expiry date
Roger D Jeynes	30,000	-	-	-	30,000	$0.65†	Jun-11	Jun-20
Dr Stuart A Green	175,000	-	-	-	175,000	$0.21*	Sep-09	Oct-18
Dr Stuart A Green	150,000	-	-	-	150,000	$0.23^	Jul-13	Jul-22
Helen P Gilder	450,000	-	-	-	450,000	$0.21*	Sep-09	Oct-18
Helen P Gilder	100,000	-	-	-	100,000	$0.21*	Oct-09	Oct-18
Helen P Gilder	150,000	-	-	-	150,000	$0.23^	Jul-13	Jul-22
Helen P Gilder	-	250,000	-	-	250,000	$0.23*	Jan-16	Jan-25
Gordon Doran	450,000	-	-	-	450,000	$0.34 ~	Sep-09	Oct-18
Gordon Doran	100,000	-	-	-	100,000	$0.34 ~	Oct-09	Oct-18
Gordon Doran	150,000	-	-	-	150,000	$0.23^	Jul-13	Jul-22
Gordon Doran	-	250,000	-	-	250,000	$0.23*	Jan-16	Jan-25
	1,755,000	500,000	-	-	2,255,000			

* The underlying exercise price of the share options is £0.15.
† The underlying exercise price of the share options is £0.43.
~ The underlying exercise price of the share options is £0.22.
^ The underlying exercise price of the share options is £0.15 and they have a vesting condition that the company's share price must be £0.40 or higher on twenty consecutive business days prior to exercise.

The exercise of share options is staggered over the exercise period with typically 40% exercisable after the first year and a further 30% in each of the next two years.

The charge to profit or loss in respect of directors' share options amounted to $8,000 (2014: $14,000).

The market price of the ordinary shares at 31 March 2015 was 16 cents (11.00p) and the range during the year was 17 cents (11.38p) (high) to 9 cents (5.38p) (low).

Service contracts

The service contracts and letters of appointment of the directors include the terms in the table below.

All the directors are on rolling director appointments and offer themselves for re-election by rotation in accordance with the company's Articles of Association.

Upon termination of their service agreement, executive directors are entitled to salary equivalent to their notice period.

Name of director	Date of appointment	Notice period
Executive directors		
Dr Stuart A Green	28 January 2000	12 months
Helen P Gilder	29 September 2006	6 months
Gordon Doran	28 July 2009	12 months
Non-executive directors		
Roger Jeynes	28 April 2010	-

Directors' interests

The directors who held office at 31 March 2015 had the following interests, including any interests of a "connected person", in the 15p ordinary shares of ZOO Digital Group plc:

Name of director	2015 Beneficial	2014 Beneficial
Roger D Jeynes	120,000	120,000
Dr Stuart A Green	4,857,335	4,857,335
Helen P Gilder	56,019	56,019
Gordon Doran	-	-
James A Livingston (Resigned 25 November 2014)	4,240	4,240

Shares are held on behalf of three of the directors in the long term incentive plan.

The directors also had the following interest in 7.5% unsecured convertible loan stock at 31 March 2015:

Name of director	2015 $000	2014 $000
Roger D Jeynes	34	38
Dr Stuart A Green	912	1,025

The underlying values of the convertible loan stock are as follows:

Name of director	2015 £000	2014 £000
Roger D Jeynes	23	23
Dr Stuart A Green	615	615

The company has a loan in place from Sara Green, wife of Dr Stuart A Green, of $890,000 (2014: $1,015,000) with an interest rate of 10%. The underlying value of the loan was £600,000 and the full amount remained outstanding at 31 March 2015.

James Livingston also had a non-beneficial interest in both shares and loan notes as a representative of Foresight Group, manager of the Foresight VCTs, several of which have a direct beneficial interest in ZOO Digital Group plc.

No other transactions have taken place with directors.

No other changes took place in the interests of directors between 31 March 2015 and 10 August 2015.

Independent Auditor's Report
to the members of ZOO Digital Group plc

We have audited the financial statements of ZOO Digital Group plc for the year ended 31 March 2015 which comprise the consolidated and company statement of financial position, the consolidated statement of comprehensive income, the consolidated and company statements of cash flow, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
10 August 2015

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2015

	Note	2015 $000	2014 $000
Revenue	5	11,465	9,562
Cost of sales		(2,483)	(1,708)
Gross Profit		8,982	7,854
Other operating income	6	-	34
Other operating expenses		(9,669)	(8,272)
Loss before interest, tax, depreciation and amortisation		(687)	(384)
Depreciation		(214)	(279)
Amortisation and impairment		(1,200)	(1,428)
Total operating expenses	8	(11,083)	(9,979)
Operating loss		(2,101)	(2,091)
Exchange gain/(loss) on borrowings	7	561	(254)
Finance cost	7	(584)	(332)
Total finance cost		(23)	(586)
Loss before taxation		(2,124)	(2,677)
Tax on loss	11	66	(15)
Loss and total comprehensive income for the year attributable to equity holders of the parent		(2,058)	(2,692)
Loss per share	13		
basic		(6.30) cents	(8.24) cents
diluted		(6.30) cents	(8.24) cents

The notes on pages 36 to 67 are an integral part of these consolidated financial statements.
The company has elected to take the exemption under section 408(2) of the Companies Act 2006 to not present the parent company Statement of Comprehensive Income.
The profit for the parent company for the year was $161,000 (2014: loss of $703,000).

Consolidated Statement of Financial Position

as at 31 March 2015

	Note	2015 $000	2014 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	421	509
Intangible assets	15	7,967	8,598
Deferred income tax assets	16	486	486
		8,874	9,593
Current assets			
Trade and other receivables	17	1,918	3,207
Cash and cash equivalents	18	325	122
		2,243	3,329
Total assets		11,117	12,922
LIABILITIES			
Current liabilities			
Trade and other payables	21	(3,031)	(2,971)
Borrowings	20	(105)	(147)
		(3,136)	(3,118)
Non-current liabilities			
Borrowings	20	(5,453)	(5,238)
Total liabilities		(8,589)	(8,356)
Net assets		2,528	4,566
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	19	7,236	7,236
Share premium reserve		37,014	37,014
Other reserves		12,320	12,293
Share option reserve		296	302
Convertible loan note reserve		42	42
Foreign exchange translation reserve		(992)	(992)
Accumulated losses		(53,364)	(51,306)
		2,552	4,589
Interest in own shares		(24)	(23)
Attributable to equity holders		2,528	4,566

The notes on pages 36 to 67 are an integral part of these consolidated financial statements.
The financial statements on pages 29 to 67 were approved and authorised for issue by the Board of Directors on 10 August 2015 and were signed on its behalf.

Stuart A Green
Chief Executive Officer

Helen P Gilder
Director and Secretary

Company Statement of Financial Position

as at 31 March 2015

	Note	2015 $000	2014 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	34	21
Intangible assets	15	2,281	2,281
Investment in subsidiary undertakings	23	9,700	9,700
Amounts due from subsidiary undertakings	17	17,722	16,435
		29,737	28,437
Current assets			
Trade and other receivables	17	204	251
Cash and cash equivalents	18	15	4
		219	255
Total assets		29,956	28,692
LIABILITIES			
Current liabilities			
Trade and other payables	21	(677)	(635)
Borrowings	20	(9,704)	(9,704)
		(10,381)	(10,339)
Non-current liabilities			
Borrowings	20	(5,427)	(4,387)
Total liabilities		(15,808)	(14,726)
Net assets		14,148	13,966
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	19	7,236	7,236
Share premium reserve		37,014	37,014
Other reserves		10,596	10,569
Share option reserve		296	302
Convertible loan note reserve		42	42
Foreign exchange translation reserve		(13)	(13)
Accumulated losses		(41,019)	(41,180)
		14,152	13,970
Interest in own shares		(4)	(4)
Attributable to equity holders		14,148	13,966

Company registration number: 3858881
The notes on pages 36 to 67 are an integral part of these consolidated financial statements.
The financial statements on pages 29 to 67 were approved and authorised for issue by the Board of Directors on 10 August 2015 and were signed on its behalf.

Stuart A Green
Chief Executive Officer

Helen P Gilder
Director and Secretary

Consolidated Statement of Changes in Equity
for the year ended 31 March 2015

	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	Accumulated 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					29					29
Forfeited share options					(3)			1		(2)
Lapsed share warrants						(523)		523		-
Purchase of own shares									(2)	(2)
Transactions with owners					26	(523)		524	(2)	25
Foreign Exchange translation adjustment									(2)	(2)
Loss for the year								(2,692)		(2,692)
Total comprehensive income for the year								(2,692)	(2)	(2,694)
Balance at 31 March 2014	**7,236**	**37,014**	**(992)**	**42**	**302**	**-**	**12,293**	**(51,306)**	**(23)**	**4,566**
Share based payments					24					24
Forfeited share options					(30)		27			(3)
Purchase of own shares									(1)	(1)
Transactions with owners					(6)		27		(1)	20
Loss for the year								(2,058)		(2,058)
Total comprehensive income for the year								(2,058)		(2,058)
Balance at 31 March 2015	**7,236**	**37,014**	**(992)**	**42**	**296**	**-**	**12,320**	**(53,364)**	**(24)**	**2,528**

Company Statement of Changes in Equity
for the year ended 31 March 2015

	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	Accumulated losses $000	Interest in own shares $000	Total $000
Balance at 1 April 2013	**7,236**	**37,014**	**(13)**	**42**	**276**	**523**	**10,569**	**(41,001)**	**(4)**	**14,642**
Share based payments					29					29
Forfeited share options					(3)			1		(2)
Lapsed share options						(523)		523		-
Transactions with owners					26	(523)		524		27
Loss for the year								(703)		(703)
Total comprehensive income for the year								(703)		(703)
Balance at 31 March 2014	**7,236**	**37,014**	**(13)**	**42**	**302**	**-**	**10,569**	**(41,180)**	**(4)**	**13,966**
Share based payments					24					24
Forfeited share options					(30)		27			(3)
Transactions with owners					(6)		27			21
Profit for the year								161		161
Total comprehensive income for the year								161		161
Balance at 31 March 2015	**7,236**	**37,014**	**(13)**	**42**	**296**	**-**	**10,596**	**(41,019)**	**(4)**	**14,148**

Consolidated Statement of Cash Flows

for the year ended 31 March 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities			
Operating loss for the year		(2,101)	(2,091)
Depreciation	14	214	279
Amortisation and impairment	15	1,200	1,428
Share based payments		21	27
Purchase of own shares		(1)	(2)
Exchange loss on foreign operations		-	(2)
Changes in working capital:			
Decreases/ (increases) in trade and other receivables		1,289	(1,104)
Increases/ (decreases) in trade and other payables		60	(43)
Cash flow from operations		682	(1,508)
Tax received/(paid)		66	(15)
Net cash flow from operating activities		748	(1,523)
Investing activities			
Purchase of intangible assets	15	(569)	(766)
Purchase of property, plant and equipment	14	(67)	(369)
Net cash flow from investing activities		(636)	(1,135)
Cash flows from financing activities			
Repayment of borrowings		(512)	(200)
Proceeds from borrowings		1,187	2,327
Finance cost		(584)	(307)
Net cash flow from financing		91	1,820
Net increase/ (decrease) in cash and cash equivalents		203	(838)
Cash and cash equivalents at the beginning of the year		122	960
Cash and cash equivalents at the end of the year	18	325	122

The notes on pages 36 to 67 are an integral part of these consolidated financial statements.

Company Statement of Cash Flows

for the year ended 31 March 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities			
Operating loss for the year		(17)	(175)
Depreciation	14	6	1
Share based payments		21	27
Changes in working capital:			
Increases in trade and other receivables		(1,240)	(1,190)
Increases in trade and other payables		42	573
Cash flow from operations		(1,188)	(764)
Net cash flow from operating activities		(1,188)	(764)
Investing activities			
Purchase of property, plant and equipment	14	(19)	(20)
Net cash flow from investing activities		(19)	(20)
Cash flows from financing activities			
Proceeds from borrowings		1,187	1,033
Repayment of borrowings		(87)	-
Finance cost		118	(248)
Net cash flow from financing		1,218	785
Net increase in cash and cash equivalents		11	1
Cash and cash equivalents at the beginning of the year		4	3
Cash and cash equivalents at the end of the year	18	15	4

The notes on pages 36 to 67 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

for the year ended 31 March 2015

1. 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, publishing 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 AIM Market of the London Stock Exchange 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.

The consolidated financial statements are presented in US dollars, the currency of the primary economic environment in which the company operates (note 2.4.1).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

A separate Statement of Comprehensive Income for the parent company has not been presented as permitted by section 408 (2) of the Companies Act 2006.

The directors have prepared trading and cash flow forecasts for the group for the period to 31 March 2018 which show a recovery from the current position and cautious growth in profitability. In line with industry practice in this sector the directors have had informal indications from major and smaller customers to substantiate a significant proportion of the forecast sales. The directors have considered the consequences if the sales volume is less than the level forecast and they are confident that in this eventuality, alternative steps could be taken to ensure that the group has access to sufficient funding to continue to operate. During the year ended 31 March 2015 the group entered into an agreement with Santander Bank to provide an invoice financing facility for some of the sales invoices raised by ZOO Digital Limited. The maximum facility is £500,000 and it is committed until February 2016. In addition there is a facility in place with Crestmark Bank to provide invoice financing of up to $2.5m against US customers invoices raised by ZOO Digital Production LLC. This facility will be in place until 31 January 2016, with the option to continue for an additional year.

On 21 November 2014 the group entered into a new £800,000 convertible loan note with a major investor. The terms of this loan note mirror those of the existing loan note in that they have a fixed interest rate of 7.5%, a maturity date of 31 October 2017 and a conversion price of 48p.

Also during the year ended 31 March 2014 Sara Green, the wife of Dr. Stuart Green, CEO of the company, provided financial support to the company with a loan of $1,015,000 (£600,000). The full amount of this loan remains outstanding at 31 March 2015.

The directors believe the assumptions used in preparing the trading and cash flow forecasts to be realistic, and consequently that the group will continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

2.1.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below. There has been no material impact as a result of these changes.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" IAS 27 (Revised) "Separate Financial Statements" and IAS 28 (Revised) "Investments in Associates and Joint Ventures" form a comprehensive package dealing with group issues and off-balance sheet activity.

IFRS 10 introduces the following revised definition of control together with accompanying guidance on how to apply it. "An investor controls an investee when it 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".

In order to determine whether a reporting entity has control over another entity in which it has invested, the following three elements must always be present:

a) Power over the investee
b) Exposure or rights, to variable returns from its involvement with the investee
c) The ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 replaces IAS 31's three categories of "jointly controlled entities", "jointly controlled operations" and "jointly controlled assets" with two new categories – "joint operations" and "joint ventures".

- a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint ventures) have rights to the net assets of the arrangement.

IFRS 12 establishes disclosure objectives according to which an entity discloses:

- significant judgements and assumptions (and changes) made by the reporting entity in determining whether it controls another entity
- the interest that the non-controlling interests have in the group's activities
- the effect of restrictions on the reporting entity's ability to access and use assets or settle liabilities of consolidated entities
- the nature of, and changes in, the risks associated with the reporting entity's interests in consolidated structured entities, joint arrangements, associates and unconsolidated structured entities.

The changes made to IAS 27 (Revised) "Separate Financial Statements" and IAS 28 (Revised) "Investments in Associates and Joint Ventures" are consequential changes arising from the publication of the new IFRSs. The main change is that IAS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged from the previous version of the Standard. The requirements on how to apply accounting are unchanged from the previous version of the Standard.

The application of IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 applies prospectively for annual periods beginning on or after 1 January 2014 and did not have a material impact on the financial statements.

2.1.2 Standards and interpretations in issue at 31 March 2015 but not yet effective

The following standards and interpretations of relevance to the group have been issued but are not yet effective and have not been adopted by the group:

IAS 27 (Revised) Separate Financial Statements (effective 1 January 2016)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)

IFRS 9 Financial Instruments (effective 1 January 2018)

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement.

These standards and interpretations are not expected to have any significant impact on the group's financial statements.

Other standards and interpretations in issue but not yet effective are not considered to have any relevance to the group.

2.2 Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is obtained until the date that control ceases.

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.

2.3 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.

2.4 Foreign currency translation

2.4.1 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. The functional currency of the company's subsidiaries is US dollars, therefore the majority of transactions between the company and its subsidiaries and the company's revenue and receivables are denominated in US dollars.

The US dollar/pound sterling exchange rate at 31 March 2015 was 0.6742 (2014: 0.5998).

2.4.2 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 profit/(loss) for the year in the Consolidated Statement of Comprehensive Income.

2.4.3 Group companies

The results and financial position of all group entities that have 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 year 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.

2.5 Intangible assets

2.5.1 Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.5.2 Patent and trademark costs

Patent and trademark costs are stated at cost, net of amortisation and any provision for impairment. Patents and trademarks have a finite useful life and amortisation is charged to profit or loss on a straight line basis over the estimated useful economic life which is assessed to be ten years.

2.5.3 Research and Development costs

Research expenditure is charged to profit or loss in the period in which it is incurred. Development costs are recognised as an intangible asset if they fulfil the following criteria:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs recognised as an intangible asset are amortised on a straight line basis over the estimated useful life of three years or the length of any current sales contracts, from the point at which the asset is ready for sale or use.

2.5.4 Computer software

Acquired computer software is shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over its estimated useful life of three years from the date the asset is available for use.

Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and are expected to generate economic benefits exceeding costs beyond one year, are recognised as development costs within intangible assets. See note 2.5.3 Research and Development costs.

2.6 Investments in subsidiary undertakings

In the company, investments in subsidiary undertakings are carried at cost less any impairment. The investments are reviewed on an annual basis for any indication of impairment. The investments are eliminated on consolidation.

2.7 Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation and impairment. Depreciation is provided on all such assets at rates calculated to write off the cost of each asset less estimated residual value, on a straight-line basis, over its estimated useful life, as follows:

- **Leasehold improvements**
  5 years or over the term of the lease, if shorter
- **Computer hardware**
  between 2 and 3 years
- **Office equipment, fixtures and fittings**
  between 2 and 5 years
- **Production equipment**
  between 2 and 3 years

2.8 Impairment of assets

The group assesses at each year end date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

For goodwill, intangible assets that have an indefinite life and intangible assets not yet available for use, the recoverable amount is estimated at each year end date and whenever there is an indication of impairment an impairment loss is recognised for the amount by which the asset's carrying value amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

2.9 Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

The group monitors its exposure and adopts forward foreign exchange contracts where it deems appropriate and where commercially viable to hedge its exposure to currency risk.

Financial instruments are recognised on the Statements of Financial Position at fair value when the group becomes a party to the contractual provisions of the instrument, with movements reflected in profit or loss. The group does not use hedge accounting for its forward foreign currency contracts and does not use forward foreign currency contracts for speculative purposes.

2.9.1 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

The convertible loan notes were initially accounted for in accordance with IAS 32 'Financial Instruments: presentation' and split between debt and equity based upon the market rate of similar loans not carrying conversion options. Substantial modifications to the convertible loan notes have been accounted for under IAS 39 'Financial Instruments: Recognition and measurement'. Upon modification the convertible loan notes were derecognised and a new convertible loan note recognised.

Amounts due in respect of invoice financing are separately disclosed as current and non-current liabilities. The group can use these facilities to draw down the value of certain sales invoices. The management and collections of trade receivables remains with the group.

2.9.2 Trade receivables

Trade receivables are amounts due from customers for provision of services in the ordinary course of business. They are recognised initially at their fair value and subsequently at their amortised cost using the effective interest rate method, less provision for impairment.

2.9.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held with banks.

2.9.4 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recorded initially at fair value and subsequently measured at their amortised cost using the effective interest rate method.

2.10 Share based payments

Options are measured at fair value at grant date using the binomial model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Under the group's share option scheme, share options are granted to directors and selected employees. The options are expensed in the period over which the share based payment vests. A corresponding increase to the share option reserve under shareholder's funds is recognised.

When share options are exercised, the company issues new shares. The nominal share value from the proceeds received are credited to share capital and proceeds received above nominal value, net of attributable transaction costs, are credited to the share premium when the options are exercised. When share options are forfeited, cancelled or expire, the corresponding fair value is transferred to the accumulated losses reserve.

The group has no legal or constructive obligation to repurchase or settle the options in cash.

2.11 Pension costs and other post-retirement benefits

The group operates only defined contribution schemes and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further obligations once the contributions have been paid. The amount charged to the Consolidated Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the Statements of Financial Position.

2.12 Revenue

Revenue comprises the consideration receivable for services provided, software usage fees and royalty income. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group.

2.12.1 Sales of services

The group sells design, development and other services relating to the media production, publishing and packaging industries. These services are provided on a time and material basis, on a piecemeal basis or as a fixed price contract.

Revenue from time and material contracts is recognised at the contracted rates as labour hours and direct expenses are incurred.

Piecemeal revenue is recognised based on standard rates using parameters based on the size and complexity of the individual projects.

Revenue from fixed price contracts is recognised in accordance with the substance of the contract as services are performed by the group and accepted by the customer.

If circumstances arise that may change the original estimates of revenue and costs or extent of progress toward completion, estimates are revised. These revisions resulting in increases or decreases in the estimated revenues and costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management.

2.12.2 Software licence fees

Revenue attributable to the use of software products is credited to the Consolidated Statement of Comprehensive Income in line with the usage of these products. The measure of usage of the products varies over the software products. The usage is either based on the volume of work performed using the products or the numbers of users registered to use the software over a period of time.

2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Leases of equipment, where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

2.14 Deferred taxation

Deferred tax, including UK corporation tax and foreign tax, is provided in full using the Statement of Financial Position liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the consolidated and parent company Statement of Financial Position. Deferred tax assets and liabilities are not recognised if they arise in the following situations; the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end date.

The group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates as it is not considered probable that the temporary differences will reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to operating costs are deferred and recognised in the Consolidated Statement of Comprehensive Income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are credited to the cost of the asset and released to the Consolidated Statement of Comprehensive Income on a straight line basis over the expected lives of the related assets.

3. Accounting estimates and judgements

Estimates and judgments 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.

3.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

Goodwill is tested annually for impairment at the year end date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. Value in use calculations have been based on a pre-tax discount rate of 15%. No impairment loss is incurred at this discount rate. Had the discount rate used been 1% greater or lower than estimated, there still would be no material impact on impairment.

Financial Instruments

On initial recognition discounted cash flow analysis is used to determine the fair value of financial instruments that are not traded on the open market. The non-traded financial instrument is the convertible loan note. Calculations have been based on a pre-tax discount rate of 8.5%.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences related to unused tax losses, evidence considered to support the recognition of deferred tax assets include the existence of relevant taxable profits in the current and preceding periods and in the period after the reporting date and expectations of profits in the future. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Accounting estimates for the useful lives of property, plant and equipment and intangible assets are included within the relevant accounting policies above.

3.2 Critical judgements in applying the group's accounting policies

Functional currency of the company

The functional currency of the company's largest subsidiaries is US dollars. Therefore, as the majority of transactions between the company and these subsidiaries and the company's revenue and receivables are denominated in US dollars management have determined that the company's functional and presentation currency is US dollars.

4. Segmental reporting

Operating segments

At 31 March 2015, the group is organised on a worldwide basis into two main operating segments:

. Software solutions, including development, consultancy and software sales
. Media production, localisation and design

Revenue arising from licensing and use by external customers of the group's software tools is included within software solutions. Services provided by the group's staff, either using the group's tools or by more traditional methods, is included within the media production category.

These divisions are the basis on which the group reports its segment information. Other group operations comprise of head office operations.

The Segment results are as follows:

	Software solutions		Media production		Total	
	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000
Total revenue	3,192	3,688	8,788	7,230	11,980	10,918
Inter-segment revenue	-	-	(515)	(1,356)	(515)	(1,356)
Revenue	3,192	3,688	8,273	5,874	11,465	9,562
Segment operating (Loss)/Profit	(756)	(1,350)	95	674	(661)	(676)
Unallocated corporate expense					(1,440)	(1,415)
Operating loss					(2,101)	(2,091)
Finance cost					(23)	(586)
Loss before taxation					(2,124)	(2,677)
Tax on loss					66	(15)
Loss for the year					(2,058)	(2,692)

Other segmental information included in the Consolidated Statement of Comprehensive Income is as follows:

	Software solutions		Media production		Group operations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000	$000	$000
Depreciation	10	13	197	264	7	2	214	279
Amortisation	1,012	1,260	48	57	-	-	1,060	1,317
Impairment losses	140	111	-	-	-	-	140	111

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as borrowings.

Capital expenditure includes additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

	Software solutions		Media production		Total	
	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000
Assets	4,452	5,387	1,973	2,825	6,425	8,212
Unallocated corporate assets					4,205	4,224
Consolidated total assets					10,630	12,436
Liabilities	1,006	1,115	2,246	2,609	3,252	3,724
Unallocated corporate liabilities					5,337	4,632
Consolidated total liabilities					8,589	8,356
Capital expenditure	568	687	108	428	676	1,115
Unallocated capital expenditure					19	21
					695	1,136

Geographical areas

The group's operating divisions operate in two principal geographical areas of the world, the UK and the US. All European operations are run from the UK office.

	Revenue		Total assets		Non-current assets	
	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000
United Kingdom (domicile)	553	303	8,649	9,600	7,946	8,531
US	10,912	9,259	1,981	2,836	441	576
	11,465	9,562	10,630	12,436	8,387	9,107

5. Revenue

The group's revenue comprises:

	2015	2014
	$000	$000
Software Solutions	3,192	3,688
Media Production	8,273	5,874
	11,465	9,562
Continuing operations	11,465	9,562
Discontinued operations	-	-
	11,465	9,562
Revenue from services	9,605	7,360
Software licence fees	1,859	2,202
	11,465	9,562

Major customers

The group's largest customer represented 53% (2014: 68%) of the group's revenues. These revenues are generated from both of the group's operating segments. The revenues are as follows:

	2015	2014
	$000	$000
Largest customer	6,090	6,547
Other customers	5,375	3,015
	11,465	9,562

6. Other operating income

	2015	2014
	$000	$000
Government grants	-	34

7. Finance costs

	2015	2014
	$000	$000
Finance costs:		
Interest on bank overdraft	-	6
Interest on borrowings	584	326
Exchange (gain)/loss on borrowings	(561)	254
Finance costs	23	586

8. Operating loss

Group operating loss for the year is stated after charging/(crediting) the following:

	2015 $000	2014 $000
Other exchange (gains)/losses	(115)	600
Staff costs	7,657	6,265
Capitalised staff costs	(589)	(712)
Depreciation	214	279
Amortisation of other intangible assets	1,060	1,317
Impairment losses on other intangible assets	140	111
Research and non-capitalised development costs	176	148
Operating lease expense – land and buildings	566	656
Auditor's remuneration	89	69
Other expenses	1,885	1,246
Other operating expenses	11,083	9,979

9. Auditor's remuneration

	2015 $000	2014 $000
Fees payable to company's auditor for the audit of the parent company and consolidated financial statements	35	32
Fees payable to the company's auditor and its associates for other services:		
The audit of the financial statements of the company's subsidiaries pursuant to legislation	18	18
Tax services	32	17
All other services	4	2
	89	69

10. Employees including directors

The average number of employees (including executive directors) was:

	2015 No.	2014 No.
Product design and service delivery	88	63
Sales and marketing	4	3
Administration	13	12
	105	78

Their aggregate remuneration comprised:

	2015 $000	2014 $000
Wages and salaries	6,945	5,688
Social security costs	626	484
Other pension costs	66	67
Share based payments	20	26
	7,657	6,265

The group pension arrangements are operated through a defined contribution scheme.

Compensation of key management personnel (including directors)

	2015 $000	2014 $000
Short-term employee benefits	1,070	1,155
Post-employment benefits	14	14
Share based payments	10	18
	1,094	1,187

This includes all directors listed on page 18 and senior management.
Directors' remuneration for the year to 31 March 2015 is:

	Salary $000	Bonus $000	Benefits $000	Pension $000	2015 Total $000	2014 Total $000
Dr Stuart A Green	191	-	7	7	205	152
Helen P Gilder	136	-	7	7	150	145
Gordon Doran	240	52	22	-	314	319
Roger D Jeynes	42	-	-	-	42	41
James A Livingston	27	-	-	-	27	38
	636	52	36	14	738	695

Two directors (2014: two) serving during the year have been members of money purchase pension schemes into which the company contributes.
The highest paid director received emoluments and benefits as follows:

	2015 $000	2014 $000
Emoluments	314	319
Money purchase pension contributions	-	-
	314	319

11. Income tax

	2015	2014
	$000	$000
Current tax:		
UK corporation tax		
- Research and development tax credit	68	-
Foreign tax	(2)	(15)
Total current tax	66	(15)
Total deferred tax	-	-
Tax credited/(charged)	66	(15)

Corporation tax is calculated at 21% (2014: 23%) of the estimated assessable profit for the year.

Tax charge for the year

The tax charge for the year can be reconciled to the loss for the year as follows:

	2015	2014
	$000	$000
Loss before tax	(2,124)	(2,677)
Tax calculated at standard rate of corporation tax of 21% (2014: 23%)	(446)	(616)
Capital allowances in excess of depreciation	(26)	(27)
Disallowable items	12	15
Additional R&D expenditure relief	(35)	(47)
Losses carried forward	561	660
Tax credited/(charged)	66	(15)

Tax losses carried forward

The group has tax losses carried forward of approximately $34m (2014: $33m), of which $2.4m (2014: $2.4m) has been recognised at a rate of 20% as a deferred tax asset for the year. The balance of tax losses remain unrecognised at the balance sheet date due to the uncertainty in the timing of future profits.

12. Dividends

There were no dividends paid or proposed.

13. Loss per share

Earnings per share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Basic and Diluted	
	2015	2014
	$000	$000
Loss for the financial year	(2,058)	(2,692)

13. Loss per share continued

	2015	2014
Weighted average number of shares for basic & diluted loss per share	Number of shares	Number of shares
Basic	32,660,660	32,660,660
Effect of dilutive potential ordinary shares:		
Convertible loan note	4,268,451	3,688,542
Share options	2,868,069	2,859,411
Share warrants	-	915,231
Diluted	39,797,180	40,123,844

The basic and diluted earnings per share are the same due to the group being loss making and the average share price during the period being lower than the conversion price or exercise prices of the convertible loan note and share options and warrants.

14. Property, plant and equipment

Group	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
Cost	$000	$000	$000	$000	$000
Opening cost at 1 April 2013	462	161	1,289	177	2,089
Additions	12	4	351	2	369
Opening cost at 1 April 2014	474	165	1,640	179	2,458
Additions	2	-	123	1	126
Closing cost at 31 March 2015	476	165	1,763	180	2,584
Accumulated depreciation/ impairment					
Opening balance at 1 April 2013	373	53	1,092	152	1,670
Depreciation	50	31	192	6	279
Opening balance at 1 April 2014	423	84	1,284	158	1,949
Depreciation	26	31	151	6	214
Closing balance at 31 March 2015	449	115	1,435	164	2,163
Opening carrying value at 1 April 2013	89	108	197	25	419
Opening carrying value at 1 April 2014	51	81	356	21	509
Closing carrying value at 31 March 2015	27	50	328	16	421

Property, plant and equipment for the group includes the following amounts where the group is a lessee under finance leases:

At 31 March 2015	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000	$000
Cost - capitalised finance leases	131	92	803	26	1,052
Accumulated depreciation	(107)	(47)	(556)	(14)	(724)
Net book value	**24**	**45**	**247**	**12**	**328**

At 31 March 2014	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000	$000
Cost - capitalised finance leases	131	92	744	26	993
Accumulated depreciation	(93)	(29)	(427)	(9)	(558)
Net book value	**38**	**63**	**317**	**17**	**435**

The group leases various equipment under non-cancellable finance lease agreements. The lease terms are three and five years.

Company	Leasehold improvements	Computer hardware	Offic equipment, fixtures & fittings	Total
	$000	$000	$000	$000
Cost				
Opening cost at 1 April 2013	22	239	144	405
Additions	-	20	-	20
Opening cost at 1 April 2014	22	259	144	425
Additions	-	18	1	19
Closing cost at 31 March 2015	**22**	**277**	**145**	**444**
Accumulated depreciation/ impairment				
Opening balance at 1 April 2013	22	237	144	403
Depreciation	-	1	-	1
Opening balance at 1 April 2014	22	238	144	404
Depreciation	-	7	(1)	6
Closing balance at 31 March 2015	**22**	**245**	**143**	**410**
Opening carrying value at 1 April 2013	-	2	-	2
Opening carrying value at 1 April 2014	-	21	-	21
Closing carrying value at 31 March 2015	**-**	**32**	**2**	**34**

Property, plant and equipment for the company includes the following amounts where the group is a lessee under finance leases:

At 31 March 2015	Computer hardware	Total
	$000	$000
Cost - capitalised finance leases	20	20
Accumulated depreciation	(4)	(4)
Net book value	**16**	**16**

At 31 March 2014	Computer hardware	Total
	$000	$000
Cost - capitalised finance leases	20	20
Accumulated depreciation	(1)	(1)
Net book value	**19**	**19**

15. Intangible assets

Group	Goodwill	Development Costs	Patents and trademarks	Computer Software	Total
	$000	$000	$000	$000	$000
Cost					
Opening cost at 1 April 2013	16,610	7,615	579	516	25,320
Additions	-	683	1	82	766
Opening cost at 1 April 2014	16,610	8,298	580	598	26,086
Additions	-	556	4	9	569
Closing cost at 31 March 2015	**16,610**	**8,854**	**584**	**607**	**26,655**
Accumulated amortisation/ impairment					
Opening balance at 1 April 2013	12,620	2,846	153	441	16,060
Amortisation	-	1,208	48	61	1,317
Impairment loss	-	111	-	-	111
Opening balance at 1 April 2014	12,620	4,165	201	502	17,488
Amortisation	-	963	48	49	1,060
Impairment loss	-	140	-	-	140
Closing balance at 31 March 2015	**12,620**	**5,268**	**249**	**551**	**18,688**
Opening carrying value at 1 April 2013	3,990	4,769	426	75	9,260
Opening carrying value at 1 April 2014	3,990	4,133	379	96	8,598
Closing carrying value at 31 March 2015	**3,990**	**3,586**	**335**	**56**	**7,967**

Development costs are internally generated software development costs. All other intangible assets are acquired externally.
The remaining life of the majority of development costs is 7 years.
No patent applications were derecognised during the year (2014: nil).
During the year ended 31 March 2015 changes in market expectations led to a management decision not to continue the development of certain projects. These projects are considered to be impaired and the amount of impairment was $140,000 (2014: $111,000).

Computer software includes the following amounts where the group is a lessee under finance leases:

	2015	2014
	$000	$000
Cost - capitalised finance leases	127	127
Accumulated amortisation	(84)	(51)
Net book value	43	76

Company	Goodwill	Computer software	Total
Cost	$000	$000	$000
Opening cost at 1 April 2013 and 1 April 2014	10,960	49	11,009
Closing cost at 31 March 2015	10,960	49	11,009
Accumulated amortisation/ impairment			
Opening balance at 1 April 2013 and 1 April 2014	8,679	49	8,728
Closing balance at 31 March 2015	8,679	49	8,728
Opening carrying value at 1 April 2013	2,281	-	2,281
Opening carrying value at 1 April 2014	2,281	-	2,281
Closing carrying value at 31 March 2015	2,281	-	2,281

There were no assets held under finance leases at 31 March 2015 and 31 March 2014.

Impairment tests for goodwill

Goodwill is subject to annual impairment testing, or more frequently if there are indications that goodwill might be impaired. Goodwill is allocated to the group's cash generating units (CGUs) identified according to the operating segment. The aggregation of assets for identifying the cash generating units has not changed since the prior year.

The recoverable amount of a CGU has been determined based on its value in use. In calculating the value in use the group used a discount rate of 12% (2014: 15%). The carrying amount of goodwill is allocated as follows:

Software solutions		Media production		Group	
2015	2014	2015	2014	2015	2014
$000	$000	$000	$000	$000	$000
2,281	2,281	1,709	1,709	3,990	3,990

Following the impairment tests, goodwill was considered not to be impaired.

Management has based its pre-tax cash flow projections on financial budgets approved by management covering the next financial period. These are based on its expectations of prices, volumes and margin obtained from its current products and services and products and services development. Cash flows after this period have been extrapolated based on estimated growth rates and discount rates disclosed below for each segment over the next five years.

	Software solutions	Media production
Discount rate	12%	12%
Growth rate	3%	3%

Management has based the growth rate of 3% on its expectations of prices, volumes and margin obtained from its current products and services and products and services under development. The pre-tax discount rate of 12% is what management consider to be its cost of obtaining funds.

If sector growth assumption rates were applied at 3% and a discount rate of 12% was applied, the software solutions segment and the media production segment would require no impairment.

If sector growth assumption rates were applied at 0% and a discount rate of 12% was applied, the software solutions segment and the media production segment would require no impairment.

If sector growth assumption rates were applied at 0% and a discount rate of 20% was applied, the software solutions segment would require no impairment, but the media production segment would require an impairment of $153,000.

16. Deferred income tax

	Group		Company	
	2015 $000	2014 $000	2015 $000	2014 $000
Deferred tax assets comprise :				
Unused tax losses	486	486	-	-

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
At 31 March 2014 and 31 March 2015	486	486	-	-

Tax losses carried forward

The group has tax losses carried forward of approximately $34m (2014: $33m), of which $2.4m (2014: $2.4m) has been recognised at a rate of 20% as a deferred tax asset for the year. The balance of tax losses remains unrecognised at the balance sheet date due to the uncertainty of the timing of future profits.

17. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Trade receivables	1,599	2,498	-	-
Less: provision for impairment of trade receivables	(47)	-	-	-
Trade receivables - net	1,552	2,498	-	-
Amounts owed by subsidiary undertakings	-	-	17,758	16,476
VAT	7	-	12	-
Other debtors	82	131	-	-
Prepayments and accrued income	277	578	156	210
	1,918	3,207	17,926	16,686
Less non-current portion: amounts owed by subsidiary undertakings	-	-	(17,722)	(16,435)
Current portion	1,918	3,207	204	251

The fair values of trade and other receivables equal their carrying amounts.
As of 31 March 2015, trade receivables of $83,000 (2014: $341,000) were overdue. The ageing analysis of these trade receivables is as follows:

	Group	
	2015	2014
	$000	$000
Less than 3 months	3	149
3 to 6 months	78	117
7 to 12 months	-	44
Over 12 months	2	31
	83	341

There were no trade receivables outstanding in the Company at 31 March 2015 or 31 March 2014.
The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Pound sterling	115	276	115	251
US Dollar	1,803	2,931	17,811	16,435
	1,918	3,207	17,926	16,686

Provision for impairment of trade receivables:

	Group	
	2015	2014
	$000	$000
At 1 April	-	21
Provision for receivables impairment	47	-
Receivables written off in the year	-	(21)
At 31 March	47	-

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables, other debtors and cash and cash equivalents. The group does not hold any collateral as security.

The directors believe that a reasonable provision has been made for outstanding amounts or values impaired and the remaining un-provided amounts are considered to be recoverable.

The amounts owed by the subsidiary undertakings to the parent company have no payment terms and bear no interest, but they are considered to be recoverable in the future.

18. Notes to the cash flow statement

18.1 Significant non-cash transactions

During the year the group acquired property, plant and equipment and computer software with a cost of $139,000 (2014: $452,000) of which $59,000 (2014: $413,000) was acquired by the means of finance leases.

Following an agreement with the loan note holders in October 2013 the term of the 7.5% Convertible loan note was extended. The remaining £1,770,500 of the £3,541,000 loan note, issued in September 2006 and amended in September 2011, will now mature on the 31 October 2017.

18.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following consolidated and parent company statement of financial position amounts.

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Cash on hand and balances with banks	325	122	15	4

The fair values of the cash and cash equivalents are considered to be their book value.

19. Share capital and reserves

Called up share capital

	2015	2014
	$000	$000
Allotted, called-up and fully paid		
32,660,660 (2014: 32,660,660) ordinary shares of 15p each	7,236	7,236
Reconciliation of the number of shares outstanding:		
Opening balance and closing balance	32,660,660	32,660,660

During the year the group purchased 35,600 (2014: 14,400) of its own shares through ZOO Employee Share Trust Limited at an average price of $0.11 (7p) per share. The total cost of the purchase was $4,000 (2014: $2,000).

Reserves

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Share premium reserve	Represents the amount subscribed for share capital in excess of the nominal value.
Accumulated losses	Cumulative net losses recognised in profit or loss.
Foreign exchange translation reserve	Cumulative exchange differences resulting from translation of foreign operations into the reporting currency.
Convertible loan note reserve	Represents the equity element of the Convertible loan note.
Share option reserve	Cumulative cost of share options issued to employees.
Share warrant reserve	Cumulative cost of share warrants issued to customers.
Other reserves	Created as part of the reverse takeover between Kazoo3D plc and ZOO Media Corporation Ltd in 2001.

20. Borrowings

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Non-current				
Amounts owed to subsidiary undertakings	-	-	771	396
7.5% Unsecured convertible loan note stock	3,715	2,960	3,715	2,960
Connected person loan	928	1,015	928	1,015
Other bank borrowings	518	920	-	-
Finance lease liabilities	292	343	13	16
	5,453	5,238	5,427	4,387
Current				
Amounts owed to subsidiary undertakings	-	-	9,701	9,701
Finance lease liabilities	105	147	3	3
	105	147	9,704	9,704
Total borrowings	5,558	5,385	15,131	14,091

On 27 September 2006 the group issued $5,062,000 6% Unsecured convertible loan note stock which was due to mature on 31 October 2011. The underlying value of the loan stock was £3,541,000. Following an agreement with the loan note holders in August 2011 to extend 50% of the loan note instrument for a further two years, the loan note was restructured. The loan note issued, as a result of the restructure, on 6 September 2011 was $2,823,000 7.5% Unsecured convertible loan note stock and was to mature on 31 October 2013. The underlying value of the restructured loan stock was £1,770,500.

On 31 October 2013 the maturity of the loan note was further extended to mature on 31 October 2017.

On 24 November 2014 a further loan note of $1,187,000 7.5% was issued. The underlying value of the new loan note is £800,000 and it is due to mature on 31 October 2017.

The loan stock holder is entitled, before the redemption date, to convert all or part of the loan stock into fully paid ordinary shares on the basis of 1 ordinary share for every $0.7654 (£0.48) of principal amount of loan stock.

The restructured convertible loan stock has been accounted for in accordance with IAS 39 (Financial instruments: Recognition and measurement). The fair value of the convertible loan note is considered to be the carrying value.

The group has an agreement in place with Crestmark Bank to provide an invoice financing facility of up to $2.5m against US customers invoices raised by ZOO Digital Production LLC. This facility will be in place until 31 January 2016, with the option to continue for an additional year. Interest is payable on a monthly basis and is charged for each day on the outstanding balance at an interest rate of 2.75% in excess of the rate shown in the Wall Street journal as the prime rate, with a minimum interest of 6%. The principle outstanding at 31 March 2015 was $518,000 (2014: $920,000). This funding is secured against the US trade receivables of ZOO Digital Production LLC.

During the year ended 31 March 2015 the group entered into an agreement with Santander Bank to provide an invoice financing facility of up to $760,000 (£500,000) against certain customers' invoices raised by ZOO Digital Limited. This facility will be in place until February 2016 with an option to extend. The group can draw on funding from the bank up to the lower of 75% of its applicable UK company Trade receivables or £500,000. The principle outstanding at 31 March 2015 was nil. This funding is secured as a floating charge over the assets of the UK companies.

On 13 December 2013 Sara Green, wife of Dr Stuart A Green, made a loan to the company of $1,015,000 with an interest rate of 10%. The underlying value of the loan was £600,000 and the full amount remained outstanding at 31 March 2015. This loan is secured as a floating charge over the assets of the group.

Finance lease liabilities

Finance lease liabilities are payable as follows:

At 31 March 2015	Future minimum lease payments $000	Interest $000	Present value of minimum lease payments $000
Less than one year	141	(36)	105
Between one and five years	332	(40)	292
More than five years	-	-	-
	473	(76)	397

At 31 March 2014	Future minimum lease payments $000	Interest $000	Present value of minimum lease payments $000
Less than one year	197	(50)	147
Between one and five years	419	(76)	343
More than five years	-	-	-
	616	(126)	490

The lease periods of the finance leases range from between 3 and 5 years, with options to purchase the asset at the end of the term. Finance lease liabilities are secured against the leased assets.

21. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Trade creditors	1,031	763	252	257
Social security and other taxes	332	219	213	177
Accrued expenses	1,668	1,989	212	201
	3,031	2,971	677	635

The fair values of trade and other payables equal their carrying amounts.

22. Commitments

Capital commitments

The group had no capital commitments at the 31 March 2015.

Operating lease commitments

The group has a number of operating leases, as a lessee, for equipment and premises under non-cancellable agreements. The lease terms are between 3 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The lease expenditure charged to profit or loss during the year is disclosed in note 8. The lease expenditure on premises is charged to profit or loss on an average annual charge over the life of the lease.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	$000	$000
Within one year	577	566
From one to five years	444	1,022
	1,021	1,588

The group does not sub-lease any of its leased premises.

23. Related parties

Subsidiaries

The parent company has investments in the following subsidiary undertakings:

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
ZOO Digital Limited	UK	Technology development	2 ordinary shares	100
ZOO Digital Inc.	USA	Sale & distribution technology products	10,000 shares of common stock	100
ZOO Digital Production LLC	USA	Media production	100 shares of common stock	100*
ZOO Employee Share Trust Limited	UK	Employee share scheme	2 ordinary shares	100
ZOO Digital Production Limited	UK	Dormant	100 ordinary shares	100
ZOOtech Limited	UK	Dormant	95,714 ordinary shares	100

*ZOO Digital Production LLC is indirectly held by ZOO Digital Group plc through ZOO Digital Inc. Transactions between ZOO Digital Group plc and its subsidiaries, which are related parties, have been eliminated on consolidation.

Subsidiary undertakings

	Company	
	2015	2014
	$000	$000
Cost	11,797	11,797
Provision for impairment	2,097	2,097
Net book value	9,700	9,700

Key management personnel

The details of key management remuneration is disclosed in note 10, Employees including directors.

James Livingston was remunerated by fees invoiced from Foresight Group. Roger Jeynes is paid as an employee for his board services and was remunerated for consultancy fees through Charborough Capital Limited. The balance owing to Foresight Group at 31 March 2015 was $54,000 (2014: $12,000). The balance owing to Charborough Capital Limited at 31 March 2015 was $19,000 (2014: $7,000).

Related party transactions

	Company	
	2015 $000	2014 $000
Sales of services to subsidiaries:		
Administration services	1,825	1,674
Interest paid on loans:		
Foresight Group	-	32
Sara Green	168	80
Roger Jeynes	3	1

Interest payable to the Foresight Group at the 31 March 2015 in relation to the 7.5% unsecured convertible loan stock is $nil (2014: $nil). The gross interest payable to Sara Green at 31 March 2015 is $69,000 (2014: $37,000). The gross interest payable to Roger Jeynes at 31 March 2015 is $1,000 (2014: $1,000).

Sara Green, wife of Dr Stuart A Green, held a $911,000 (2014: $1,025,000) interest in 7.5% unsecured convertible loan stock at 31 March 2015. The underlying value of the interest in the convertible loan stock is £614,500 (2014: £614,500).

At 31 March 2015 Roger Jeynes held a $34,000 (2014: $38,000) interest in 7.5% unsecured convertible loan stock. The underlying value of the interest in the convertible loan stock is £23,000 (2014: £23,000).

During the year ended 31 March 2014 Sara Green, wife of Dr Stuart A Green, made a loan to the company of $1,015,000 with an interest rate of 10%. The underlying value of the loan was £600,000. The full amount was outstanding at 31 March 2015.

Amounts owed by subsidiary undertakings

	Company	
	2015 $000	2014 $000
ZOO Digital Limited	6,647	6,686
ZOO Digital Production LLC	11,075	9,749
ZOO Employee Share Trust Limited	36	41
	17,758	16,476

Amounts owed to subsidiary undertakings

	Company	
	2015 $000	2014 $000
ZOOtech Limited	9,701	9,701
ZOO Digital Inc.	771	396
	10,472	10,097

24. Share-based payments

Employee share option schemes

Share options have been granted under the following schemes to subscribe for ordinary shares of the company. Movements in the number of options, under each of the schemes, and their related weighted average exercise price are as follows:

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
ZOO Digital Group plc EMI scheme	No.	$	No.	$
Outstanding at the beginning of the year	1,393,493	0.22	1,305,993	0.22
Granted during the year	285,000	0.23	87,500	0.24
Surrendered during the year	(41,600)	0.22	-	-
Outstanding at the end of the year	1,636,893	0.22	1,393,493	0.22
Exercisable at the end of the year	1,194,643	0.24	1,078,493	0.24

The underlying weighted average exercise price for the shares under option at 31 March 2015 was 15p (2014:15p).

ZOO Digital Group plc Unapproved				
Outstanding at the beginning of the year	1,553,452	0.27	1,463,452	0.27
Granted during the year	425,000	0.23	90,000	0.24
Surrendered during the year	(237,500)	0.21	-	-
Outstanding at the end of the year	1,740,952	0.27	1,553,452	0.27
Exercisable at the end of the year	1,187,702	0.23	1,281,952	0.23

The underlying weighted average exercise price for the shares under option at 31 March 2015 was 15p (2014:18p).

Under these schemes the percentage of shares that can be exercised is staggered over the exercise period with typically 40% exercisable after the first year and a further 30% in each of the following two years.

Share options granted to key management personnel, including directors, during the year ended 31 March 2013 have a vesting condition that the company's share price must be £0.40 or higher on twenty consecutive business days prior to exercise.

Out of the 3,377,845 outstanding options (2014: 2,946,945 options), 2,382,345 were exercisable (2014: 2,360,445). No share options were exercised during the year ended 31 March 2015 (2014: nil).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Scheme	Options No.	Expiry date	Exercise price $	Exercise price £
ZOO Digital Group plc EMI scheme	865,226	13 Oct 2018	0.21	0.15
ZOO Digital Group plc EMI scheme	40,000	30 Nov 2020	0.23	0.15
ZOO Digital Group plc EMI scheme	369,167	11 Jul 2022	0.23	0.15
ZOO Digital Group plc EMI scheme	77,500	26 Sep 2023	0.24	0.15
ZOO Digital Group plc EMI scheme	285,000	19 Jan 2025	0.23	0.15
ZOO Digital Group plc Unapproved	388,452	13 Oct 2018	0.21	0.15
ZOO Digital Group plc Unapproved	30,000	27 Jun 2020	0.65	0.43
ZOO Digital Group plc Unapproved	550,000	13 Oct 2018	0.34	0.22
ZOO Digital Group plc Unapproved	10,000	13 Dec 2021	0.23	0.15
ZOO Digital Group plc Unapproved	247,500	11 Jul 2022	0.23	0.15
ZOO Digital Group plc Unapproved	90,000	26 Sep 2023	0.24	0.15
ZOO Digital Group plc Unapproved	425,000	19 Jan 2015	0.23	0.15
Outstanding at the end of the year	3,377,845			

In arriving at the fair value, each option grant has been valued separately using the binomial model and the resulting fair value is expensed over the vesting period. The following table lists the range of assumptions used in the model:

	2008	Jun 2010	Dec 2010	Dec 2011	Jul 2012	Sep 2013	Jan 2015
Expected Volatility (%)	100	73	76	63	83	84	67
Risk-free Interest rate (%)	4.49	2.65	2.13	0.97	0.71	1.52	1.08
Expected life of option (years)	5	5	5	5	5	5	5
Expected dividends	none	none	none	none	none	none	none

Volatility has been estimated by taking the historical volatility in the company's share price over a three year period up to the date of grant of the options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share warrants

Share warrants have been granted to subscribe for ordinary shares of the company.

The percentage of shares that can be exercised is staggered over the exercise period based on a minimum level of new sales introduced to the group by the warrant holder in any 12 month rolling period.

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Share Warrants	No.	$	No.	$
Outstanding at the beginning and end of the year	-	-	2,148,642	0.77
Lapsed during the year	-	-	(2,148,642)	0.77
Outstanding at the end of the year	-	-	-	-

There were no outstanding warrants (2014: nil) and no warrants were exercisable at 31 March 2015 (2014: nil). No warrants were exercised in 2015 or 2014.

In arriving at the fair value, the share warrants have been valued using the binomial model and the resulting fair value is expensed over the vesting period. The following table lists the range of assumptions used in the model:

Expected Volatility (%)	71
Risk-free Interest rate (%)	0.67
Expected life of option (years)	1.50
Expected dividends	None

Volatility has been estimated by taking the historical volatility in the company's share price over a three year period up to the date of grant of the warrants. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share based payments have had the following impact on the group's loss for the year:

	2015 $000	2014 $000
Total expense recognised from share warrant transactions	20	26

Share based payment reserve appears in the statement of financial position under:

	2015 $000	2014 $000
Share option reserve	296	302

25. Financial instruments

The group's financial instruments comprise cash and liquid resources, a convertible loan, and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the group's operations.

Categories of financial instruments

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Loans and receivables				
Trade and other receivables, excluding prepayments and VAT (note 17)	1,642	2,862	-	-
Amounts owed by subsidiary undertakings (note 17)	-	-	17,758	16,476
Cash and cash equivalents	325	122	15	4
Total	1,967	2,984	17,773	16,480

	Group		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Other financial liabilities at amortised cost				
Finance lease liabilities (note 20)	397	490	16	19
Amounts owed to subsidiary undertakings (note 20)	-	-	10,472	10,097
7.5% Unsecured convertible loan stock	3,715	2,960	3,715	2,960
Other bank borrowings	518	920	-	-
Connected person loan	928	1,015	928	1,015
Trade and other payables excluding payroll taxes (note 21)	2,699	2,752	464	458
Total	8,257	8,137	15,595	14,549

Market Risk

Foreign currency risk

The main risks arising from the group's financial instruments are from foreign currency risk. The group includes subsidiaries operating in both the UK and USA. The majority of the group's transactions are denominated in US Dollars, however the costs arising from the UK subsidiaries are denominated in Pound Sterling therefore exposing it to a currency risk of fluctuations in the Pound Sterling/US Dollar exchange rate.

During the year ended 31 March 2015 there was more volatility in the Pound Sterling/US Dollar rate than in some previous years with the rate peaking at 0.6782 and falling to a low of 0.5828, with an average rate of 0.6100. If the US Dollar had remained at its highest level throughout the full year the group would have shown a post-tax loss of $1.9m (2014: Loss $2.0m), if the US Dollar had been at its lowest level throughout the full year the group would have shown a post-tax loss of $2.9m (2014: Loss $2.7m) and if the US Dollar had remained at the average rate throughout the year the post-tax loss would have been $2.5m (2014: Loss $2.4m).

Transactions between the company and its subsidiaries are in US Dollars, however the company is exposed to exchange rate fluctuations due to the majority of its costs being denominated in pound sterling and through the revaluation of the company's Pound Sterling creditors.

The main exposure for the group and the company to fluctuation in the Pound Sterling/US Dollar rate is through the Convertible loan note creditor which is denominated in pound sterling. The value of the loan is translated at the year end exchange rate.

The Pound Sterling/US Dollar exchange rate at the 31 March 2015 was 0.6741 (2014: 0.5998).

Interest rate risk

In September 2011 the company restructured the loan note issued in September 2006. Half of the $5,062,000 (£3,541,000) Unsecured convertible redeemable loan stock, which was due to mature on 31 October 2011, was converted into equity. The restructured loan has an outstanding amount of $2,823,000 (£1,770,500) which was due to mature on 31 October 2013, but now extended to 31 October 2017 and carries a fixed interest rate of 7.5%. The group and company consider the interest rate risk on the loan to be minimal as the rate is fixed.

In November 2014 the company entered into a new loan note arrangement with a major shareholder for an amount of $1,187,000 (£800,000). The terms of this loan note are identical to the existing loan note, namely a fixed interest rate of 7.5% and a maturity date of 31 October 2017.

The Crestmark Bank facility is in place until 31 January 2016, with the option to continue for an additional year. Interest is payable on a monthly basis and is charged for each day on the outstanding balance at an interest rate of 2.75% in excess of the rate shown in the Wall Street journal as the prime rate, with a minimum interest of 6%. The group is subject to interest rate risk from the movement in the US prime rate.

The Santander invoice financing facility is in place until February 2016, with an option to extend, and has interest payable on a monthly basis and is charged for each day on the outstanding balance at an interest rate of 2.35% in excess of the UK base rate. The group is subject to interest rate risk from the movement in the UK base rate.

Liquidity risk

Liquidity risk is the risk that the group and company will not be able to meet their financial obligations as they fall due. Management monitors rolling forecasts of the group's cash and cash equivalents on the basis of expected cash flows, reducing its liquidity risk through management of bank accounts, trade debtors and trade creditors, by utilising the availability of finance leases and invoicing financing facilities and through controls on expenditure. The majority of convertible loan stock is owned by major shareholders of the company.

The group has an agreement in place with Crestmark Bank to provide an invoice financing facility of up to $2.5m against US customers' invoices. This facility will be in place until 31 January 2016, with the option to continue for an additional year. The group can draw on funding from the bank up to lower of 85% of its current US company Trade receivables or $2.5m. The principle outstanding at 31 March 2015 was $518,000 (2014: $920,000).

During the year ended 31 March 2015 the group entered into an agreement with Santander Bank to provide an invoice financing facility of up to $760,000 (£500,000) against certain customers' invoices raised by ZOO Digital Limited. This facility will be in place until February 2016 with an option to extend. The group can draw on funding from the bank up to lower of 75% of its applicable UK company Trade receivables or £500,000. The principle outstanding at 31 March 2015 was nil.

The tables below analyse the financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2015	$000	$000	$000	$000
Borrowings	-	5,161	-	-
Finance lease liabilities	105	-	292	-
Trade and other payables	3,031	-	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2014	$000	$000	$000	$000
Borrowings	-	4,895	-	-
Finance lease liabilities	147	-	343	-
Trade and other payables	2,971	-	-	-

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2015	$000	$000	$000	$000
Amount owed to subsidiary undertakings	9,701	-	-	-
Borrowings	-	3,715	-	-
Finance lease liabilities	3	-	13	-
Trade and other payables	677	-	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2014	$000	$000	$000	$000
Amount owed to subsidiary undertakings	9,701	396	-	-
Borrowings	-	2,960	-	-
Finance lease liabilities	3	-	16	-
Trade and other payables	635	-	-	-

Credit risk

Credit risk arises from cash and cash equivalents and credit exposures on outstanding receivables. The group's and company's main credit risks are on the outstanding trade receivables. This risk is reduced through credit control procedures. An analysis of outstanding receivables is included in note 17.

26. Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt.

	2015	2014
	$000	$000
Total borrowings	5,558	5,385
Less cash and cash equivalents	(325)	(122)
Net Debt	5,233	5,263
Total equity	2,373	4,566
Total capital	7,606	9,829
Gearing ratio	69%	54%

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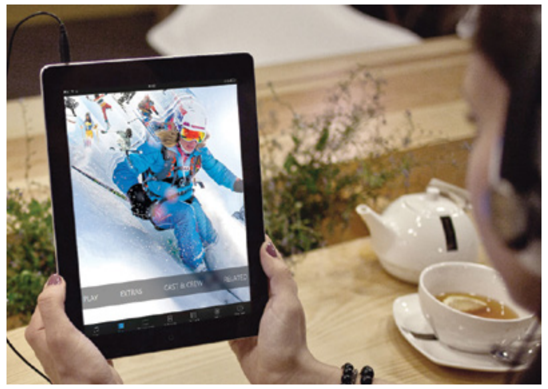

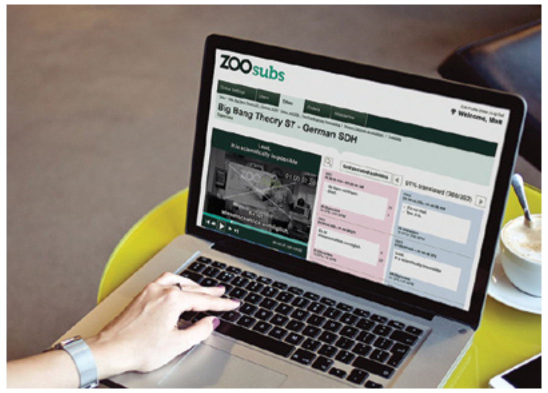


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