



**ZOO Digital Group plc  
Unaudited Interim Results  
for the six months ended  
30 September 2015**

## Chairman and Chief Executive's Statement

### Results

The Board is pleased to report a period of solid progress for the Company with results for the six months to 30 September 2015 in which EBITDA rose to \$0.9m (H1 2014: \$0.4m), delivering an operating profit of \$0.4m (H1 2014: loss of \$0.3m).

A 5% decline in sales to \$6.6m (H1 2014: \$6.9m) was due primarily to a major client's restructuring, which commenced in H2 2014, and that we understand has finally concluded. During the corresponding prior year period this client contributed one third of our total sales. For the period under review the Board is pleased to report significant progress from new clients, with overall client numbers growing by over 30%, contributing sales that have almost replaced the shortfall caused by this disruption. The growth in overall client numbers has been in the areas of localisation and digital distribution services. Following the conclusion of our client's restructuring we are now in discussions with the aim of re-establishing some of this former business.

Cash flow from operations was positive in the first half. Net debt increased by \$0.2m over the six month period as a result of on-going investment in the business together with financing costs, mitigated through the receipt of R&D tax credits. Cash flow from operations in H2 is expected to be neutral with the Board continuing to manage the business throughout the period within available facilities.

Gross profit margins increased from 76% to 83% as a result of a mix of higher margin services.

### Operations

The Company continues to strengthen its differentiated service position through its proprietary cloud-based localisation, digital packaging and workflow management platforms. These platforms underpin the Company's localisation service offerings, which include subtitling, captioning and dubbing, and have been expanded with the launch of a range of metadata management services.

Preparation of entertainment media metadata, which includes information such as plot synopses, character names, production crew and actors, is undergoing significant growth. This is primarily due to the diverse requirements of the growing number of digital distribution services of which there are now more than 100, including Netflix, Apple iTunes and Amazon Instant Video. Consumers now expect that digital video services will provide a wealth of information for each programme and this has created a new industry requirement for the supply of metadata. Furthermore, international exploitation of content necessitates localising metadata into the growing number of languages into which consumer services are now delivered. ZOO is ideally placed to fulfil this market requirement from its position as a provider of both media workflow platforms and services for localisation and digital packaging. The Board's expectation is that demand is set to grow further as video service providers seek to differentiate themselves through more sophisticated use of metadata, such as in conjunction with voice-controlled devices.

Clients are increasingly choosing ZOO as a provider of localisation services due to the benefits afforded by its cloud platforms. These include full visibility of work in progress, a secure and centralised repository for localisation materials and integration with client-side information systems. The Company participates in the tendering processes operated by many larger rights owners in the entertainment industry and as a result has secured preferred vendor status for a growing number of clients.

The Board is pleased to note that ZOO was shortlisted in the inaugural Innovate UK Small Business Innovation Awards for its ZOOcore platform. The awards, run by the UK's innovation agency, Innovate UK, recognise Britain's most exciting, cutting-edge, growing companies. ZOOcore was shortlisted in the 'Innovation leading to productivity improvement' category.

### Outlook

The Board is pleased with the progress achieved in the period under review, and in particular with the diversification of the business evidenced by the growth in overall client numbers. Consistent with the prior year we have delivered an improved result for H1 vs our prior year H2 and management focus continues to be on improving margins while growing revenues.

The Company is actively engaged in commercial discussions with a growing number of significant prospects and the Board remains confident of being able to scale its operations efficiently over time.

While the entertainment industry continues to undergo rapid change, we are confident that our range of services is appropriate to address the evolving needs of the market and remain cautiously optimistic about the Group's future prospects.

**Roger D Jeynes**  
Chairman

**Dr Stuart A Green**  
Chief Executive Officer

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
for the six months ending 30 September 2015

	6 months to 30 Sep 2015	6 months to 30 Sep 2014	Year ended 31 Mar 2015
	\$000	\$000	\$000
<b>Revenue</b>	<b>6,617</b>	6,930	11,465
Cost of sales	<b>(1,093)</b>	(1,637)	(2,483)
<b>Gross Profit</b>	<b>5,524</b>	5,293	8,982
Other operating income	-	-	-
Operating expenses	<b>(4,603)</b>	(4,894)	(9,669)
Profit /(loss) before interest, tax, depreciation and amortisation	<b>921</b>	399	(687)
Depreciation	<b>(94)</b>	(114)	(214)
Amortisation and impairment	<b>(440)</b>	(633)	(1,200)
Total operating expenses	<b>(5,137)</b>	(5,641)	(11,083)
<b>Operating profit/(loss)</b>	<b>387</b>	(348)	(2,101)
Exchange (loss)/gain on borrowings	<b>(115)</b>	11	561
Finance cost	<b>(278)</b>	(301)	(584)
<b>Total finance cost</b>	<b>(393)</b>	(290)	(23)
<b>Loss before taxation</b>	<b>(6)</b>	(638)	(2,124)
Tax on loss	<b>295</b>	66	66
<b>Profit/(loss) and total comprehensive income for the period attributable to equity holders of the parent</b>	<b>289</b>	(572)	(2,058)
<b>(Loss)/profit per ordinary share</b>			
- basic	<b>0.88 cents</b>	(1.75) cents	(6.30) cents
-diluted	<b>0.70 cents</b>	(1.75) cents	(6.30) cents

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
as at 30 September 2015

	As at 30 Sep 2015 \$000	As at 30 Sep 2014 \$000	As at 31 Mar 2015 \$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	342	459	421
Intangible assets	7,823	8,362	7,967
Deferred income tax assets	486	486	486
	<b>8,651</b>	<b>9,307</b>	<b>8,874</b>
<b>Current assets</b>			
Trade and other receivables	2,460	2,593	1,918
Cash and cash equivalents	441	270	325
	<b>2,901</b>	<b>2,863</b>	<b>2,243</b>
<b>Total assets</b>	<b>11,552</b>	<b>12,170</b>	<b>11,117</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(2,800)	(2,791)	(3,031)
Borrowings	(892)	(1,132)	(105)
	<b>(3,692)</b>	<b>(3,923)</b>	<b>(3,136)</b>
<b>Non-current liabilities</b>			
Borrowings	(5,031)	(4,243)	(5,453)
<b>Total liabilities</b>	<b>(8,723)</b>	<b>(8,166)</b>	<b>(8,589)</b>
<b>Net assets</b>	<b>2,829</b>	<b>4,004</b>	<b>2,528</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Called up share capital	7,236	7,236	7,236
Share premium reserve	37,014	37,014	37,014
Other reserves	12,320	12,293	12,320
Share option reserve	308	312	296
Convertible loan note reserve	42	42	42
Foreign exchange translation reserve	(992)	(992)	(992)
Accumulated losses	(53,075)	(51,878)	(53,364)
	<b>2,853</b>	<b>4,027</b>	<b>2,552</b>
<b>Interest in own shares</b>	<b>(24)</b>	<b>(23)</b>	<b>(24)</b>
<b>Attributable to equity holders</b>	<b>2,829</b>	<b>4,004</b>	<b>2,528</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ending 30 September 2015

	Ordinary shares \$000	Share premium reserve \$000	Foreign exchange translation reserve \$000	Convertible loan note reserve \$000	Share option reserve \$000	Other reserves \$000	Accumu- lated losses \$000	Interest in own shares \$000	Total \$000
Balance at									
1 April 2014	7,236	37,014	(992)	42	302	12,293	(51,306)	(23)	4,566
Share-based payments					10				10
Transactions with owners	-	-	-	-	10	-	-	-	10
Loss for the period							(572)		(572)
Total comprehensive income for the period	-	-	-	-	-	-	(572)	-	(572)
Balance at									
30 September 2014	7,236	37,014	(992)	42	312	12,293	(51,878)	(23)	4,004
Share-based payments					14				14
Forfeited Share options					(30)	27			(3)
Purchase of own shares								(1)	(1)
Transactions with owners	-	-	-	-	(16)	27	-	(1)	10
Loss for the period							(1,486)		(1,486)
Total comprehensive income for the period	-	-	-	-	-	-	(1,486)	-	(1,486)
Balance at									
31 March 2015	7,236	37,014	(992)	42	296	12,320	(53,364)	(24)	2,528
Share-based payments					12				12
Transactions with owners	-	-	-	-	12	-	-	-	12
Profit for the period							289		289
Total comprehensive income for the period	-	-	-	-	-	-	289	-	289
Balance at									
30 September 2015	7,236	37,014	(992)	42	308	12,320	(53,075)	(24)	2,829

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the six months ending 30 September 2015

	6 months to 30 Sep 2015	6 months to 30 Sep 2014	Year ended 31 Mar 2015
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Operating profit/(loss) for the period	387	(348)	(2,101)
Depreciation	94	114	214
Amortisation and impairment	440	633	1,200
Share based payments	12	10	21
Purchase of own shares	-	-	(1)
Exchange (loss)/gain	-	(9)	-
Changes in working capital:			
(Increases)/decreases in trade and other receivables	(542)	614	1,289
(Decreases)/increases in trade and other payables	(231)	(180)	60
<b>Cash flow from operations</b>	<b>160</b>	<b>834</b>	<b>682</b>
Tax received	295	66	66
<b>Net cash flow from operating activities</b>	<b>455</b>	<b>900</b>	<b>748</b>
<b>Investing Activities</b>			
Purchase of intangible assets	(296)	(397)	(569)
Purchase of property, plant and equipment	(15)	(64)	(67)
<b>Net cash flow from investing activities</b>	<b>(311)</b>	<b>(461)</b>	<b>(636)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(55)	(10)	(512)
Proceeds from borrowings	253	-	1,187
Finance cost	(226)	(290)	(584)
<b>Net cash flow from financing</b>	<b>(28)</b>	<b>(300)</b>	<b>91</b>
Net increase in cash and cash equivalents	116	139	203
Cash and cash equivalents at the beginning of the period	325	122	122
Exchange loss on cash and cash equivalents	-	9	-
Cash and cash equivalents at the end of the period	441	270	325

## NOTES

### General information

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

The company is a public limited company which is listed on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of the registered office is The Tower, 2 Furnival Square, Sheffield.

The registered number of the company is 3858881.

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

The interim accounts were approved by the board of directors on 6 November 2015.

This consolidated interim financial information has not been audited.

### Basis of preparation

The consolidated financial statements of ZOO Digital Group plc and its subsidiary undertakings (the "Group") for the period ended 31 March 2015 will be prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The policies applied are consistent with those set out in the annual report for the year ended 31 March 2015, and have been consistently applied, unless stated otherwise.

A copy of the statutory accounts for the year ended 31 March 2015, prepared under IFRS, has been delivered to the Registrar of companies and contained an unqualified auditors' report.

### Basis of Consolidation

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

### Foreign currency translation

### Functional and presentation currency

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

### Transactions and balances

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

### Group companies

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

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

### Equity securities issued

No securities have been issued during the period to 30 September 2015, 31 March 2015 or 30 September 2014.

### Earnings per share

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

#### Weighted average number of shares for basic & diluted profit/(loss) per share

	<b>30 Sep 2015</b>	30 Sep 2014	31 Mar 2015
	<b>No. of shares</b>	No. of shares	No. of shares
Basic	32,660,660	32,660,660	32,660,660
Diluted	41,415,845	41,123,844	39,797,180

### Further Copies

Copies of the Interim Report for the six months ended 30 September 2015 will be available, free of charge, for a period of one month from the registered office of the Company at The Tower, 2 Furnival Square, Sheffield, S1 4QL or from the Group's website: [www.zoodigital.com](http://www.zoodigital.com).



## **COMPANY INFORMATION**

### **Registered Office**

The Tower  
2 Furnival Square  
Sheffield  
S1 4QL

### **Company number**

385881

### **Directors**

R D Jeynes  
Chairman

Dr S A Green  
Chief Executive Officer

H P Gilder  
Group Finance Director  
and Company Secretary

G Doran  
Commercial Director

### **Bankers**

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