ZOOdigital.com

Leading the future of media localisation

ZOO DIGITAL GROUP PLC
Annual report and accounts 2020

ZOO Digital is a leading innovator in media localisation services and technologies.

Unique in our approach, we combine a proprietary cloud-based ecosystem and end-to-end global media services to enable Hollywood studios and international streaming services to deliver content to audiences everywhere.

Contents

Financial KPIs and Operational KPIs

Revenues
$29.8m
(2019: $28.8m)

EBITDA margin*
7.0%
(2019: 1.4%)

Operating expenses as a percentage of revenues
36%
(2019: 37%)

Number of freelancers†
7,184
(2019: 6,556)

Retained sales‡
97%
(2019: 88%)

* Adjusted for share-based payments; stated FY20 figure reflects reclassification of operating leases as prescribed by IFRS 16
† The number of active freelance workers in ZOO's systems who are engaged directly
‡ Proportion of client revenues retained from one year to the next

Performance Highlights

ZOO's Year in Review: Innovation and Collaboration

ZOOstudio receives Product of the Year award at the National Association of Broadcasters (NAB) Show 2019

ZOO awarded Broadcast Tech Innovation Award 2019 for 'Excellence in Localisation For a Global TV Project'

Broadcast Tech Innovation Awards 2019 WINNER

Further ZOOdubs adoption including increased remote recording and collaboration in response to the COVID-19 pandemic

ZOOdubs

Continued expansion of London operations; including new cloud dubbing booths and appointment of new Head of Dubbing and Media Services, ex-Disney Katie Young

Strategic end-to-end vendor and technology provider for newly launched global direct-to-consumer streaming service

ZOOstudio

ZOO at a Glance

Our mission is to provide services for fast and cost-effective localisation and digital distribution of media content through the power of our world-class cloud technology.

Our Business Model

While the traditional industry approach is built on the utilisation of international networks of owned-and-operated production facilities, ZOO operates using a flexible, scalable and cost-efficient base. Centralised management facilities, ZOO-enabled dubbing studios, freelance talent and affiliate partners give ZOO global servicing coverage – with all parties working collaboratively and securely in ZOO's award-winning ecosystem of proprietary cloud-based software platforms. This approach offers greater levels of security, scalability and flexibility to our clients.

We have always believed this model is the most effective approach for today's digital media entertainment industry, and this has been further enhanced by ZOO's ability to respond swiftly and effectively to the recent pandemic.

Our Services

ZOO provides the end-to-end language translation and media processing services required to adapt original content for different languages, regions and cultures. Through localisation, content owners can extend the reach and financial opportunities for their new and existing entertainment content.

ZOO's services include:

- **Subtitling:** A textual, on-screen translation of the dialogue in other languages
- **Dubbing:** An audio adaptation of the dialogue in other languages
- **Captioning:** A textual, on-screen representation of the dialogue and other sounds for the deaf and hard of hearing
- **Audio description:** A spoken narration of on-screen visual content for the blind and partially sighted
- **Digital packaging:** Preparing TV and movie content in the right technical formats for each streaming service such as Netflix, Disney+ and Prime Video

Our Technology

Our in-house R&D team of 32 software specialists has developed an unrivalled cloud-based Localisation Ecosystem. It consists of interconnected workflow and management platforms that our production teams use to seamlessly deliver ZOO's differentiated services.

ZOO Localisation Ecosystem

ZOOstudio
Localisation management platform

ZOOcore
Workflow manager

ZOOecho
Resource planner

ZOOscripts
Scripting platform

ZOOsubs
Subtitling platform

ZOOdubs
Dubbing and VO capture platform

ZOOhive
Asset storage and file analysis system

ZOOmeta
Metadata localisation tool

ZOOscreen
Secure screening platform

ZOO in Numbers

4 facilities
in Los Angeles, London, Dubai and Sheffield, UK

83 languages
offered as part of ZOO's dubbing and subtitling services

234 Team ZOO staff

32 in-house R&D specialists

7,184 freelance
translators, actors, directors and mixers

360 million
subtitles and captions created and stored in ZOOsubs to date

Our Market

Estimated to be worth $2.4bn, media localisation is currently the fastest growing end-customer vertical in the language services market[1].

The rapid growth of the global home entertainment industry continued with added momentum this year, thanks in no small part to the launch of highly anticipated new direct-to-consumer streaming services from Disney and Apple. These over-the-top (OTT) streaming services provide audiences with a combination of original and back-catalogue content. They have gained significant subscription numbers since launch, compounded by the increased demand for content from audiences during the lockdown period. All are expected to develop a sizable subscription base in the coming years, in particular Disney+ which is predicted to increase its subscription numbers to 202 million by 2025[2].

The launch of these new platforms, alongside continuing growth from market leaders such as Netflix and Amazon, has created greater demand for media localisation and associated services for premium entertainment content. The global market for media localisation (not including access services and digital packaging) is an estimated $2.4 billion, representing 9.8% of the global localisation services market.

A challenge of this growth is the ability for localisation service providers to deliver the scale and capacity to service this content[3]. Thanks to a business model that offers both scalability and access to sustainable capacity, ZOO is well placed to meet this challenge as other incumbent vendors struggle to adapt to the market evolution.

$120 billion
spent on original content by US media and entertainment companies in 2019[4]

81% increase
in global SVOD subscriptions between 2019 and 2025 to 1,161 million subscribers[5]

Our Customers

ZOO is trusted by the biggest names in global media and entertainment.

[1] Slator 2020 Language Industry Market Report
[2] https://www.hollywoodreporter.com/news/disney-reach-202-million-subscribers-by-2025-analyst-forecasts-1294125
[3] The 2020 Nimdzi 100 report. Pg 37
[4] Variety Intelligence Platform https://variety.com/2020/biz/news/2019-original-content-spend-121-billion-1203457940/
[5] Digital TV Research https://www.digitaltveurope.com/2020/05/11/coronavirus-accelerates-global-svod-growth/

Strategy

ZOO has a four-pillar strategy to deliver long-term revenue growth and increased market share.

ZOO recognises the immediate challenges for the entertainment industry. Our strategy for growth is around delivering the much-needed sustainable capacity, operating efficiency and oversight for our content owner clients, and is expressed in the following pillars:

INNOVATION

CREATE VALUE-ADDING SOFTWARE TECHNOLOGY to deliver significant competitive advantage by making operations more efficient, ensuring consistently high quality and developing service capabilities specific to the needs of clients and the market.

2019 PRODUCT of the YEAR NABSHOW WINNER

CUSTOMERS

SECURE PREFERRED PARTNER STATUS WITH LEADING BUYERS by working with the leading global buyers of non-theatrical subtitling, dubbing and distribution services in order to establish ZOO as a preferred partner.

PREFERRED FULFILLMENT PARTNER

Paramount A ViacomCBS Company

Disney

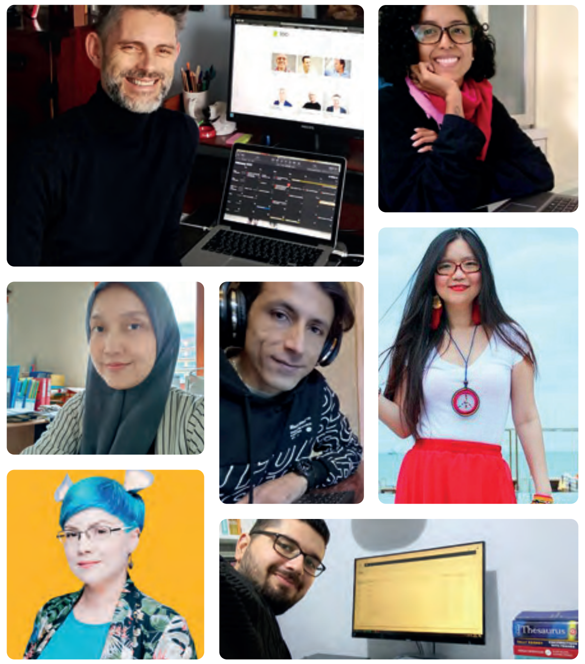
SONY PICTURES

COLLABORATION

PROVIDE IN-TERRITORY POINTS OF PRESENCE by appointing qualified partners and providing access to ZOO software to establish a presence for ZOO in key countries, particularly emerging markets.

SCALABILITY

DEVELOP A FREELANCER NETWORK for creative and skilled roles; identify, recruit, train and engage freelance workers for a cost-efficient, available and scalable resource across all required languages.



ZOO's COVID-19 Response: Business as Usual

Our cloud-based business model means that we were not only able to continue operations without missing a beat, but we were also able to seize the opportunities presented by the global lockdown.

Remote working

In each facility, Team ZOO smoothly transitioned to remote working without interrupting services for our clients. Our cloud-based production and management platforms, alongside our enduring commitment to security, ensured ZOO was ideally placed to adopt a work-from-home approach.

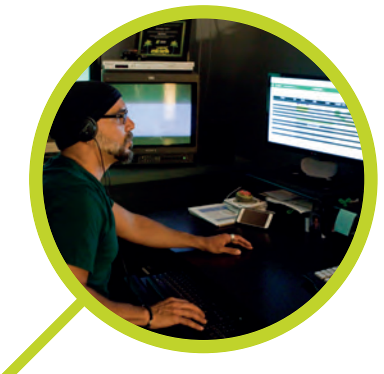
The COVID-19 effect on the wider dubbing industry

The effect that COVID-19 has had on the 'traditional' localisation industry was felt most acutely in the areas of dubbing and voice capture; subtitling, which is typically executed using a remote working model, was largely unaffected. Dubbing and voice capture services in the wider dubbing industry are largely studio based and reliant on specific studio locations. With the lockdown of these premises in many key dubbing territories, ZOO's competitors were unable to offer customers a continuity of service outside of the physical studio.

Having established our cloud-based dubbing service in 2017, ZOO was able to offer the service continuity that customers required. In the first days and weeks of lockdown, several major customers evaluated and adopted ZOO's cloud dubbing service as a means to achieve much-needed business continuity. Our ZOOdubs platform was also used to provide automatic dialogue replacement (ADR) services to a number of studios for their projects in the final stages of production. Cloud dubbing offered customers a proven, secure and reliable dubbing solution to allow them to keep their project pipelines on track and deliver business continuity.

Audio business continuity

With the shutdown of dubbing studios around the world, the wider industry has acknowledged the need to adopt a robust business continuity solution in the event of a similar shutdown occurring in the future. The Media and Entertainment Alliance (MESA) is championing the standardisation of remote recording and quality through the formation of the Audio Business Continuity Alliance. This represents an endorsement of ZOO's strategy.



Our Investment Case

ZOO is focused on achieving sustainable and profitable revenue growth, by delivering differentiated services to the rapidly expanding over-the-top (OTT) distribution sector.

Continued investment in innovation

$1.5m R&D spend in 2019

ZOO is synonymous with innovation. In 2019, we continued our commitment to innovation through significant levels of R&D spend. This investment ensures ZOO can maintain its differentiated, technology-enabled position in the industry.

Large, growing global market

$2.4bn estimated annual global spend on media localisation services[6]

Our target media localisation services market is estimated to be worth an annual spend of $2.4bn. It represents the fastest growing end-customer vertical in the language services market, experiencing 8.1% growth in 2019.

Recognised market-leading position

Top 35 leader in the global Language Service Provider (LSP) index[7]

ZOO is recognised as a leading service provider in the localisation industry. We offer the combination of end-to-end services and innovative technologies that customers require to meet the challenges of the evolving global entertainment market.

Strong, long-term customer relationships

15-year track record providing services and technologies to Hollywood studios

ZOO has built strong, long-term relationships and partnerships with an enviable roster of clients including the biggest names in global media and entertainment. ZOO has over 15-years-experience working with, and providing services to, the major Hollywood studios.

Experienced global leadership team

11-year average length of service across the senior leadership team

The ZOO leadership team is steeped in experience from a variety of industry and technology backgrounds. Almost half have been with ZOO for over 15 years.

Distributed international workforce

7,184 freelancers in distributed international workforce

ZOO utilises a growing global community of freelance translators, actors and directors to provide our services. We continue to build sustainable capacity for our services by recruiting, onboarding and training our international freelancer resource pool.

[6] Slator 2020 Language Industry Market Report
[7] Slator 2020 Language Service Provider Index

Chairman's Statement

It gives me great pleasure to present my first report as Chairman of ZOO following my appointment to the role in July 2019.

My sense when joining was of a company with a rare blend of first-mover innovation and long-standing reputation in a relationship-dominated industry. The market ZOO serves has undergone unparalleled change in recent years and that journey is not yet complete, but the direction of travel is very clear. The recent and forthcoming launches of direct-to-consumer, over-the-top (OTT) platforms from some of the world's major media companies are the latest steps forward. As these platforms broaden their reach into different geographies, the need for localisation services covering an expanding number of languages will grow, and with it, the opportunity for ZOO. Our cloud-powered solutions are tailor made for this environment and our appointment in H1 as a primary vendor and technology partner for one of the major platforms is testament to this strength and position.

Total revenues for the Group grew to $29.8 million, with H2 a 12% improvement over the first half of the year, despite a temporary softening of sales caused by the COVID-19 pandemic as customers implemented their business continuity processes. Full year EBITDA before share-based payments were $2.1 million, reflecting an improved product mix against a backdrop of continued investment and the reclassification of operating leases as prescribed by IFRS 16. The operating loss of $0.6 million, which resulted from the gross profit improvement was significantly better than the prior year. Profit before tax fell by $1.4 million as a consequence of reducing the value of the embedded derivative writeback to the Profit and Loss account by $1.7 million in FY20. The Group was cash positive in the second half of the year, closing with $1.2 million cash in the bank and borrowings of $3.7 million excluding, lease payments, right to use asset liability and separable embedded derivative.

The health and safety of our people and partners has been our primary focus throughout the pandemic, and we were able to implement appropriate working practices swiftly, efficiently and in line with official guidance across our operations. The integrity and professionalism shown by our colleagues as they continue to support customers have been particularly rewarding and speaks volumes of the collegiate culture and shared sense of purpose within our business. On behalf of the Board, we are enormously grateful.

Evidence of the Group's progress can be seen against each of its four strategic pillars:

Innovate – ZOOstudio started the year with high critical acclaim, being awarded Product of the Year at the National Association of Broadcasters (NAB) show in Las Vegas, which was soon followed by its adoption by one of the major media companies. A localisation operations management platform, ZOOstudio, was developed specifically to address our clients' needs to manage the localisation process from end to end and accommodate multiple vendors. Additional functionalities are being included in the platform as we look to broaden its reach and build on its early success.

Scale – We have continued to grow and develop our freelance network of translators, voice actors, dubbing directors and audio mixing engineers. A particular emphasis during the period has been in establishing a resource pool to enable us to process dubbing projects in the languages that are currently being targeted by major OTT service providers.

Collaborate – We have continued to work with our in-territory partners who have joined our ZOO-Enabled Dubbing Studio (ZEDS) programme, delivering on our promise to offer more flexibility, capacity and languages to our customers that require dubbing services. Further enhancing our localisation capacity, we opened a studio in London during the period, offering voice capture facilities, training services and audio mixing, key for some of our customers who require final mixing of localisation services in-territory. This has already generated significant orders from one global media content provider.

Build Long-term Client Partnerships – In addition to the adoption of ZOOstudio described above, we were also confirmed as a preferred vendor of localisation and digital packaging services for a major OTT platform and we have seen increasing volumes of orders since adoption. These are in addition to the previous year's confirmation as a preferred fulfilment partner (NPFP) for Netflix, allowing us to secure contracts for subtitling and media processing of licensed content. We received the Broadcast Tech Innovation Award 2019 for 'Excellence in Localisation for a Global TV Project', which provides further testament to the quality of the services we deliver for our customers and which is key to our ability to build long-term client partnerships.

Due to the cloud-based platforms on which our services are delivered, we have seen increased levels of client enquiries during the lockdown period, particularly in relation to our dubbing services, at a time when traditional providers of these services have been unable to operate. This has proven to be a helpful catalyst to engage with a wide range of clients on dubbing, both existing and new, where we have been able to demonstrate the benefits of our proposition which provides an effective solution for business continuity. Whilst it is too early to judge the long-term impact, we are optimistic of receiving a regular pipeline of work from a more diverse client base than we experienced prior to the COVID-19 pandemic.

We remain excited by the prospect of sustained growth for the years ahead.

Gillian Wilmot
Chairman
ZOO Digital Group plc

Strategic Report

Introduction

The financial year just completed was an important one strategically for ZOO, with increasing traction within our customer base, on-going positive structural changes within the OTT consumer video market and growing recognition of our cloud-based systems and services, accelerated by the disruption caused by the COVID-19 pandemic in the final weeks of the year.

In the first half of the year, we were selected as a primary vendor of localisation and digital packaging services for a major OTT platform, and ZOOstudio was adopted by a major media company to manage its localisation operations for OTT production. Both of these relationships are progressing well and have led to increasing throughput of projects as the year has progressed, notwithstanding a period of brief stasis in the immediate weeks following the outbreak of COVID-19 as customers implemented their business continuity processes.

As envisaged, revenues associated with legacy DVD and Blu-ray services, a significant component of our prior year sales, fell by 76%. In addition, a consequence of the lockdown was that a significant value of projects that had begun in the period were deferred until our FY21 year. Despite these factors, total revenue showed an increase of 3% on the prior year to $29.8 million (FY19: $28.8 million) with combined localisation and OTT digital packaging revenues growing by 12% to $27.6 million. The Group started to see the benefits of investments made in the prior year, leading to an improved revenue mix, with EBITDA before share-based payments increasing to $2.1 million (FY19: $0.4 million) and cash at the year-end of $1.2 million (FY19: $1.8 million).

COVID-19

As highlighted by the Chairman, our internal business continuity processes were implemented seamlessly, and productivity has remained impressive throughout the period since restrictions were imposed. I would like to echo Gillian's thanks to all of our colleagues for their utmost professionalism in migrating to working from home for what has been a prolonged period. I am particularly grateful to those who have returned to work in our office locations to continue to deliver services that require access to specialist equipment and facilities while observing strict guidelines on social distancing and hygiene.

Following a temporary softening of sales as customers implemented their business continuity processes and projects were deferred, we soon witnessed a return to regular trading patterns and normalised volumes for digital packaging and localisation services. As the situation has progressed, we have seen increasing levels of interest in ZOOdubs, the Group's proprietary cloud-based dubbing solution, together with the associated services. In the period April to June 2020, the value of dubbing projects processed by the Group entirely using ZOOdubs was more than three times that in the corresponding prior year period and also well ahead of the recent quarterly run rate. ZOOdubs was designed from the outset to enable very high-quality dubbing (and associated services) to be executed at distributed locations, as opposed to necessitating voice actors, dubbing directors and ancillary staff to all attend the same dubbing studio. Having received critical acclaim and initial adoption, the interest in ZOOdubs was slowly growing in an industry that is traditionally conservative and reluctant to adopt change. The effect of the pandemic and the continuing restrictions on gatherings has been twofold: firstly, it has accelerated the desire to evaluate cloud dubbing as an effective solution by many of the major media owners and OTT platforms, and secondly; traditional dubbing service providers, who until recently have not been advocates of remote dubbing, are now beginning to promote their own alternatives. This has served to strengthen the credibility of off-premise recording and therefore, given our reputation and the years of investment, development and testing we have made in our platform and service, we believe we are well placed to benefit.

It is clear that once situations normalise there will continue to be a requirement for traditional dubbing studios. At the same time, we do believe that the volume of dubbing work performed in a distributed way will likely remain significantly higher than it was prior to the pandemic. We envisage that customers will increasingly appreciate the unique features of ZOO's dubbing platform and services, including quality, security and ease of use, and will keep business continuity front of mind in order that they are able to deal with whatever circumstances may arise.

The difficulties in assembling a cast and technical crew in the same location due to social distancing restrictions globally will continue to impact the ability within the entertainment industry to create new, original content. This has been affecting the volume of localisation and digital packaging work, on this type of title, that our solutions are engaged for in the short term. The desire to create new content has not diminished, with companies committing greater levels of investment to original content creation to act as a differentiator for their platforms, as evidenced this year through increasing budgets from many of the leading players.

According to Wall Street firm BMO Capital Markets, five of the global OTT services were collectively expected to exceed in 2020 their $31 billion of original content spend in 2019. During this interim period between the intent to invest in content and the ability of socially-distanced production locations to deliver, the emphasis will once again switch to back catalogue material which, in prior years, has represented the majority of ZOO's revenues to date.

Strategy and market opportunity

The landscape for film and TV entertainment changed at pace in the last 12 months with the launches of direct-to-consumer OTT platforms from Apple, Disney, and Warner Media and the imminent launch of a service from NBC Universal. These have received recognition amongst consumers and evidence suggests healthy subscriptions, further enhanced by the attractiveness of these services during lockdown. In the first half of the fiscal year, ZOO was selected as a primary vendor for a major OTT platform and through the course of the year has seen growing volumes of work through this relationship.

These platforms have mostly launched in the US initially with some of them already delivering services across a range of languages. As their distribution increases and, with it, the range of content and number of languages needed for each title, so too does the real opportunity for ZOO.

Increasingly, we are seeing companies looking for digital packaging and localisation to be carried out as part of a consolidated and integrated service. ZOO has been performing digital packaging since 2007. This was originally for DVD and subsequently for Blu-ray products, but the skill set, technical expertise and systems needed are equally applicable and relevant for the work required by the OTT platforms. While DVD and Blu-ray related work has been declining in recent years and is no longer a key focus area of the Group, our strength and reputation in the digital media packaging field combined with our localisation services is a strong competitive advantage and there is significant room for growth in both service lines.

ZOOstudio was also adopted by a major media company to manage its localisation operations for OTT productions and has become increasingly embedded within that organisation, with highly encouraging feedback. This adoption, together with our role as a preferred or primary vendor for a growing number of major media companies, supports our belief that the current market dynamics favour our solutions and justify the investments made in our proprietary technology. Furthermore, whilst the launch of multiple new OTT platforms is significant in itself, to date the geographies in which they are available and therefore the range of languages in which they offer their content are at modest levels compared with what can be expected over the years to come.

As these platforms steadily execute their roll-out plans and expand its customer footprint, coupled with the increased budgets for original content announced from Netflix, Amazon, Apple and others, we believe we are well placed to benefit.

Subscription Video on Demand, the largest segment of the OTT market by value, continues its rapid global expansion. According to a report from Allied Market Research, the global OTT market was valued at $97 billion in 2017 and is projected to reach $333 billion by 2025, a CAGR of 17%, with the Asia-Pacific region registering the fastest growth rate of 21%. In the past year, several media companies have each committed to spending billions of dollars on content, with the global output of TV production being at an all-time high.

Growth in global consumer video markets is creating greater demand for professional localisation services to adapt content for international audiences. According to recent research from Slator, the global market for media localisation (not including access services and digital packaging) was expected to have reached $2.4 billion in 2019, representing 9.8% of the global localisation services market. This creates opportunity for providers like ZOO that deliver the breadth of services needed to repurpose content produced in one language into many other languages.

We remain confident that ZOO is well-positioned to capture a growing share of this expanding number of localisation projects due to the following factors:

Software

ZOO's innovative use of technology enables content owners to distribute their products to additional territories at a reduced time-to-market and to a consistently high quality compared with what has previously been possible, with greater security and at a competitive price. The Company continues to invest in innovation to support efficient and effective delivery of multilingual services, broaden our product portfolio and increase wallet share within our customer base.

Freelancers

ZOO's software enables the Company to collaborate with a worldwide network of thousands of freelance workers, including translators, voice actors and dubbing directors. In addition, the software significantly reduces the human capital requirements of service fulfilment, enabling the Company to scale its capacity efficiently as demand increases and to capitalise on the increasing trend for global distribution of international content originating in a growing number of languages.

Quality

Our expertise in digital packaging, which dates back to 2007 and was initially focused on first on DVD and then subsequently Blu-ray releases, has now returned to the fore for OTT production. It was this foundation that created the opportunity for us to innovate and invest in localisation technology and services. Over the nine years since we launched our subtitling proposition, we have demonstrated our ability to deliver a service across all global languages, at scale, at the highest levels of quality achieved within the industry. We have become recognised as a leading player and partner of choice for subtitling by some of the largest media organisations. Our dubbing proposition, launched only three years ago, is at a much earlier stage in its adoption.

Interest and initial projects have accelerated as a result of the current environment, and the feedback we have received on our performance has been very favourable. This gives us confidence to believe that, given time, we will build a similar reputation for quality in our dubbing service from which we can reasonably expect accelerated, continued adoption will follow.

Partnership

ZOO's long history of service and software provision in the entertainment industry means it has an unrivalled depth of both industry know-how and customer relationships. We are focused on serving the needs of the large buyers in the market who, while being demanding in their requirements for quality, scalability and security, provide us with multilingual localisation projects involving multiple service lines. Such relationships take time to develop since vendor reputation is all important, but once established have the potential to generate regular repeat business over the long term. ZOO is already established as a preferred or primary vendor of subtitling services for a number of major buyers. We expect that we will achieve a similar status for dubbing services in due course.

Review of Operations

We have continued to make considerable progress in all of the service lines delivered through our proprietary cloud-based platforms.

ZOOsubs: Subtitling

Our subtitling team, enabled by our proprietary end-to-end subtitle production platform, ZOOsubs, continues to deliver services of the highest standard and, during the year, has served all major Hollywood studios and all leading OTT providers.

During the period, our largest subtitling customer in the prior year changed its strategy for procuring localisation services which resulted in a much reduced contribution from this customer in the year to March 2020. However, this was offset by 42% year-on-year growth in sales from other customers.

We have an established pool of experienced media translation specialists that is sufficient to meet our requirements for all languages that are regularly ordered by our customers. We have introduced programmes to enhance our engagement with this pool and to ensure that we have access to linguists as demand ebbs and flows. We have continued our efforts to grow our freelancer resources in languages that are currently less popular but where we anticipate future growth driven by OTT country launches, particularly in the MENA and APAC regions.

ZOOdubs: Dubbing

ZOO's dubbing service is significantly differentiated in the market due to the distributed recording capability made possible by our ZOOdubs platform, enabling the same work to be completed more efficiently, securely and without compromising quality when compared with the traditional studio-centred approach. Dubbing is treated in the industry as a highly creative service, and major buyers in the market have been reluctant to move away from the language-centralised approach employed widely in the industry due to their lack of familiarity with our technology-enabled service. However, as mentioned previously, the global lockdowns that have been enforced during the COVID-19 pandemic have prevented traditional studios from operating normally and have served as a catalyst for buyers to try out our services.

The change in procurement strategy by the customer mentioned above also affected dubbing sales during the period under review. In the prior year, this client accounted for 64% of our dubbing sales which fell to 6% in the current year. However, we have made significant progress in delivering growth in dubbing from other clients, with the overall number of dubbing clients increasing from 23 in the prior year to 29 in the period under review.

Our freelancer onboarding team has focused primarily on talent for dubbing, with priority given to the languages that are being regularly commissioned by multilingual buyers. We will continue with this effort to enlarge the talent pool from which voices can be cast for each language, as well as the number of script adapters and dubbing directors who are critical to achieving high levels of quality.

ZOOstudio: End-to-end localisation operations management for OTT

During the period we launched our ZOOstudio platform which provides the capability to manage requirements for delivery of assets for OTT distribution, including placing the associated purchase orders with vendors. We believe that this product will help embed our technology at the heart of clients' processes. This should allow us to develop and integrate additional ZOO services into client workflows, and will help us keep client churn at the current low levels. We were successful in securing a first significant deployment of the platform which has been used to manage operations for the launches of a major new streaming platform across multiple international markets.

We have continued to develop ZOOstudio during the period, adding new features and functions to broaden its scope and attractiveness to major customers. The platform is being used on a daily basis to commission and manage services related to all digital elements required for OTT distribution, including captions, subtitles, dubbed soundtracks, audio description, metadata production and digital packaging.

Digital packaging

Preparing and assembling assets for delivery to OTT platforms is a complex and exacting process in order to meet each platform's unique technical requirements. ZOO's experience over 13 years of developing systems and workflows and delivering services in this area has proven advantageous in securing new business at a time when buyers are increasingly seeking partners who can offer an integrated localisation/digital packaging solution.

While sales related to legacy DVD and Blu-ray platforms have declined considerably during the period, there has been considerable growth in these service lines in relation to OTT platforms where annual sales have increased almost threefold.

Investing for future growth
ZOO's reputation has been built on its innovative approach and we will continue to invest to broaden our offering. The strong underlying market dynamics of exceptional growth in volume of content consumed across different geographies and in different languages, combined with our increasing traction within our customer base presents us with the ideal opportunity to provide additional relevant services.

The success of our innovation program is exemplified by the adoption this year of ZOOstudio by a major media company to manage its localisation operations for OTT production. ZOOstudio was only launched last year yet received a Product of the Year award at the National Association of Broadcasters (NAB) Show 2019. ZOO was also awarded the Broadcast Tech Innovation Award 2019 for 'Excellence in Localisation for a Global TV Project'. Further investment has been made throughout the year to broaden the functionality of our cloud platforms.

We have invested in talent with a particular focus in the second half of the year on dubbing, adding both capabilities and capacity, and will continue to do so given the current market conditions. In particular, we will continue to augment the team with specialists in the major languages that are most in demand by major OTT service providers.

Further enhancing our localisation capacity, we opened a studio in London during the period, offering voice capture facilities, training services and audio mixing, key for some of our customers who require final mixing of localisation services in-territory. The initial feedback was overwhelmingly positive and instrumental in securing significant orders from one global media content provider during the year. This studio has not been operating during lockdown and we expect to reopen the facility later in 2020.

Our freelancer network, which gives us scalability at variable cost, grew modestly during the period and at the year-end stood at approximately 7,200 individuals after we removed from our network a number who do not have sufficient availability to meet our requirements.

There has been considerable investment in our technology during the year, resulting in enhanced features in our platforms, with some of the more significant being the following:

- We have added capabilities to our platforms to enable highly efficient production of Audio Description (AD) soundtracks. These are audio streams that incorporate a commentary to assist sight impaired audiences which are increasingly in demand in certain territories. We now regularly provide AD services to a number of major studio customers.
- We have continued to enhance ZOOstudio with further capabilities to increase its value and attractiveness to our existing major customers and new potential customers. The platform now provides an Application Programming Interface (API) to enable efficient exchange of information with third-party vendors. We have provided functionality to facilitate the management of existing collections and catalogues of content. The system now supports the reporting of multi-currency financial information, enabling scenario modelling as well as tracking of costs for multiple territories.
- ZOOscripts, our scripting platform, has been enhanced to support 'pivot languages' which are often used when working on non-English original content, enabling the use of an intermediate language for translation when there is a limited supply of experienced media translators who work from the source language to a particular target language. We have also added functionality to deal with the particular requirements of dealing with song lyrics.
- We have enhanced our capability to produce individually watermarked video streams for each user of all of our systems. This enables us to deliver a much more cost-effective means for robust security than was possible previously, based on a novel approach for which we have applied for patents.
- Our ZOOdubs dubbing platform has been enhanced with a number of new features to address productivity and ease-of-use, as well as to support new usage scenarios. This includes the support of multiple voice actors working at the same physical location and recording their parts together. We have implemented a closer integration with Avid Pro Tools – the industry-standard professional Digital Audio Workstation product which is widely used by dubbing studios and post-production facilities. We have also provided functionality to enable larger numbers of individuals to simultaneously collaborate on projects.

This continued commitment to innovation sets us apart from our competitors and has never been more relevant, as the current environment highlights the inefficiencies and cumbersome nature of traditional service providers. Our focus within our technology roadmap is clearly on supporting revenue generating opportunities and augmenting relationships with our customer base.

During the year we have continued with existing projects on the application of machine learning to support lip-sync dubbing and have also started to invest in new areas, focusing on translation and speech recognition which could be utilised across our localisation services. We look forward to further progress in this field in the current financial year.

People
It has been a pleasure to work with Gillian Wilmot following her appointment as Chairman last year and I value the perspective that she has brought to the Board.

I would like to express my sincere gratitude to Roger Jeynes who retired as Chairman following a tenure of nine years during which the industry and the Company have undergone profound change. Roger has provided wise counsel to me, both professionally and personally, and I am indebted to him for his support and dedication over the years.

Finally, I would like to extend my thanks to all of our staff, freelancers and partners for their talent and commitment who have enabled us to deliver the business we have today and who are critical for the growth to which we aspire in the future.

Outlook
Trading in the first three months of FY21 has been strong, with first-quarter sales currently expected to be at least 15% ahead of the equivalent prior year period. This is also reflected in similar underlying growth in current order books for both localisation and digital packaging services.

Through our membership of the Netflix Preferred Fulfilment Partner (NPFP) programme we have been adding new customers and strengthening our relationship with some existing ones. We have been selected as the primary NPFP for two major studios and have seen a significant uplift in sales through this channel in the first quarter of FY21.

We anticipate future growth driven by OTT country launches, particularly in the MENA and APAC regions. We continue to support our clients with their plans to extend the reach of their distribution into other countries and regions and expect to continue to invest in our people and facilities, particularly in the area of dubbing across a greater number of languages.

The impact of COVID-19 on the media localisation business has seen a structural shift to cloud-based solutions and off-premise voice recording that favours our world-class technology and services.

Whilst it is not usual for buyers in our industry to commit to significant volumes of work in advance, the multiple significant media companies and digital distributors that now regularly use our services gives us reason to expect that growth will continue throughout the year ahead. We look to the future with confidence.

Stuart Green
Chief Executive Officer

Financial Review

Revenue
The Company achieved revenue growth of 3% in the financial year ended 31 March 2020, with total revenues of $29.8 million compared to $28.8 million in FY19. This masks the real progress achieved as the business finally transitioned to one focused on localisation services for global entertainment streaming providers. Revenues excluding DVD digital packaging and software services grew 12% to $27.6 million driven by a significant increase in digital packaging for OTT services. This growth was achieved despite two soft months at the end of the year as our customers transitioned to working from home in response to the global COVID-19 pandemic.

The majority of the Group's operations are in the USA, where revenues were flat at $25.3 million. The balance of work was performed in Europe which delivered 30% growth to $4.5 million. The shift in geographical production is due to our customers seeking content from new regions and the decline in our legacy DVD and Blu-ray business.

In FY20 we experienced an increase in customer concentration, as the revenue contribution from our largest client increased to 54% of sales (FY19: 36%), with the second largest accounting for 12%, down from 22% last year. This is a direct result of a contract win which resulted in us becoming the primary end-to-end vendor to a new global streaming service, a relationship that we expect will continue over the long term.

Localisation is the key segment of company revenues, and comprises subtitling, captioning and dubbing services. This segment saw revenues fall 8% in the year due to one major client changing its strategy in regard to sourcing content which had an adverse impact on our business. Post year-end this client has made a further change to its procurement approach, allowing us to resume participation in their localisation operations.

Digital packaging, our other main segment, saw revenues increase by 60% as our service for OTT platforms was chosen by one major streaming service as their primary vendor and other OTT operators promoted our service to their content providers. The growth in digital packaging for OTT was much higher since the increase of 60% was after a 75% decline in the DVD and Blu-ray service revenue as content producers continue to withdraw from this form of distribution.

Software licensing, our third segment which has been a reducing proportion of our business, continued to decline, this year by 13% to $1.6 million.

Segment contribution
The company reports gross profit after deducting both external and internal variable costs to reflect that an increasing proportion of our revenues are derived from the provision of services to our customers. To add clarity to our financial statements we include a table of performance by our three key business segments. This shows that overall gross profit increased to $10.1 million in FY20 from $9.2 million in FY19, an increase of 10%.

Localisation segment contribution fell in the year from $6.2 million to $4.7 million as a consequence of two main factors. The first of these was the revenue drop of 8% which was attributed in part to the deferment of localisation projects at year end due to COVID-19, causing direct costs to be proportionally higher than expected. The second factor was a 2% point fall in segment contribution margin, explained by the nature of the dubbing projects undertaken in the year where a higher proportion were recorded in traditional studios. This adverse mix is expected to reverse in FY21 as a greater proportion of dubbing projects will be processed without the participation of traditional studios.

Digital packaging segment contribution more than doubled in the year to $5.5 million. This is explained by a long-term contract secured to provide a variety of digital packaging services to a new global streaming service. Our unique blend of people and software positions us well in this high margin business. The segment contribution of 74% was an improvement from the 54% achieved in FY19.

Software solution segment contribution held steady at 94% in the year.

Overall gross profit, which is calculated after also deducting unallocated variable costs, increased 10% to $10.1 million compared to $9.2 million in FY19. This represents a gross profit margin of 34%, up 2% points from 32% last year. The improvement is due to the sales mix favouring higher margin digital packaging sales.

Other operating expenses
Operational fixed costs, which are defined as operating expenses less share-based payments, depreciation and amortisation, have remained flat in the year as we invested heavily in the previous year to support our growth plans. Overall, these costs increased by 2% to $10.9 million, including share-based payments, depreciation and amortisation and after reclassifying property costs of $1.0 million to comply with IFRS 16. Otherwise, the 2% increase in operating expenses reflects mainly higher IT costs as we expand the capacity of our cloud-based systems to support the actual and expected demand from our customers.

Finance costs
The main component of the Group's finance costs relates to the 7.5% convertible loan note stock with a maturity date that has been extended to October 2021 after the balance sheet date. Interest on the principal in the year was $0.3 million, approximately the same as FY19. The other two components of finance costs are non-cash items. The first is the exchange gain on the conversion of the outstanding sterling-denominated debt at the year-end due to the weakening of sterling relative to the US Dollar in the year, which has given rise to an exchange gain of $0.2 million. The second is the reduction in the fair value of the embedded derivative at year-end calculated with reference to the share price movement in the past 12 months and the expected value to loan note holders at the point of conversion. This has given rise to a non-cash $1.0 million gain.

These non-cash accounting entries have had an impact on the profit/loss before tax for the year ended March 2020, which was a loss of $0.1 million (FY19: $1.3 million).

As a result of the increase in revenues coupled with the

improved gross profit the operating loss has reduced from $1.3 million to $0.6 million. On the Company's preferred measure of profitability, being EBITDA before share-based payments, the profit was $2.1 million, up from $0.4 million in FY19, due to the reasons explained above and the IFRS 16 change that had an impact of $1.0 million.

Post balance sheet event
Since the end of the financial year, we are pleased to have reached agreement with the holders of the convertible unsecured loan notes totalling £2.6 million to extend the term by one further year. This liability has been shown on the Consolidated Statement of Financial Position as a current liability but on 13 July 2020 it was agreed to extend the maturity date to 31 October 2021. The US dollar value of the £2.6 million loan notes at 31 March 2020 was $3.2 million (FY19: $3.3 million). All other terms of the loan notes remain unchanged, being principally that they accrue interest at 7.5 per cent. per annum (payable half-yearly) and that the conversion price remains 48 pence per ordinary share of 1p each in the Company converted.

The participation in the extension of Stuart Green, as a director of the Company, and of Herald Investment Trust, as a substantial shareholder of the Company, comprise related party transactions under the AIM Rules for Companies. The Company's independent directors (being Gillian Wilmot, Mickey Kalifa, Phillip Blundell and Gordon Doran), having consulted with the Company's nominated adviser, Stifel Nicolaus Europe Ltd, consider that the terms of the extension are fair and reasonable insofar as the Company's shareholders are concerned.

Statement of financial position
The significant change in the statement of financial position compared to the previous year has been the adoption of IFRS 16 which requires future lease commitments to be presented in this statement. The impact on ZOO is to create a right of use asset within property, plant and equipment of $2.8 million. It also requires a corresponding liability to be created which is split between current and non-current liabilities.

Trade and other receivables have increased 15% compared to last year to $9.3 million reflecting the strong sales performance in the second half of the year and the on-boarding of a new division of a major customer. Since the year-end the higher than normal receivables have unwound as this customer's new accounting process has bedded in. This increase was mirrored in trade and other payables as work performed by suppliers and freelancers peaked to support our customer deliveries.

Current borrowings have increased from $0.2m to $4.4m as the convertible loan notes became a current liability at 31 arch 2020 and the creation of the right of use asset liability of $1.0 million in accordance with IFRS 16. On a comparable year basis, current borrowings have remained flat at $0.3 million, representing short-term asset financing. Also included in current liabilities is the separable embedded derivative which is attached to the loan notes.

Cash and cash equivalents of $1.2 million at year end, (FY19: $1.8 million) was down 33%, however, in the second half of the year we generated net cash of $0.6 million through strong cash receipts from customers.

Non-current liabilities, excluding the impact of IFRS 16, fell significantly in the year due to the reclassification of the loan notes and the separable embedded derivative in current liabilities. This has been partly replaced by the creation of the right of use asset long-term liability of $1.8 million in accordance with IFRS 16. In cash terms, long-term liabilities have increased from $0.6 million in FY19 to $0.8 million due to utilising $0.5 million of the Crestmark facility at the year-end.

Consolidated statement of cash flows and going concern
Net cash generated from operating activities was $1.3 million, the same as 2019. This was adversely impacted by a major customer having to set up new financial systems to support a new business division, which resulted in a net outflow of $0.4 million to ZOO in the period. This is expected to be resolved shortly and should have a positive impact on our working capital requirement in 2021. The inflow from operating activities was offset by a $1.6 million cash outflow from investing activities and a cash outflow of $0.3 million from financing. The investment outflow was attributable to our ongoing development programme and upgrades to our IT infrastructure. Most of the financing outflow relates to the interest on the convertible loan notes.

Going forward the business remains confident that it has sufficient headroom to trade for the foreseeable future, as the working capital requirement improves , the investment in capital equipment can be funded by existing suppliers and the renewal of the Crestmark invoicing facility of $2.5million can help us manage the peaks and troughs of our trading activities. The extension of the convertible loan notes until October 2021 gives the business additional flexibility regarding its future cash requirements. The directors have tested rigorously the cash requirements of the business using a financial model that allows a number of scenarios relating sales to be stress tested. This includes a worse case of a 40% drop in future revenues and the actions required to remain with our banking facilities. This includes reducing investment activities, eliminating most discretionary spend and extending credit facilities. These scenarios have supported our going concern assessment, however our business model and exposure to the home entertainment industry make such planning unlikely, which is evidenced by our unaudited financial performance over the past 4 months, showing growth of 15% over last year and a strong order book for the next quarter.

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
While the Group is domiciled in the UK, its main country

of operations is the US operations and over 88% of ZOO's revenues come from overseas clients. As with most small international businesses cash flow and exchange rate fluctuations management present a risk. The Group continues to focus closely on conservative cash management and monitor currency transactions taking proactive actions when appropriate.

COVID 19
Although the Group was able to transition staff quickly to working from home arrangements and its operations have been largely unaffected by the pandemic, the COVID-19 Effect on customers may cause them to reduce the number of titles and/or languages into which they procure localisation services from ZOO. In the short term, the Group has received fewer orders for projects relating to new original titles compared with those received prior to the onset of the pandemic. The directors are monitoring this situation closely; experience to date is that customers have increased their focus on back catalogue titles and have increased the volume of orders, particularly for dubbing, to respond to the greater demand for OTT services during lockdown.

Section 172 statement
Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain this in our corporate governance section of this Annual Report. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. The Board regularly reviews its principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves. The Company has enhanced its methods of engagement with the workforce by appointing a group human resources manager who reports directly to the CEO and produces reports on staff engagement, development and retention which are shared with the Directors on a monthly basis. During the coming year, the Directors will continue to value input from all stakeholders and this will be formalised in more detail in the coming months. In the opinion of the Directors, no significant events or decisions were required to be separately reported under this section.

Political uncertainty
The political climates in the UK and US are currently challenging due to the uncertainty around Brexit negotiations. The directors monitor emerging news and trends and remain alert to any potential impact on the trading of the Group.

Technology conservation
The Group continues with a patent protection policy, with 16 patents granted and a further three pending, having allowed some legacy patents which are no longer beneficial to lapse. These active patents are integral to the business in the protection of our unique technologies.

Operational risks

The main operational risk is managing any unexpected peaks or troughs in production orders and ensuring that the appropriate levels of resource are available to provide the quality of services expected by our clients. This risk is managed by having a core of highly skilled permanent staff along with a pool of temporary staff that can be brought in at short notice to help at times of high volume. In the current year, we have supplemented these resources by engaging international businesses to operate within our technology platform, giving us further variable cost capacity. The use of technology helps mitigate this risk by streamlining processes as much as possible and enabling efficient access to a large, global and scalable pool of independent contractors.

Loss of the Group's key clients
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 clients across different business units and seeking to secure long term contractual agreements for supply of technology and services. The Group focusses on providing high-quality services to all clients to ensure an attractive and differentiated offering thereby reducing the likelihood of client loss.

Corporate activity within key clients
Merger and acquisitions within key clients represent a risk as they can disrupt sales. This risk is mitigated by ensuring an awareness of news in the market and focussing on diversifying the client base.

Financial risks
The main financial risks faced by the Group are in relation to foreign currency and liquidity. The directors regularly review and agree policies for managing these risks.

The functional currency and presentation currency of the company are 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 the US dollar 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 27 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 has the ability to draw down funds from financing facilities in both the UK and US.

By order of the board

Phillip Blundell
Director and Secretary

Corporate Governance Statement

All members of the board believe strongly in the value and importance of good corporate governance and in our accountability to all of ZOO's stakeholders, including shareholders, staff, clients, our growing network of freelance workers and other suppliers. In the statement below, we explain our approach to governance and how the board and its committees operate.

The corporate governance framework which the group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the group's values. Of the two widely recognised formal codes, we decided in 2018 to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018 to meet the current requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The board considers that it does not depart from any of the principles of the QCA Code.

Board Composition and Compliance
The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent. I have assumed the role of chair of the Remuneration Committee and member of the Audit Committee. I am assisted by Mickey Kalifa as the group's second independent non-executive director.

Board Evaluation
For many years we have supported the QCA Code's principle to review regularly the effectiveness of the board's performance as a unit, as well as that of its committees and individual directors. The most recent review was in February 2019. A number of refinements in working practices were identified as a result of this exercise and have since been adopted. We will be considering the use of external facilitators in future board evaluations.

Shareholder Engagement
We have made significant efforts to ensure effective engagement with both institutional and private shareholders. In addition to the usual roadshows following the release of full year and interim results, each of which was expanded to include a greater number of existing and potential new investors, we have actively promoted our AGM as a forum to present to and meet with investors, and presented at an investor exhibition and conference. The company has also continued to distribute a quarterly shareholder newsletter to which investors can subscribe via email, providing an easy to access source of information on operational activities taking place within the group.

The board has continued to commission Progressive Equity Research to produce and provide both institutional and private investors with independent research on the group. In the year Arden Partners has maintained coverage on the group giving shareholders and potential investors an independent view on the group's prospects.

The board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its Audit Committee. The Directors confirm the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The following paragraphs set out ZOO's compliance with the 10 principles of the QCA Code.

Establish a strategy and business model which promote long-term value for shareholders
The purpose of the group is encapsulated in the expression of its mission, which is to provide services for fast and cost-effective localisation and digital distribution of TV and movie content through the power of our world-class cloud technology. Our business model is to provide media localisation and digital packaging services to content owners and distributors. Our strategy is to deliver these through a combination of proprietary software technology that acts as a competitive differentiator, and a large global network of linguistic professionals engaged on a freelance basis. We believe this will deliver a profitable and highly valued business and competitive advantages over other providers of similar services, leading to faster turnaround of projects, to a consistently high quality at an attractive price point.

The key challenges we face include:

- **Maintaining consistently high levels of quality** – very high standards are now expected by the digital distributors who influence much of the localisation that is commissioned by industry players. We have implemented automated testing wherever possible, and our system-driven workflow management ensures that manual linguistic quality control is engaged as necessary. In the case of dubbing operations, we have developed software to analyse the acoustic performance of recording environments to ensure they meet minimum specifications.

- **Ensuring security of client assets** – the safekeeping of materials is of paramount importance. Our production facility in Los Angeles is audited for security annually by the Motion Pictures Association of America, and similarly the Sheffield facility by the Trusted Partner Network. Features to prevent the copying of assets and provide effective deterrents are implemented throughout our proprietary software and systems. During the period we implemented software that automatically creates individually watermarked versions of video content for every recipient, providing a high level of deterrent for copyright theft.
- **Delivering continuous availability** – a failure in the group's systems could lead to an inability to deliver services. This is addressed by operating redundant systems across multiple availability zones, a comprehensive disaster recovery programme and assigning staff from both UK and US facilities on each project. During the period the group moved all of its staff to working from home arrangements while delivering uninterrupted service and maintaining the same high standards of quality and security.
- **Operating a large freelancer network** – the group's capacity for processing orders is dependent, in part, on the network of freelance workers. The cloud software is enhanced on an ongoing basis to make the group's systems increasingly attractive to freelance workers. Financial processes are designed to ensure that all freelancers are paid on time. A process of peer review is implemented in the group's production systems to ensure that all work undertaken by freelancers is independently checked and verified and its quality is assured.
- **Recruiting and retaining suitable staff** – the group's ability to execute its strategy is dependent on the skills and abilities of its staff. We undertake ongoing initiatives to foster good staff engagement and ensure that remuneration packages are competitive in the market.

We believe we have the right strategy and service in place to deliver strong growth in sales over the medium to long term. We expect the gross profit of our localisation segment to improve in future periods as our dubbing service and software mature, which will result in improving EBITDA margins or provide us with scope for additional investment in new services. This will enable us to deliver sustainable shareholder value.

Seek to understand and meet shareholder needs and expectations

Responsibility for investor relations rests with the CEO, supported by the CFO. During the period under review the following activities were pursued to develop a good understanding of the needs and expectations of all constituents of the group's shareholder base:

Date	Description	Participants	Comments
Apr 19	Presentations to institutional investors	SG, PB	Discussion relating to a trading update
May 19	Various Investor meetings	SG, PB	Discussion relating to a trading update
May 19	Private investor event – Mello	SG, PB	Opportunity for retail investors to meet the group
June 19	Preliminary results roadshow and media meetings	SG, PB & GW	Institutional investors and PCB's in London
July 19	Preliminary results roadshow continued	SG, PB	Institutional investors in Edinburgh
July 19	Calls with investors in Europe and USA	SG, PB	as above
July 19	Private investor event - MasterInvestor	SG, PB	Regional event in Sheffield providing retail investors access to management
Aug 19	Investor site visits	SG	Demonstrations of company's technology and software
Aug 19	Various investor meetings	SG, PB	Provide introduction to company
Aug 19	Meetings with PCB's in York	SG, PB	Investor updates
Sept 19	Various investor meetings	SG, PB	Provide introduction to company
Sept 19	AGM	GW, SG, PB, GD and MK	active encouraged all shareholders to attend event in Sheffield, including demos of product
Oct 19	Investor calls	SG, PB	Update for US investors
Oct 19	Various investor meetings	SG, PB	Provide introduction to Company
Nov 19	Interim results roadshow and media meetings	SG, PB	Events in London and Edinburgh
Dec 19	Stifel UK tech conference in New York	SG, PB	Introductions to institutional investors
Dec 19	Investor meetings in Chicago	SG, PB	Provide introduction to Company
Mar 20	Investor calls following release of pre-close statement	SG, PB	Update on trading

Key: GW: Gillian Wilmot; SG: Stuart Green; PB: Phillip Blundell; GD: Gordon Doran; MK: Mickey Kalifa;

The group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meeting (AGM), and we encourage shareholders' participation in face-to-face meetings. A range of corporate information (including all ZOO announcements) is also available to shareholders, investors and the public on our website.

Private shareholders: The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate through RNS announcements and a quarterly newsletter. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the board and all committees, together with all other directors whenever possible, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution, by way of a poll. For each resolution, we announce the number of votes received for, against and withheld and subsequently publish them on our website.

Institutional shareholders: The directors actively seek to build a mutual understanding of objectives with institutional shareholders. Our CEO and CFO make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. We communicate with institutional investors frequently through a combination of formal meetings, participation at investor conferences, roadshows and informal briefings with management. The majority of meetings with shareholders and potential investors are arranged by the broking team within the group's Nominated Advisor. Following meetings, the broker provides anonymised feedback to the board from all fund managers met, from which sentiments, expectations and intentions may be gleaned.

In addition, we review analysts' notes to achieve a wide understanding of investors' views. This information is considered by the board and has contributed to the preparation of the group's Investor Relations strategy which was revised and approved in May 2020.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Stakeholder	Reason for engagement	How we engage
Staff – our ability to fulfil client services and develop and enhance the cloud software platforms on which they depend relies on having talented and motivated staff	Good two-way communication with staff is a key requirement for high levels of engagement, fostering a culture of innovation	Monthly staff briefings delivered in the UK and US in person and by webcast. Invitation to staff to ask questions of management that are answered in the briefings. Annual engagement survey. These have provided insights that have led to enhancement of management practices and staff incentives. Extension of Sharesave scheme.
Clients – our success and competitive advantage are dependent upon fulfilling client requirements, particularly in relation to quality of service, its speed of delivery and security	Understanding current and emerging requirements of clients enables us to develop new and enhanced services, together with software to support the fulfilment of those services	Seek feedback on services and software systems. Obtain fulfilment metrics employed by clients to measure performance. Obtain requests for new services and service enhancements. These have led to the group securing approved vendor status with a number of large media organisations.
Suppliers – a key supplier group is our network of freelancers who fulfil linguistic services	Freelance workers will provide similar services to other organisations, including our competitors, so we must ensure they are available to us and accommodating	We optimise our systems to simplify the work of freelancers as much as possible, including in relation to administration of projects. We operate systems to ensure that supplier invoices are processed and paid promptly. These have led to a large, growing and supportive freelancer network.
Shareholders – as a public company we must provide transparent, easy-to-understand and balanced information to ensure support and confidence	Meeting regulatory requirements and understanding shareholder sentiments on the business, its prospects and performance of management	Regulatory news releases. Keeping the investor relations section of the website up-to-date. Quarterly investor newsletters. Participation at investor events. Publishing of videos of investor presentations and interviews. Annual and half-year reports and presentations. AGM. We believe we successfully engage with our shareholders; over the past 12 months this engagement has led to support for the group and good liquidity in trading.
Industry bodies – the services we provide must meet certain requirements	The views of certain industry groups, including the Motion Picture Association of America (MPAA) and the Trusted Partner Network (TPN) are influential in the way the group is perceived by certain clients	Membership of MPAA, CDSA and TPN and participation in security programs. Annual audit of security. These have resulted in audit reports that have led to certain clients commencing engagement.
Communities – what we do impacts communities in the places where we operate and elsewhere	It is important to be, and to be perceived as a reputable business that makes a positive contribution to local economies and is attractive as an employer and partner	Multiple activities to support fundraising of local charities and good causes. Participation in apprenticeship and other schemes to support and provide opportunities to young people. One director is a trustee of a registered charity. These have led to a favourable profile for the group in the local areas of its major operations.

Embed effective risk management, considering both opportunities and threats, throughout the organisation
The CFO has prepared a risk register for the group that identifies key risks in the areas of corporate strategy, financial, clients, staff, environmental and the investment community. All members of the board are provided with a copy of the register. The register is reviewed periodically and is updated as and when necessary.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

Staff are reminded on a monthly basis to report, anonymously or otherwise, any security risks or threat they perceive in the operations of the business. On receipt of any such notification, a security incident team is assembled to assess and take remedial action as appropriate in the circumstance.

Staff are reminded on a monthly basis that they should seek approval from the CFO if they, or their families, plan to trade in the group's equities.

Maintain the board as a well-functioning, balanced team led by the chair
The members of the board have a collective responsibility and legal obligation to promote the interests of the group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board consists of five directors of which three are executive and two are independent non-executives. The board is supported by two committees: audit and remuneration. The board does not consider that it is of a size at present to require a separate nominations committee, and all members of the board are involved in the appointment of new directors. The board intends to appoint additional non-executive directors as its business expands.

Non-executive directors are required to attend 10-12 board and board Committee meetings per year (in Sheffield, London or Los Angeles) and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors.

Meetings held during the period under review and the attendance of directors is summarised below:

	Board meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors						
Dr. Stuart Green	11	11	–	–	–	–
Gordon Doran	11	11	–	–	–	–
Phillip Blundell	11	11	2	2	–	–
Non-executive Directors						
Gillian Wilmot (appointed 1 July 2019)	8	8	1	1	1	1
Roger Jeynes (resigned 1 July 2019)	3	3	1	1	1	1
Mickey Kalifa	11	10	2	2	2	2

The board has a schedule of regular business, financial and operational matters, and each board Committee has compiled a schedule of work to ensure that all areas for which the board has responsibility are addressed and reviewed during the course of the year. The Chairman is responsible for ensuring that, to inform decision-making, directors receive accurate, sufficient and timely information. The Company Secretary compiles the board and Committee papers which are circulated to directors prior to meetings. The Company Secretary provides minutes of each meeting and every director is aware of the right to have any concerns recorded in the minutes and to seek independent advice at the group's expense where appropriate.

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
All five members of the board bring relevant sector experience in media and technology, all have at least nine years of public markets experience and two members are chartered accountants. The board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors attend seminars and other regulatory and trade events to ensure that their knowledge remains current.

Roger Jeynes, Independent Chairman (until 1 July 2019)
Term of office: Appointed as Chairman on 28 April 2010, retired with effect from 1 July 2019 after nine years in conformance with the QCA Code on director independence; Chair of the Remuneration Committee and a member of the Audit Committee.

Background and suitability for the role: Roger has had a long executive career in the technology and corporate finance sectors, including sales and general management roles with large corporations in Europe and the USA. More recently he has held non-executive roles with a number of listed and venture-backed technology companies as well as with several fully listed investment trusts. He therefore brings a wealth of experience of governance and public markets and is able to empathise with the sometimes-differing views of investors and executive directors.

Roger is an FCA Approved Person for controlled activity CF30: Customer (FCA register ref. no. RDJ01021).

Current external appointments: Non-executive director of Downing Three VCT plc, The Development Bank of Wales plc, mxData Limited and Charborough Capital Limited, and trustee of a charity, The Lloyd Reason Foundation.

Time commitment: two to three days per month.

Gillian Wilmot, Independent Chairman (from 1 July 2019)
Term of office: Appointed as Chairman with effect from 1 July 2019; Chair of the Remuneration Committee and a member of the Audit Committee

Background and suitability for the role: Along with extensive board-level leadership roles in both private and public company environments, Gillian brings a wealth of relevant industry experience across B2B, technology, advertising and communication sectors. Gillian's skillset shows particular strengths in value creation, operational insight and corporate governance, for which she was recognised in the 2014 UK NED awards. Therefore, she brings strong experience of governance, public markets and growth companies.

Current external appointments: Non-Executive Chairman of Peasy.com, Non-Executive Chairman of Brighter Beauty Group, Non-Executive Chairman of Bubbles Online Services Ltd., Director of NED Advisory Ltd., Director of Board Mentoring Ltd, Director of Sport Mentoring Ltd, Member of Industrial Development Advisory Board for UK Government.

Time commitment: two to three days per month

Mickey Kalifa, Independent Non-Executive Director
Term of office: Joined as Non-Executive Director on 5 October 2017; Chair of the Audit Committee and member of the Remuneration Committee.

Background and suitability for the role: Mickey is a Chartered Accountant and finance professional with nearly 30 years' experience across the technology, media and gaming sectors. Mickey was appointed CFO of M&C Saatchi plc in March 2019, a LSE listed business. Previously he was CEO of the betPawa Group and CFO of Sportech plc. where he led a transformation in the company's financial strength and played a prominent role in driving Sportech's global expansion. He brings a combination of financial expertise, knowledge of public markets as well as a wide range of sector experience gained from a career spent in the technology, media and gaming sectors with some of the world's largest media and technology companies, including Liberty Global, BSkyB PLC, Time Warner, Disney and Young and Rubicam.

Current external appointments: CFO of M&C Saatchi plc.

Time commitment: one to two days per month.

Dr. Stuart Green, CEO
Term of office: A co-founder from the group's inception in 2001, originally in the role CTO, and appointed CEO on 1 February 2006.

Background and suitability for the role: Stuart brings over 30 years of experience of team building and executive management in the software industry to his role as CEO. Stuart established ZOO's business strategy and difference in the marketplace by using software technology to deliver disruptive innovation. With a PhD in Computer Science, he brings expertise in software technology, a track record of innovation having secured over 30 software patents, experience of leading innovative technology businesses as a result of having co-founded and sold three private software companies, and experience of capital markets gained from 19 years as a main board director of AIM-quoted companies.

Current external appointments: Trustee of the registered charity Friends of the Rowan School.

Time commitment: full time.

Phillip Blundell, CFO
Term of office: Appointed as Chief Financial Officer in July 2018.

Background and suitability for the role: Phill has extensive experience with AIM-listed businesses having worked as an Executive Director for Dot Digital Group plc, Eagle Eye Solutions Group plc and Intelligent Environments Group plc. During the 21 years working for AIM-listed businesses, he has floated one business and raised substantial funds to assist the growth strategies of the businesses. A qualified Chartered Accountant since 1987 with 31 years' experience in the software and media industries, Phill brings both financial expertise and sector experience. He has 21 years as a CFO and Company secretary of AIM-listed business providing strong Corporate Governance experience.

Current external appointments: Flamefinch Partners

Time commitment: full time.

Gordon Doran, Chief Commercial Officer
Term of office: Originally engaged as a commercial consultant in 2005 to establish the group's US operations and was appointed Commercial Director on 28 July 2009.

Background and suitability for the role: Gordon has spent his career in commercial roles with technology businesses in the UK and USA. As Chief Commercial Officer and President of ZOO's US operation, Gordon is responsible for all global operations and has been pivotal in establishing relationships with a number of large US entertainment companies including the 'big six' Hollywood studios. Based on the West Coast of the USA, Gordon brings significant experience of sales and marketing in the software industry since the early 1990s, having held senior positions in a number of companies, including as COO for Mediostream Inc., and capital markets experience as a main board director for 10 years.

Current external appointments: None

Time commitment: full time.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
A board evaluation process led by the Chairman took place February 2019. All then current directors began by completing questionnaires about the effectiveness of the board and a self-assessment of their own contributions which were returned to the Chairman. The Chairman then reviewed this information and used it as the basis for an individual discussion with each director, followed by a collective discussion with the board.

The review considers effectiveness in a number of areas including general supervision and oversight, business risks and trends, succession and related matters, communications, ethics and compliance, corporate governance and individual contribution.

A number of refinements in working practices were identified as a result of this exercise and have since been adopted.

We will be considering the use of external facilitators in future board evaluations.

As the business expands, the executive directors will be challenged to identify potential internal candidates who could potentially occupy board positions and set out development plans for these individuals.

Promote a corporate culture that is based on ethical values and behaviours
Our long-term growth is underpinned by our five core values, which were defined following a staff consultation process in 2009. They are:

1. We place our **customers first**, putting ourselves in their shoes to understand the current and future needs of those who use our products and services, and always striving to exceed their expectations.
2. We have an enduring **positive attitude** that stems from being self-motivated, adaptable and agile and feeling fully empowered to make a difference, speaking out with ideas and suggestions to make things better.
3. We are **team players** who recognize that ZOO is a company worth much more than the sum of its parts, we are passionate about communicating with colleagues and with our customers and are committed to learning from one another.
4. We are committed to the **innovation** of what we do and how we do it, and to working smarter rather than harder to reduce costs, increase efficiency and make lives easier by being creative, pragmatic and different.
5. We **respect** one another and are courteous, honest and straightforward in all our dealings, we honour diversity, individuality and personal differences, and are committed to conducting our business with the highest personal, professional and ethical standards.

The culture of the group is characterised by these values which are conveyed regularly to staff through internal communications, in monthly staff briefings and forums. A staff recognition programme operates on an on-going basis by which any employee can nominate any of his/her colleagues for a contribution that is in-keeping with the five core values. All nominees are recognised at company-wide staff briefings that take place monthly at the Sheffield, London and Los Angeles offices, presented by executive directors and senior managers. The core values are communicated to prospective employees in the group's recruitment programmes and are considered as part of the selection process.

The board believes that a culture that is based on the five core values is a competitive advantage and consistent with fulfilment of the group's mission and execution of its strategy.

The culture is monitored through the use of a widely used satisfaction and engagement survey that is operated on an annual basis and to which all permanent staff are invited to contribute. The board reviews the findings of the survey and determines whether any action is required.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
The **Board** provides strategic leadership for the group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the group implements in its business plans. The board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration Committees to which certain responsibilities are delegated. The chair of each committee reports to the board on the activities of that committee.

The **Audit Committee** monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of the internal audit function and reviews external auditor independence.

The **Remuneration Committee** sets and reviews the compensation of executive directors including the setting of targets and performance frameworks for cash- and share-based awards.

The **Executive Board**, consisting of the Executive Directors and the US-based Chief Operations Officer, operates as a management committee, chaired by the CEO, which reviews operational matters and performance of the business, and is responsible for significant management decisions while delegating other operational matters to individual managers within the business.

The **Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the group. She leads and chairs the board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The **CEO** provides coherent leadership and management of the group, leads the development of objectives, strategies and performance standards as agreed by the board, monitors, reviews and manages key risks and strategies with the board, ensures that the assets of the group are maintained and safeguarded, leads on investor relations activities to ensure communications and the group's standing with shareholders and financial institutions is maintained, and ensures that the board is aware of the views and opinions of employees on relevant matters.

The **Executive Directors** are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The **Independent Non-Executive Directors** contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the group is operating within the governance and risk framework approved by the board.

The **Company Secretary** is responsible for providing clear and timely information flow to the board and its committees and supports the board on matters of corporate governance and risk.

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the group;
- Approving half year and full year results and reports;
- Approving dividend policy and the declaration of dividends;
- Approving major investments, disposals, capital projects or contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

The board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this Code on an annual basis and revise its governance framework as appropriate as the group evolves.

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
In addition to the investor relations activities described above, the following Audit and Remuneration committee reports are provided.

Audit Committee Report
During the year, the Audit Committee has continued to focus on the effectiveness of the controls throughout the group.
The Audit Committee consists of Mickey Kalifa, chair, Roger Jeynes until 1 July 2019 and Gillian Wilmot from 1 July 2019. The committee met twice, and the external auditor and CFO were invited to attend these meetings. Consideration was 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 Committee also met with the auditors with no executives present.

Remuneration Committee Report
The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to make recommendations to the board on the remuneration of Executive Directors. In addition, the Committee oversees the creation and implementation of all-employee share plans. The Remuneration Committee consists of Gillian Wilmot who became chairman of the Committee on 1 July 2019, succeeding Roger Jeynes who held the position until that date, and Mickey Kalifa. The committee met twice.

In setting remuneration packages, the Committee ensured that individual compensation levels and total board compensation were comparable with those of other AIM-listed companies.

During the period under review, the Remuneration Committee has granted options over ordinary shares in the company to the new Chairman and the CFO under the ZOO Digital Group plc EMI unapproved scheme.

In granting these options, the Remuneration Committee's objective was to attract, motivate and retain key staff over the long term, designed to incentivise delivery of the company's growth objectives.

By order of the board

Gillian Wilmot
Chairman

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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 2020.

Principal activities
The principal activity of the group for the year under review was to provide a range of services to allow TV and movie content to be localised in any language and prepared for sale with all major online retailers and to continue with ongoing research and development of productivity software 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 13 to 18.

The audited financial statements for the year ended 31 March 2020 are set out on pages 44 to 83. 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 preparation and processing. 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.

Going concern
The directors have reviewed future cash forecasts and made enquiries around financing options available to the business have concluded that ZOO has sufficient resources to continue to trade for the foreseeable future. For these reasons the directors continue to adopt the going concern basis in preparing financial statements.

Directors
The directors who served during the year were as follows:

Gillian Wilmot*	Non-Executive Chairman
Roger D Jeynes**	Non-Executive Chairman
Dr Stuart A Green	Chief Executive Officer
Phillip Blundell	Chief Finance Officer
Gordon Doran	Commercial Director
Mickey Kalifa	Non-Executive Director

*appointed 1 July 2019

**resigned 1 July 2019

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 2020 are disclosed in the Directors' Remuneration report. In accordance with the company's Articles of Association, Mickey Kalifa retires by rotation at the next Annual General Meeting and, being eligible, offers himself 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 in the execution of their duties.

Financial risk management
The financial risk management is included in the Strategic Report and in note 27.

Substantial shareholdings
At 6 July 2020, 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
Dr S A Green*	15.47%	11,528,764
Herald Investment Trust plc	11.33%	8,449,269
Invesco Ltd	9.39%	7,000,000
Canaccord Genuity Group Inc (Hargreave Hale Ltd)	8.89%	6,628,878
Kabouter management LLC	4.27%	3,182,848
Janus Henderson	3.46%	2,577,451
Sarasin & partners	3.19%	2,376,067
Cavendish Asset Management	3.00%	2,235,433

*Shareholdings of directors include any interests of a “connected person”.

Directors’ responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors’ 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 also 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 and 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 judgements 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 pages 29 and 30.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company’s auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company’s auditor is aware of that information.

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 489 (4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

Signed 13th July 2020

Phillip Blundell
Director and Secretary

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 2020, the Remuneration Committee consisted of both non-executive directors and was chaired by Gillian Wilmot.

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

Gillian Wilmot and Mickey Kalifa are paid as employees for their board services.

Directors’ remuneration

Directors’ remuneration for the year to 31 March 2020 is:

	Salary	Loss of Office	Bonus	Benefits	Sub total	Pension	2020 Total	2019 Total
	$000	$000	$000	$000	$000	$000	$000	$000
Dr Stuart A Green	223	-	61	-	284	8	292	242
Helen P Gilder*	12	-	-	-	12	-	12	175
Gordon Doran	300	-	-	24	324	-	324	386
Phillip Blundell	204	-	18	-	222	-	222	144
Roger D Jeynes**	13	-	-	-	13	-	13	39
Mickey Kalifa	32	-	-	-	32	1	33	33
Gillian Wilmot***	5	-	-	-	5	-	5	-
	789	-	79	24	892	9	901	1,019

Helen Gilder resigned as a director on 8 August 2018*
Roger Jeynes resigned as a director on 1 July 2019**
Gillian Wilmot was appointed a director on 1 July 2019***

Of the above, the following directors were remunerated in pound sterling for the year to 31 March 2020. The pound sterling amounts are shown below:

	Salary	Loss of Office	Bonus	Sub total	Pension	2020 Total	2019 Total
	£000	£000	£000	£000	£000	£000	£000
Dr Stuart A Green	175	-	48	223	6	229	184
Helen P Gilder*	9	-	-	9	-	9	133
Phillip Blundell	160	-	14	174	-	174	111
Roger D Jeynes	10	-	-	10	-	10	30
Mickey Kalifa	25	-	-	25	1	26	25
Gillian Wilmot	4	-	-	4	-	4	-
	383	-	62	445	7	452	483

Gordon Doran is remunerated in US dollars.

*resigned 8 August 2018

One director (2019: 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:	2020	2019
	$000	$000
Emoluments	324	386

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 2019	Granted during the year	Exercised during the year	Surrendered during the year	31 March 2020	Exercise price ($)	Exercise price (£)	Date from which exercise-able	Expiry date
Roger D Jeynes	30,000	-	30,000	-	-	$0.65	43.00p	Jun-11	Jun-20
Stuart A Green	150,000	-	-	-	150,000	$0.23	15.00p*	Jul-13	Jul-22
Stuart A Green	175,000	-	-	-	175,000	$0.20	15.25p**	Sep-17	Aug-27
Gordon Doran	150,000	-	-	-	150,000	$0.23	15.00p*	Jul-13	Jul-22
Gordon Doran	250,000	-	-	-	250,000	$0.23	15.00p	Jan-16	Jan-25
Gordon Doran	1,500,000	-	-	-	1,500,000	$0.20	15.25p**	Sep-17	Aug-27
Gordon Doran	1,000,000	-	-	-	1,000,000	$0.20	15.25p***	Aug-18	Aug-27
Mickey Kalifa	30,000	-	-	-	30,000	$0.49	37.50p	Oct-18	Oct-27
Phillip Blundell	250,000	-	-	-	250,000	$1.61	1.235	Nov-19	Nov-28
Phillip Blundell	-	150,000	-	-	150,000	$0.80	63.00p	Jun-20	Jun-29
Gillian Wilmot	-	50,000	-	-	50,000	$0.80	63.00p	Jun-20	Jun-29
	3,535,000	200,000	-	-	3,735,000				

* The 2012 issue of share options has a vesting condition that the company's share price must be £0.40 or higher on 20 consecutive business days prior to exercise.

** The 2017 issue of share options has a vesting condition that the company's share price must be £0.20 or higher for 3 months immediately prior to exercise.

*** The 1,000,000 share options issued to Gordon Doran in 2017 have a vesting condition relating to the profitability of the group

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 $116,000 (2019: $70,000).

The market price of the ordinary shares at 31 March 2020 was 69 cents (55.5p) and the range during the year was 113 cents (88.5p) (high) to 37 cents (32p) (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
Phillip Blundell	8 August 2018	6 months
Gordon Doran	28 July 2009	12 months
Non-executive directors		
Gillian Wilmot	1 July 2019	3 months
Mickey Kalifa	5 October 2017	3 Months

Directors' interests

The directors who held office at 31 March 2020 had the following interests, including any interests of a "connected person", in the 1p ordinary shares of ZOO Digital Group plc:

Name of director	2020 Beneficial	2019 Beneficial
Gillian Wilmot	**31,517**	-
Dr Stuart A Green	**11,528,764**	11,528,764
Phillip Blundell	**50,000**	25,000
Gordon Doran	**6,033**	6,033
Mickey Kalifa	**50,000**	50,000

Shares are held on behalf of two 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 2020:

Name of director	2020 $000	2019 $000
Dr Stuart A Green	**759**	806

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

Name of director	2020 £000	2019 £000
Dr Stuart A Green	**615**	615

On 23 April 2019 Phillip Blundell purchased 25,000 ordinary shares at 44.02p per share bringing his total holding to 50,000.

On 31 July 2019 Gillian Wilmot purchased 31,517 ordinary shares at 74.00p per share bringing her total holding to 31,517.

No other transactions have taken place with directors.

No changes (other than noted above) took place in the interests of directors between 31 March 2019 and 30 June 2020.

Independent auditor's report to the members of ZOO Digital Group Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of ZOO Digital Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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.

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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

GrantThornton

Overview of our audit approach

- Overall materiality: $149,000, which represents 0.5% of the group's revenue;
- The key audit matters were identified as revenue recognition and going concern; and
- Full scope audits were performed on all non-dormant UK entities. A combination of full scope and analytical procedures were performed on US entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group

Revenue recognition
Revenue is a major driver of the business and under ISA (UK) 240 there is a presumed risk of fraud in revenue recognition that could result in material misstatements.
Revenue for the year ended 31 March 2020 was $29,793,000 (2019: $28,818,000).
In respect of contractual arrangements with customers there is significant judgement required in applying the five step model set out in IFRS 15 Revenue from Contracts with Customers to the Group's contracts, including:
▪ Identifying the relevant contract(s) requires judgement in determining at what point an agreement with a customer creates enforceable rights and obligations
▪ Identifying the performance obligations in the contract requires judgement as to whether the Group is obligated to provide a single service or multiple distinct services
▪ Determining the transaction price requires judgement in assessing the best estimate of variable consideration that is due
▪ Allocating the transaction price to the performance obligations in the contract requires judgement in allocating the amount of revenue in respect of each performance obligation
▪ Recognising revenue when (or as) the entity satisfies a performance obligation requires judgement as to whether revenue should be recognised at a point in time, or over time. Where revenue is recognised over time, management judgement is required in assessing the expected contract outcome and stage of completion at each reporting date.
We therefore identified the recognition of contract revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.
	Our audit work included, but was not restricted to:
	▪ Assessing whether the revenue recognition policy is in accordance with International Financial Reporting Standard IFRS 15 'Revenue from Contracts with Customers';
	▪ Comparing a sample of contract revenue to the group's accounting policy to determine whether it has been recognised in line with the policy by;
	  ▪ Confirming that a valid contract existed with the customer by reference to evidence such as written agreements
	  ▪ Challenging whether the identification of the performance obligations within the contract by management is appropriate
	  ▪ Challenging the appropriateness of the transaction price ascertained by management by reference to relevant contract(s) and to any assumptions made
	  ▪ Determining whether the allocation of transaction price to performance obligations is appropriate
	  ▪ Challenging whether management's assessment as to whether performance obligations have been met, including the percentage of completion assessment made by management where performed over time, is appropriate in light of relevant evidence, including time records and customer acceptance records
	▪ Agreeing a sample of revenue transactions to customer payments, remittances and evidence of performance of the service
	▪ Analytically reviewing sales, including trend and ratio analysis comparing results to prior year
	▪ Testing the design and operating effectiveness of the relevant controls surrounding revenue recognition for the group's main revenue stream
	The group's accounting policy on revenue recognition is shown in note 2.12 to the financial statements and related disclosures are included note 5.
	Key observations
	Based on our audit work, we are satisfied that revenue is accounted for in accordance with the group's accounting policies and IFRS 15 'Revenue from Contracts with Customers'.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Going concern As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, COVID-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	We undertook procedures to evaluate management's assessment of the impact of COVID-19 on the company's cash flows and net cash balances. This included, but was not restricted to: ▪ Obtaining management's forecasts covering the period to March 2022, including their assessment of the potential impact of COVID-19 and considering how these forecasts were compiled, including assessing their accuracy by challenging the reasonableness of the underlying assumptions, and considering whether the assumptions are consistent with our understanding of the business ▪ Assessing the reliability of management's forecasting by comparing the accuracy of actual financial performance to the forecast information ▪ Assessing management's cash and available financing facilities. This assessment included the corroboration of mitigating actions taken by management to relevant documentation and evaluation of their application in the revised forecasts for accuracy ▪ Performing sensitivity analysis on management's revised forecasts to determine the reduction in revenue that would lead to elimination of the headroom in their original cash flow forecasts ▪ Obtaining post year end management accounts to evaluate the impact on trading of the lockdowns in the United Kingdom and the United States ▪ Assessing the adequacy of the going concern disclosures included within the financial statements. **Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	$149,000 which is 0.5% of group's revenue. This benchmark is considered the most appropriate because revenue is considered to be a key performance indicator by the directors of the group, and also provides a more stable basis on which to determine materiality. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2019 to reflect the year on year increase in revenues.	$134,000 which is 2% of total assets, capped at component materiality which is 90% of group materiality. This benchmark is considered the most appropriate because the company is a holding company. Materiality for the current year is higher than the level we determined for the year ended 31 March 2019, to reflect the year on year increase in group materiality.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

Materiality measure	Group	Parent
Communication of misstatements to the audit committee	$7,450 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$6,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of those components and to determine the planned audit response based on a measure of materiality. Significance was based on a variety of benchmarks including, total assets, revenues, EBITDA and profit before tax;
- a full scope statutory audit in relation to the parent company and to all other non-dormant UK-based group entities;
- a combination of full scope and analytical procedures were performed on the US entities;
- there has been no change in the overview of the scope of the current year audit from the scope of that of the prior year;
- 100% of group revenue was subjected to full scope procedures;
- all audit work was performed by the group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 36 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
13 July 2020

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 $000	2019 $000
Revenue	5	**29,793**	28,818
Cost of sales		**(19,705)**	(19,624)
Gross Profit		**10,088**	9,194
Other operating income	6	**252**	157
Other operating expenses	8	**(10,896)**	(10,671)
Operating (loss)/profit		**(556)**	(1,320)
Analysed as:			
EBITDA before share based payments		**2,138**	409
Share based payments		**(257)**	(286)
Depreciation	8	**(1,369)**	(539)
Amortisation	8	**(1,068)**	(904)
		(556)	(1,320)
Exchange gain/(loss) on borrowings	7	**197**	275
Fair value movement on embedded derivative	7	**986**	2,701
Finance cost	7	**(674)**	(392)
Total finance income		**509**	2,584
(Loss)/Profit before taxation		**(47)**	1,264
Tax credit	11	**363**	368
Profit and total comprehensive income for the year attributable to equity holders of the parent		**316**	1,632
Profit/(loss) per share	13		
basic		**0.42 cents**	2.19 cents
diluted		**0.39 cents**	2.02 cents

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 March 2020

	Note	2020 $000	2019 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**3,633**	944
Intangible assets	16	**6,692**	6,624
Deferred income tax assets	17	**486**	486
		10,811	8,054
Current assets			
Trade and other receivables	18	**9,323**	8,103
Cash and cash equivalents	19	**1,218**	1,828
		10,541	9,931
Total assets		**21,352**	17,985
LIABILITIES			
Current liabilities			
Trade and other payables	23	**(8,049)**	(7,189)
Borrowings	22	**(4,391)**	(248)
Separable embedded derivative	22	**(978)**	-
		(13,418)	(7,437)
Non-current liabilities			
Borrowings	22	**(2,637)**	(3,899)
Separable embedded derivative	22	**-**	(1,965)
		(2,637)	(5,864)
Total liabilities		**(16,055)**	(13,301)
Net assets		**5,297**	4,684
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	21	**1,010**	1,010
Share premium reserve		**41,003**	41,003
Foreign exchange translation reserve		**(992)**	(992)
Convertible loan note reserve		**42**	42
Share option reserve		**1,375**	1,085
Capital redemption reserve		**6,753**	6,753
Interest in own shares		**(46)**	(53)
Other reserves		**12,320**	12,320
Accumulated losses		**(56,168)**	(56,484)
Attributable to equity holders		**5,297**	4,684

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

The financial statements on pages 46 to 85 were approved and authorised for issue by the board of directors on 13 July 2020 and were signed on its behalf.

Stuart A Green
Chief Executive Officer

Phillip Blundell
Chief Finance Officer

Company statement of financial position

as at 31 March 2020

	Note	2020 $000	2019 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**516**	254
Intangible assets	16	**2,282**	2,283
Investment in subsidiary undertakings	25	**9,700**	9,700
Amounts due from subsidiary undertakings	18	**13,818**	13,412
		26,316	25,649
Current assets			
Trade and other receivables	18	**276**	308
Cash and cash equivalents	19	**25**	113
		301	421
Total assets		**26,617**	26,070
LIABILITIES			
Current liabilities			
Trade and other payables	23	**(3,879)**	(3,434)
Borrowings	22	**(13,033)**	(9,757)
Separable embedded derivative	22	**(978)**	-
		(17,890)	(13,191)
Non-current liabilities			
Borrowings	22	**(103)**	(3,457)
Separable embedded derivative	22	**-**	(1,965)
		(103)	(5,422)
Total liabilities		**(17,993)**	(18,613)
Net assets		**8,624**	7,457
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	21	**1,010**	1,010
Share premium reserve		**41,003**	41,003
Foreign exchange translation reserve		**(13)**	(13)
Convertible loan note reserve		**42**	42
Share option reserve		**1,375**	1,085
Capital redemption reserve		**6,753**	6,753
Interest in own shares		**(4)**	(4)
Other reserves		**10,596**	10,596
Accumulated losses		**(52,138)**	(53,015)
Attributable to equity holders		**8,624**	7,457

Company registration number: 03858881

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 $877,000 (2019: profit of $911,000).

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

The financial statements on pages 46 to 85 were approved and authorised for issue by the board of directors on 13 July 2020 and were signed on its behalf.

Stuart A Green
Chief Executive Officer

Phillip Blundell
Chief Finance Officer

Consolidated statement of changes in equity

for the year ended 31 March 2020

	Ordinary shares	Share premium reserve	Foreign exchange translation reserve	Convertible loan note reserve	Share option reserve	Capital redemption reserve	Other reserves	Accumulated losses	Interest in own shares	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2018	1,010	41,003	(992)	42	688	6,753	12,320	(58,116)	(53)	2,655
Deferred shares	-	-	-	-	-	-	-	-	-	-
Loan note conversion	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	397	-	-	-	-	397
Purchase of own shares	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares										
Loss for the year	-	-	-	-	-	-	-	1,632	-	1,632
Total comprehensive income for the year	-	-	-	-	-	-	-	1,632	-	1,632
Balance at 31 March 2019	**1,010**	**41,003**	**(992)**	**42**	**1,085**	**6,753**	**12,320**	**(56,484)**	**(53)**	**4,684**
Foreign exchange translation adjustment	-	-	-	-	-	-	-	-	7	7
Share based payments	-	-	-	-	290	-	-	-	-	290
Profit for the year	-	-	-	-	-	-	-	316	-	316
Total comprehensive income for the year	-	-	-	-	-	-	-	316	-	316
Balance at 31 March 2020	**1,010**	**41,003**	**(992)**	**42**	**1,375**	**6,753**	**12,320**	**(56,168)**	**(46)**	**5,297**

Company statement of changes in equity

for the year ended 31 March 2020

	Ordinary shares	Share premium reserve	Foreign exchange translation reserve	Convertible loan note reserve	Share option reserve	Capital redemption reserve	Other reserves	Accumulated losses	Interest in own shares	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2018	1,010	41,003	(13)	42	688	6,753	10,596	(53,926)	(4)	6,149
Deferred shares	-	-	-	-	-	-	-	-	-	-
Loan note conversion	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	397	-	-	-	-	397
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	911	-	911
Total comprehensive income for the year	-	-	-	-	-	-	-	911	-	911
Balance at 31 March 2019	**1,010**	**41,003**	**(13)**	**42**	**1,085**	**6,753**	**10,596**	**(53,015)**	**(4)**	**7,457**
Share based payments	-	-	-	-	290	-	-	-	-	**290**
Profit for the year	-	-	-	-	-	-	-	877	-	877
Total comprehensive income for the year	-	-	-	-	-	-	-	877	-	877
Balance at 31 March 2020	**1,010**	**41,003**	**(13)**	**42**	**1,375**	**6,753**	**10,596**	**(52,138)**	**(4)**	**8,624**

Consolidated statement of cash flows

for the year ended 31 March 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Operating (loss)/profit for the year		**(556)**	(1,320)
Depreciation	14	**532**	553
Amortisation and impairment	16	**1,068**	904
Share based payments		**290**	397
Changes in working capital:			
Increases in trade and other receivables		**(1,220)**	(691)
Increases in trade and other payables		**860**	1,082
Cash flow from operations		**974**	925
Tax received		**363**	368
Net cash inflow from operating activities		**1,337**	1,293
Investing activities			
Purchase of intangible assets	16	**(235)**	(29)
Capitalised development costs	16	**(901)**	(958)
Purchase of property, plant and equipment	14, 19	**(509)**	(310)
Net cash outflow from investing activities		**(1,645)**	(1,297)
Cash flows from financing activities			
Repayment of borrowings		**(246)**	(228)
Proceeds from borrowings		**500**	-
Finance cost		**(556)**	(349)
Net cash outflow from financing		**(302)**	(577)
Net decrease in cash and cash equivalents		**(610)**	(581)
Cash and cash equivalents at the beginning of the year		**1,828**	2,409
Cash and cash equivalents at the end of the year	19	**1,218**	1,828

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 March 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Operating (loss)/profit for the year		**(26)**	(220)
Depreciation	14	**131**	107
Amortisation & impairment	16	**1**	1
Share based payments		**290**	397
Changes in working capital:			
Trade and other receivables		**(374)**	(38)
Trade and other payables		**445**	42
Cash flow from operations		**467**	289
Tax received/(paid)		**-**	-
Net cash flow from operating activities		**467**	289
Investing Activities			
Purchase of property, plant and equipment	14	**(238)**	(78)
Net cash flow from investing activities		**(238)**	(78)
Cash flows from financing activities			
Repayment of borrowings		**(57)**	(54)
Finance cost		**(260)**	(245)
Net cash flow from financing		**(317)**	(299)
Net decrease in cash and cash equivalents		**(88)**	(88)
Cash and cash equivalents at the beginning of the year		**113**	201
Cash and cash equivalents at the end of the year	19	**25**	113

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 March 2020

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 7th Floor, City Gate, 8 St Mary's Gate, Sheffield.

The registered number of the company is 03858881.

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 2022 which show a continuation of the growth in profitability and cash generation. In line with industry practice in this sector the directors have had informal indications from major and smaller clients 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. The group has a facility with Crestmark Bank which provides invoice financing of up to $2.5m against US clients' invoices raised by ZOO Digital Production LLC. This facility is in place until 7 July 2021. In the UK there is an overdraft facility with a limit of £250,000 in place with HSBC.

The convertible unsecured loan notes totalling £2.6m have been extended post the balance sheet date and are now in place until 31 October 2021.

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.

In 2020 the Group has adopted new guidance for the recognition of leases (see below). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at 1 April 2019 being recognised as a single adjustment to retained earnings. Accordingly, the Group is not required to present a third statement of financial position as of that date.

New and revised standards that are effective for annual periods beginning on or after 1 April 2019

The Group has adopted the new accounting pronouncements which have become effective this year and are as follows:

IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three interpretations

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except those identified as low-value or having a remaining lease term of less than 12 months from the date of the initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

On transition to IFRS 16 a discount rate of 8.25% has been applied. All new leases will be treated accordingly, and the appropriate discount rate used at that time.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 April 2019:

	Carrying amount at 31 March 2019	Remeasurement	IFRS 16 carrying amount at 1 April 2019
	$'000	$'000	$'000
Property, plant and equipment	944	3,563	4,507
Lease liabilities	(798)	(3,563)	(4,361)
TOTAL	146	-	146

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019:

Total operating lease commitments disclosed at 31 March 2019 and before discounting	**4,629**	
Discounted using incremental borrowing rate		(1,066)
Operating lease liabilities		3,563
Finance lease obligations (note 15)		798
Total lease liabilities recognised under IFRS 16 at 1 April 2020		4,361

2.1.1 Standards and interpretations in issue at 31 March 2020 but not yet effective and have not yet been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 (chief executive) 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 2020 was 0.809 (2019: 0.763).

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 10 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 in the Statement 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 are accounted for at fair value through profit and loss, in accordance with IFRS 9 "Financial Instruments" and split between debt and equity based upon the market rate of similar loans not carrying conversion options. Equity movements are recognised in the Convertible loan note reserve.

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 clients 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.

Impairment of financial assets

The impairment requirement of IFRS 9 uses more forward-looking information to recognise expected credit losses – the "expected credit loss (ECL) model". This replaces IAS 39's "Incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit and loss.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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 Statement of Financial Position.

2.12 Revenue

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

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

Revenue is measured at transaction price, stated net of VAT and other sales related taxes.

Revenue is generally recognised over time as the group satisfies performance obligations by transferring the promised services to its customers.

2.12.1 Sales of services

Service revenue is recognised in accordance with the transfer of value to the customer and typically this is over one to four months. Where a project goes over a month end, projects completed but not invoiced are accrued. At year end projects that have not completed are assessed for the percentage completion and a contract asset is recognised if appropriate.

The major consideration for ZOO is the timing of revenue recognition and apportionment of costs. The board believes that the length of projects is short and that the current method of recognising revenues is appropriate along with apportionment of costs.

All customers are onboarded before any orders can be placed. This includes credit check, account information and agreement of a customer ratecard. Any customer wishing to place an order sends an email to ZOO production outlining the project requirements. ZOO production then evaluates the project and sends the customer a quote. The contract is confirmed either by email or a purchase order request.

The customer reviews the quote and signs off the project by issuing a purchase order or email confirming the contract. This clearly states the deliverables for the project. There may be multiple performance obligations in the contract, i.e. More than one service and more than one language. This allows us to identify the individual obligations within a contract and also where requested make separate deliveries of the localised assets. Revenue is recognised over time because the performance of the localisation service does not create an asset with any alternative use to ZOO, and ZOO has an enforceable right to payment for performance completed to date. Invoices for goods or services transferred are due within 45 days of receipt by the customer.

Having an agreed ratecard with all customers and either an email or purchase order confirming the individual projects gives certainty to the transaction price and the individual components of the contract. There are no variable components to ZOO contracts, nor financing or non-cash elements in transaction price.

Where a project is part complete at the end of an accounting period, the percentage completion is estimated based on reports within ZOO core and ZOO invoicing which use the project status, the customer ratecard and our supplier ratecard to determine revenue to date and cost to date. This allows revenue and profit to be allocated across accounting periods.

2.12.2 Software licence fees

Revenue arising from software licences is assessed on a contract by contract basis to identify the performance obligations included within the contract, and specifically whether the licence is considered to be a distinct performance obligation. Generally, the contracts include hosting, support, maintenance and other services which are not distinct from the licence. As the licence is not distinct, the contract is treated as a service contract, with revenue being recognised over time pro-rata over the period of the contract, as the customer simultaneously receives and consumes the benefits of the service as ZOO performs it.

In the event that the agreement with the customer does not meet the definition of a contract under IFRS 15, revenue is recognised when all performance obligations have been fulfilled, and the consideration receivable in respect of the licence has been received and is non-refundable.

2.13 Leases

As described in Note 2.1, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 April 2019

The Group as a lessee

For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- The Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentive received).

The Group depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is removed to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to those are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Accounting policy applicable before 1 April 2019

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.

2.16 Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

2.17 Share Options

The Group operates an employee share incentive scheme, namely the Enterprise Management Incentive (the "EMI" and the share incentive plan ("SIP").

The total expense for the period relating to employee share-based payment plans have been included in the consolidated financial statements as the Group exercises control over the EMI in accordance with the terms of the trust deed.

The Group's EMI scheme is an equity-settled share option scheme approved by HMRC. Options have also been granted under the terms of HMRC's schedule, which is not approved.

Under the EMI scheme the trustees may grant options over shares in the Company to eligible employees. The eligible employees to whom options are granted and the terms of such options will be determined by the Directors of ZOO or the trustees. The employees who are eligible to participate in the EMI scheme are all ZOO's employees, including the employees of the Company's subsidiaries. Options are not transferable.

3. Accounting estimates and judgements

Estimates and judgements 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 (detailed in note 15) 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 10%. 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 (note 27)

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 post-tax discount rate of 8.5%.

The separable embedded derivative fair value is estimated using a quantitative model based on that described in K.Tsiveriotis and C Fernandes. This uses option-pricing techniques to model the value of the convertible instruments based on parameters such as the credit spread on the company's debt instruments, the volatility and price of the company's shares. The valuation methodology requires the input of several judgemental assumptions.

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.

Identification of performance obligations

The determination of the number of distinct performance obligations in a contract requires judgement, based on whether the customer can benefit from the use of the service on its own or together with other resources that are readily available to it, and also whether the promise to transfer the service is separately identifiable from other promises in the contract. As explained in the accounting policy for revenue, our contracts usually include just one distinct performance obligation.

Allocation of the transaction price to performance obligations

Where a contract contains multiple performance obligations, the transaction price is required to be allocated to the different performance obligations. Wherever possible the transaction price is allocated on a stand-alone selling price basis, by reference to the agreed customer ratecard. In the event that this is not available, the price is allocated to the various performance obligations on a reasonable basis, with reference to other ratecards, the expected time involved in performing the service, and management's experience of similar projects.

4. Segmental reporting

Operating segments

At 31 March 2020, the group is organised on a worldwide basis into three main operating segments:

Localisation, including subtitling and dubbing along with all associated services

Digital packaging

Software solutions, including research, development, consultancy and software sales

These divisions are the basis on which the group reports its segment information and manages the business. Although there is overlap and interconnectivity between the segments the dynamics and growth prospects differ from one another so it is appropriate that they are separately identified. The categories identified also depict how the nature, amount, timing and uncertainty of revenue and cashflows are affected by economic factors.

The segment results are as follows:

	Localisation		Digital packaging		Software solutions		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total revenue	**23,296**	23,877	**7,411**	4,620	**1,631**	1,875	**32,338**	30,372
Inter-segment revenue	(2,545)	(1,554)					**(2,545)**	(1,554)
Revenue	**20,751**	22,323	**7,411**	4,620	**1,631**	1,875	**29,793**	28,818
Segment contribution	**4,685**	6,165	**5,460**	2,495	**1,528**	1,788	**11,673**	10,448
Unallocated cost of sales							**(1,585)**	(1,254)
Gross profit							**10,088**	9,194
Unallocated corporate expense							**(10,644)**	(10,514)
Operating (Loss)/profit							**(556)**	(1,320)
Finance cost							**509**	2,584
(Loss)/Profit before taxation							**(47)**	1,264
Tax on profit							**363**	368
Profit for the year							**316**	1,632

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	
	2020	2019	**2020**	2019	**2020**	2019
	$000	$000	**$000**	$000	**$000**	$000
United Kingdom (domicile)	**4,470**	3,429	**12,237**	8,971	**3,886**	7,381
US	**25,323**	25,389	**9,115**	9,014	**6,925**	673
	29,793	28,818	**21,352**	17,985	**10,811**	8,054

At 31 March 2020, contract assets amounted to $1.1m (2019: $1.4m) and contract liabilities amounted to $0.6m (2019: $0.8m). Revenue for the year ended 31 March 2020 includes $0.6m (2019: $0.8m) included in the contract liability balance at the beginning of the period.

The group has taken advantage of the practical expedient permitted by IFRS 15, and has therefore not disclosed the amount of the transaction price allocated to unsatisfied performance obligations or when it expects to recognise that revenue, as contracts have an expected duration of less than one year.

5. Revenue

All revenue is derived from continuing operations

The group's revenue comprises:

	2020	2019
	$000	$000
Service revenue	**28,162**	26,942
Licence revenue	**1,631**	1,876
	29,793	28,818

The group's revenue disaggregated by primary geographical markets is as follows:

	For the year ended 31 March 2020		
	Service	Licensing	**Total**
	$'000	$'000	**$'000**
United Kingdom	2,203	58	**2,261**
USA	24,917	1,573	**26,490**
Europe	445	-	**445**
Other countries	597	-	**597**
	28,162	1,631	**29,793**
	For the year ended 31 March 2019		
	Service	Licensing	Total
	$'000	$'000	$'000
United Kingdom	529	107	636
USA	23,696	1,761	25,457
Europe	865	-	865
Other countries	1,852	8	1,860
	26,942	1,876	28,818

The group's revenue disaggregated by pattern of revenue recognition is as follows:

	For the year ended 31 March 2020		
	Service	Licensing	**Total**
	$'000	$'000	**$'000**
Services transferred over time	28,162	1,631	**29,793**
	28,162	1,631	**29,793**

	For the year ended 31 March 2019		
	Service	Licensing	Total
	$'000	$'000	$'000
Services transferred over time	26,942	1,876	28,818
	26,942	1,876	28,818

Major clients

The group has two major customers contributing 56% and 10% (2019: 36% and 22%) of the group's revenue respectively. The revenues are as follows:

	2020	2019
	$000	$000
Largest two clients	**19,608**	16,547
Other clients	**10,185**	12,271
	29,793	28,818

6. Other operating income

	2020	2019
	$'000	$'000
Grant Funding	**252**	157
Other operating income	**252**	157

7. Finance costs/income

	2020	2019
	$'000	$'000
Interest on borrowings	**384**	392
Interest on Right of use asset	**290**	-
Fair value movement on embedded derivative	**(986)**	(2,701)
Exchange (gain)/loss on borrowings	**(197)**	(275)
Finance costs	**(509)**	(2,584)

The fair value movement on the embedded derivative is a non-cash charge based on the valuation of the separate economic items within the convertible loan note agreement which have been classed as embedded derivatives. This is explained more fully in note 22.

8. Operating profit/loss

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

	2020 $000	2019 $000
Other exchange (gains)/losses	(9)	69
Staff costs	5,764	5,704
Capitalised staff costs	(901)	(958)
Share based payment	257	286
Depreciation	1,383	553
Grant release re tangible fixed assets	(14)	(14)
Amortisation of other intangible assets	1,068	904
Research and non-capitalised development costs	566	527
Operating lease expense – land and buildings	-	603
Auditor's remuneration	77	145
Other expenses	2,705	2,852
Other operating expenses	10,896	10,671

9. Auditor's remuneration

	2020 $000	2019 $000
Fees payable to the company's auditor for the audit of the company's financial statements	55	44
Fees payable to the company's auditor and its associates for other services:		
The audit of subsidiary financial statements	18	18
Audit-related assurance services	4	6
Tax compliance services	-	34
Tax advisory services	-	43
	77	145

10. Employees including directors

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

	Group		Company	
	2020 No.	2019 No.	2020 No.	2019 No.
Product design and service delivery	182	178	45	41
Sales and marketing	9	8	4	4
Administration	14	15	9	8
	205	201	58	53

Their aggregate remuneration comprised:

	Group		Company	
	2020 $'000	2019 $000	2020 $'000	2019 $000
Wages and salaries	12,581	12,334	1,281	1,271
Social security costs	990	992	121	158
Other pension costs	168	119	78	41
Share based payments	257	286	150	171
	13,996	13,731	1,630	1,641

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

Compensation of key management personnel (including directors)

	Group		Company	
	2020 $000	2019 $'000	2020 $000	2019 $'000
Short-term employee benefits	1,228	1,300	564	603
Cost of defined benefit scheme pensions	9	17	8	17
Share based payments	120	92	116	80
	1,357	1,409	688	700

This includes all directors listed on pages 29 and 30 and senior management.

Directors' remuneration for the year to 31 March 2020 is:

	Salary $000	Compensation for loss of office $000	Bonus $000	Benefits $000	Pension $000	2020 Total $000	2019 Total $000
Dr Stuart A Green	223	-	61	-	8	292	242
Helen P Gilder	12	-	-	-	-	12	175
Gordon Doran	300	-	-	24	-	324	386
Phillip Blundell	204	-	18	-	-	222	144
Roger D Jeynes**	13	-	-	-	-	13	39
Mickey Kalifa	32	-	-	-	1	33	33
Gillian Wilmot*	5	-	-	-	-	5	-
	789	-	79	24	9	901	1,019

*appointed 1 July 2019
**resigned 1 July 2019

Two directors (2019: 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:	2020 $000	2019 $000
Emoluments	324	386

11. Income tax

	2020 $000	2019 $000
Current tax:		
UK corporation tax		
- Research and development tax credit	376	365
Foreign tax	(13)	3
Total current tax	363	368
Total deferred tax	-	-
Tax credited	363	368

Corporation tax is calculated at 19% (2019: 19%) 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:

	2020 $000	2019 $000
Profit/(loss) before tax	(47)	1,264
Tax calculated at standard rate of corporation tax of 19% (2019: 19%)	(9)	240
Research and development tax credit	376	368
Deducted from losses brought forward	(4)	(240)
Tax credited	363	368

Tax losses carried forward

The group has tax losses carried forward of approximately $42m (2019: $42m), of which $2.8m (2019: $2.8m) has been recognised at a rate of 19% 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)/profit per share

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

	Basic and Diluted 2020 $000	2019 $000
Profit/(loss) for the financial year	316	1,632

Weighted average number of shares for basic & diluted (loss)/profit per share	2020 Number of shares	2019 Number of shares
Basic	74,487,534	74,356,016
Effect of dilutive potential ordinary shares:		
Convertible loan note	-	-
Share options	6,729,240	6,369,825
Diluted	81,216,774	80,725,841

	2020 Cents	2019 Cents
Basic	0.42	2.19
Diluted	0.39	2.02

The convertible debt has not been included in the 2020 or 2019 diluted earnings per share calculations due to being anti-dilutive.

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 2018	503	545	2,441	106	3,595
Additions	6	84	496	22	608
Opening cost at 1 April 2019	509	629	2,937	128	4,203
Adjustment on transition to IFRS 16	-	3,563	-	-	3,563
Additions	152	92	243	22	509
Closing cost at 31 March 2020	**661**	**4,284**	**3,180**	**150**	**8,275**
Accumulated depreciation					
Opening balance at 1 April 2018	494	255	1,869	88	2,706
Depreciation	10	86	448	9	553
Opening balance at 1 April 2019	504	341	2,317	97	3,259
Depreciation	19	952	397	15	1,383
Closing balance at 31 March 2020	**523**	**1,293**	**2,714**	**112**	**4,642**
Opening carrying value at 1 April 2018	9	290	572	18	889
Opening carrying value at 1 April 2019	5	288	620	31	944
Closing carrying value at 31 March 2020	**138**	**2,991**	**466**	**38**	**3,633**

Included in the net carrying amount of Leasehold Improvements are right-of-use assets of $2,712,000

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

At 31 March 2020	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	**$000**	**$000**	**$000**	**$000**
Cost - capitalised finance leases	131	369	1,940	26	2,466
Accumulated depreciation	(131)	(274)	(1,802)	(26)	(2,233)
Net book value	**-**	**95**	**138**	**-**	**233**

At 31 March 2019	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	**$000**	**$000**	**$000**	**$000**
Cost - capitalised finance leases	131	369	1,940	26	2,466
Accumulated depreciation	(131)	(219)	(1,553)	(26)	(1,929)
Net book value	-	150	387	-	537

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

Company	Leasehold improvements	Computer & Production hardware	Office equipment, fixtures & fittings	Total
	$000	**$000**	**$000**	**$000**
Cost				
Opening cost at 1 April 2018	307	163	71	541
Additions	4	71	3	78
Opening cost at 1 April 2019	311	234	74	619
Adjustment on transition to IFRS 16	248	-	-	248
Additions	56	180	2	238
Closing cost at 31 March 2020	**615**	**414**	**76**	**1,105**
Accumulated depreciation				
Opening balance at 1 April 2018	95	104	59	258
Depreciation	57	44	6	107
Opening balance at 1 April 2019	152	148	65	365
Depreciation	157	61	6	224
Closing balance at 31 March 2020	**309**	**209**	**71**	**589**
Opening carrying value at 1 April 2018	212	59	12	283
Opening carrying value at 1 April 2019	159	86	9	254
Closing carrying value at 31 March 2020	**306**	**205**	**5**	**516**

Included in the net carrying amount of leasehold improvements are right-of-use assets of $155,000

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

At 31 March 2020	Leasehold Imp's	Computer hardware	Total
	$000	$000	$000
Cost - capitalised finance leases	277	20	297
Accumulated depreciation	(182)	(20)	(202)
Net book value	**95**	**-**	**95**

At 31 March 2019	Leasehold Imp	Computer hardware	Total
	$000	**$000**	**$000**
Cost - capitalised finance leases	277	20	297
Accumulated depreciation	(150)	(20)	(147)
Net book value	**150**	**-**	**150**

15. Leases

Lease liabilities are presented in the statement of financial position as follows:

	2020	2019
	$000	$000
Current	**1,223**	248
Non-current	**2,137**	550
	3,360	**798**

The Group has leases for offices in Sheffield, London, California and IT equipment. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use-assets in a consistent manner to its property, plant and equipment (see Note 14).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use-asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the balance sheet:

	No of right-of-use assets	**Range of remaining term**	**Average remaining lease term**	**No of leases with extension options**	**No of leases with options to purchase**	**No of leases with variable payments linked to an index**	**No of leases with termination options**
Right-of-use asset							
Office building	3	2-4 years	3 years	-	-	-	-
IT equipment	-	-	-	-	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 31 March 2020 were as follows:

	Within 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**After 5 years**	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000
31 March 2020							
Lease payments	1,296	1,220	1,088	**374**	-	-	**3,978**
Finance charges	(39)	(19)	(6)	0	-	-	**(64)**
Net present values	1,257	1,201	1,082	374			**3,914**
31 March 2019							
Lease payments	249	237	177	92	4	-	**759**
Finance charges	(58)	(39)	(19)	(6)	-	-	**(122)**
Net present values	191	198	158	86	4		**637**

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability amounted to $6,000 for leases of low value assets.

At 31 March 2020 the total commitment was $4,000.

Total cash outflow for leases for the year ending 31 March 2020 was $1.2 million (2019 $0.8 million)

16. Intangible assets

Group	**Goodwill**	**Development costs**	**Patents and trademarks**	**Computer software**	**Total**
	$000	$000	$000	$000	$000
Cost					
Opening cost at 1 April 2018	16,610	10,450	625	602	28,287
Additions	-	958	26	3	987
Opening cost at 1 April 2019	16,610	11,408	651	605	29,274
Additions	-	901	42	193	1,136
Closing cost at 31 March 2020	**16,610**	**12,309**	**693**	**798**	**30,410**
Accumulated amortisation					
Opening balance at 1 April 2018	12,620	8,151	417	558	21,746
Amortisation	-	833	52	19	904
Opening balance at 1 April 2019	12,620	8,984	469	577	22,650
Amortisation	-	990	48	30	1,068
Closing balance at 31 March 2020	**12,620**	**9,974**	**517**	**607**	**23,718**
Opening carrying value at 1 April 2018	3,990	2,299	208	44	6,541
Opening carrying value at 1 April 2019	3,990	2,424	182	28	6,624
Closing carrying value at 31 March 2020	**3,990**	**2,335**	**176**	**191**	**6,692**

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 5 years.

No patent applications were derecognised during the year (2019: nil).

No intangible assets were impaired during the year (2019: nil).

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

	2020	2019
	$000	$000
Cost - capitalised finance leases	**127**	127
Accumulated amortisation	**(127)**	(127)
Net book value	**-**	-

Company	Goodwill	Computer software	Total
	$000	$000	$000
Cost			
Opening cost at 1 April 2019	10,960	14	10,974
Closing cost at 31 March 2020	**10,960**	**14**	**10,974**
Accumulated amortisation/ impairment			
Opening balance at 1 April 2019	8,679	12	8,691
Amortisation	-	1	1
Closing balance at 31 March 2020	**8,679**	**13**	**8,692**
Opening carrying value at 1 April 2018	2,281	3	2,284
Opening carrying value at 1 April 2019	2,281	2	2,283
Closing carrying value at 31 March 2020	**2,281**	**1**	**2,282**

There were no assets held under finance leases at 31 March 2020 and 31 March 2019.

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 pre-tax discount rate of 10% (2019: 10%). The carrying amount of goodwill is allocated as follows:

Software solutions		Media production		Group	
2020	2019	**2020**	2019	**2020**	2019
$000	$000	**$000**	$000	**$000**	$000
2,281	2,281	**1,709**	1,709	**3,990**	3,990

Within the company the goodwill is the software solutions portion.

Following the impairment tests, goodwill was considered not to be impaired in either the group or the company.

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. The discount rate has been calculated for each CGU and is considered to reflect the risks specific to the asset as well as the time value of money.

	Software solutions	Media production
Discount rate	10%	10%
Growth rate	3%	3%

The risks associated with each CGU are considered to be similar, therefore it is appropriate to use the same discount rate for each.

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. Current estimates from clients and market trends would support a higher growth rate but management have adopted a cautious assumption when assessing any potential impairment. The pre-tax discount rate of 10% 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 10% 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 10% 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 15% was applied, the software solutions segment and the media production segment would require no impairment.

17. Deferred income tax

	Group		Company	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Deferred tax assets comprise:				
Unused tax losses	**486**	486	**-**	-

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

	Group		Company	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
At 31 March 2019 and 31 March 2020	**486**	486	**-**	-

Tax losses carried forward

The group has tax losses carried forward of approximately $42m (2019: $42m), of which $2.8m (2019: $2.8m) has been recognised at a rate of 19% 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 ability to offset against future profits.

18. Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Trade receivables	**6,250**	4,605	**-**	-
Less: provision for impairment of trade receivables	**(11)**	-	**-**	-
Trade receivables - net	**6,239**	4,605	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**13,872**	13,469
Other debtors	**585**	210	**47**	47
Prepayments and accrued income	**2,499**	3,288	**175**	204
	9,323	8,103	**14,094**	13,720
Less non-current portion: amounts owed by subsidiary undertakings	**-**	-	**(13,818)**	(13,412)
Current portion	**9,323**	8,103	**276**	308

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

As of 31 March 2020, trade receivables of $1,477,000 (2019: $135,000) were overdue. The ageing analysis of these trade receivables is as follows:

	Group	
	2020	2019
	$000	$000
Less than 3 months	**838**	165
3 to 6 months	**716**	8
7 to 12 months	**(42)**	(33)
Over 12 months	**(35)**	(5)
	1,477	135

There were no trade receivables outstanding in the company at 31 March 2020 or 31 March 2019.

All of the group's trade and other receivables have been reviewed for indicators of impairment. Trade receivables were found to be impaired and a loss allowance for lifetime credit losses $11,000 (2019: $nil) has been recorded accordingly.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	$000	$000	$000	$000
Pound sterling	381	408	210	252
US Dollar	7,693	7,614	13,884	13,468
Hong Kong dollar	33	-	-	-
Japanese Yen	161	-	-	-
Mexican Peso	164	-	-	-
Polish Zloty	43	-	-	-
Euro	848	81	-	-
	9,323	8,103	14,094	13,720

Provision for impairment of trade receivables:

	Group	
	2020	2019
	$000	$000
At 1 April 2019	-	24
Provision for receivables impairment	11	-
Receivables written off in the year	-	(24)
At 31 March 2020	11	-

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 expected credit losses and, when taking into consideration the historic rate of impairment, 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.

19. Notes to the cash flow statement

19.1 Significant non-cash transactions

During the year the group acquired property, plant and equipment and computer software with a cost of $509,000 (2019: $608,000) of which $nil (2019: $298,000) was acquired by the means of finance leases.

19.2 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	
	2020	2019	2020	2019
	$000	$000	$000	$000
Cash on hand and balances with banks	1,218	1,828	25	113

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

20. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	Short-term borrowings	Embedded derivative	Right-of-Use asset liability	Total
	$000	$000	$000	$000	$000
1 April 2019	3,899	248	1,965	-	6,112
Cash-flows					
- Repayment	(246)	-	-	(754)	(246)
- Proceeds	500	-	-	-	500
Non-cash					
- Fair value	(181)	-	(987)	-	(1,168)
- Reclassification	(12)	12	-	3,562	2,808
31 March 2020	3,960	260	978	2,808	8,006

	Long-term borrowings	Short-term borrowings	Embedded derivative	Total
	$000	$000	$000	$000
1 April 2018	4,084	226	4,666	8,976
Cash-flows				
- Repayment	(189)	(40)	-	(229)
- Proceeds	236	62	-	298
Non-cash				
- Fair value	(232)	-	(2,701)	(2,933)
- Converted	-	-	-	-
- Reclassification	-	-	-	-
31 March 2019	3,899	248	1,965	6,112

21. Share capital and reserves

Called up share capital

	2020 $000	2019 $000
Allotted, called-up and fully paid		
74,547,271 (2019: 74,424,771) ordinary shares of 1p each	**1,010**	1,010

Reconciliation of the number of ordinary shares outstanding:		
Opening balance	**74,424,771**	73,773,665
Shares issued	**-**	-
Conversion of unsecured convertible loan note into equity	**-**	-
Conversion of director's loan into equity	**-**	-
Share options exercised	**122,500**	651,116
Closing balance	**74,547,271**	74,424,771

During the year the group purchased nil (2019: nil) of its own shares through ZOO Employee Share Trust Limited. The total cost of the purchase was nil (2019: $nil).

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.
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.
Capital redemption reserve	Represents 32,660,660 deferred shares of 14p each created during the share reorganisation on 4 May 2017
Other reserves	Created as part of the reverse takeover between Kazoo3D plc and ZOO Media Corporation Ltd in 2001.
Accumulated losses	Cumulative net losses recognised in profit or loss.

22. Borrowings

	Group		Company	
	2020 $000	2019 $000	2020 $000	2019 $000
Non-current				
7.5% Unsecured convertible loan note stock	**-**	3,349	**-**	3,349
Connected person loan	**-**	-	**-**	-
Other bank borrowings	**500**	-	**-**	-
Lease liabilities	**292**	550	**44**	108
	792	3,899	**44**	3,457
Right of use asset liability	**1,845**	-	**59**	-
Separable embedded derivative	**-**	1,965	**-**	1,965
Current				
7.5% Unsecured convertible loan note stock	**3,168**	-	**3,168**	-
Amounts owed to subsidiary undertakings	**-**	-	**9,701**	9,701
Lease liabilities	**260**	248	**64**	56
	3,428	248	**12,933**	9,757
Right of use asset liability	**963**	-	**100**	-
Separable embedded derivative	**978**	-	**978**	-
Total borrowings	**8,006**	6,112	**14,114**	15,179

The loan notes pay a coupon of 7.5% and the loan stock holder is entitled, before the redemption date of 31 October 2021, to convert all or part of the loan stock into fully paid ordinary shares on the basis of one ordinary share for every £0.48 of principal amount of loan stock. The US dollar value of the loan notes at 31 March 2020 was $3,168,000 (2019: $3,349,000). On the 13 July 2020, it was approved by the Board of ZOO Digital Group plc and the loan noteholders to extend the redemption date of the loan notes by 1 year to 31 October 2021. All other terms of the loan notes remain the same.

The restructured convertible loan stock has two separate economic components within it; the holder is entitled to convert the loan note into equity at any point and the company is entitled to convert the loan note into equity if the 30 business day trailing average share price is above the level of £2.50 per share. In both instances the conversion is on the basis of one ordinary share for every £0.48 of principal amount of loan stock. As at 31 March 2020, an independent valuation has been undertaken to measure the fair value of the two separate components as at the balance sheet date. For the year ended 31 March 2020 the valuation of the embedded derivatives resulted in a non-cash charge totalling ($987,000) (2019: $(2,701,000)) which has an underlying value of $3,168,000.

The group has an arrangement with Crestmark Bank to provide an invoice financing facility of up to $2.5m against US client invoices raised by ZOO Digital Production LLC. This facility will be in place until 7 July 2021. The principal outstanding at 31 March 2020 was $500,000 (2019: nil). This funding is secured against the US trade receivables of ZOO Digital Production LLC.

The UK banking partner, HSBC, continues to provide an overdraft facility of £250,000. The principal outstanding at 31 March 2020 was nil (2019: nil). This line of funding has been secured as a floating charge over the assets of the UK companies.

Finance lease liabilities

Finance lease liabilities are payable as follows:

At 31 March 2019	Future minimum lease payments	Interest	Present value of minimum lease payments
	$000	$000	$000
Less than one year	318	(70)	248
Between one and five years	631	(81)	550
	949	(151)	798

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.

23. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	$000	$000	**$000**	$000
Trade creditors	2,008	3,076	**167**	328
Amounts owed to subsidiary undertaking	-	-	**2,907**	2,428
Social security and other taxes	179	191	**130**	161
Accrued expenses	5,862	3,922	**675**	517
	8,049	7,189	**3,879**	3,434

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

24. Commitments

Capital commitments

The group had no capital commitments at the 31 March 2020.

Operating commitments

For FY20 the group has applied IFRS 16 to operating leases but for FY19 the below applies:

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 and loss during the year is disclosed in note 8. The lease expenditure on premises is charged to profit or loss on a straight line basis over the life of the lease. The future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	$000	$000
Within one year	**-**	1,018
From one to five years	**-**	3,611
	-	4,629

The group does not sublease any of its leased premises.

25. 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	
	2020	2019
	$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.

Related party transactions

	Company	
	2020	2019
	$000	$000
Interest paid on loans:		
Sara Green	**59**	69
Roger D Jeynes	**2**	2

The gross interest payable to Sara Green at 31 March 2020 is $21,000 (2019: $22,000). The gross interest payable to Roger D Jeynes at 31 March 2020 is $1,000 (2019: $1,000).

Sara Green, wife of Dr Stuart A Green, held a $759,000 (2019: $806,000) interest in 7.5% unsecured convertible loan stock at 31 March 2020. The underlying value of the interest in the convertible loan stock is £614,500 (2019: £614,500).

Roger D Jeynes held a $31,000 (2019: $33,000) interest in 7.5% unsecured convertible loan stock at 31 March 2020. The underlying value of the interest in the convertible loan stock is £25,000 (2019: £25,000).

26. 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:

	2020 Options	2020 Weighted average exercise price	2019 Options	2019 Weighted average exercise price
	No.	$	No.	$
ZOO Digital Group plc EMI scheme				
Outstanding at the beginning of the year	**2,274,818**	**0.50**	2,252,232	0.21
Granted during the year	**-**	**-**	525,000	1.46
Exercised during the year	**(34,500)**	**0.22**	(502,414)	0.22
Surrendered during the year	**-**	**-**	-	0.22
Outstanding at the end of the year	**2,240,318**	**0.50**	2,274,818	0.50
Exercisable at the end of the year	**1,772,818**	**0.36**	1,444,818	0.22

The underlying weighted average exercise price for the shares under option at 31 March 2020 was 29p (2019:15p).

	2020 Options	2020 Weighted average exercise price	2019 Options	2019 Weighted average exercise price
ZOO Digital Group plc Unapproved				
Outstanding at the beginning of the year	4,366,500	0.25	4,331,452	0.21
Granted during the year	200,000	0.80	165,000	1.33
Exercised during the year	(88,000)	0.37	(129,952)	0.23
Surrendered during the year	-	-	-	-
Outstanding at the end of the year	4,478,500	0.28	4,366,500	0.25
Exercisable at the end of the year	3,426,501	0.23	2,695,501	0.22

The underlying weighted average exercise price for the shares under option at 31 March 2020 was 19p (2019:17p).

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.

Share options granted to key management personnel, including directors, during the year ended 31 March 2018 have vesting conditions. A total of 3,820,000 share options have a vesting that the company's share price must be £0.20 or higher for a period of at least three months immediately prior to exercise and 1,000,000 share options have a vesting condition related to the profitability of the group.

Out of the 6,718,818 outstanding options (2019: 6,641,318 options), 5,199,319 were exercisable (2019: 4,140,319).

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	25,000	30 Nov 2020	0.23	0.1500
ZOO Digital Group plc EMI scheme	191,667	11 Jul 2022	0.23	0.1500
ZOO Digital Group plc EMI scheme	55,000	26 Sep 2023	0.24	0.1500
ZOO Digital Group plc EMI scheme	25,000	19 Jan 2025	0.23	0.1500
ZOO Digital Group plc EMI scheme	10,000	17 Sep 2025	0.23	0.1500
ZOO Digital Group plc EMI scheme	1,432,651	2 Aug 2027	0.20	0.1525
ZOO Digital Group plc EMI scheme	275,000	2 July 2028	1.33	1.01
ZOO Digital Group plc EMI scheme	250,000	6 Nov 2028	1.61	1.24
ZOO Digital Group plc Unapproved	190,000	11 Jul 2022	0.23	0.1500
ZOO Digital Group plc Unapproved	50,000	26 Sep 2023	0.24	0.1500
ZOO Digital Group plc Unapproved	350,000	19 Jan 2025	0.23	0.1500
ZOO Digital Group plc Unapproved	168,500	17 Sept 2025	0.23	0.1500
ZOO Digital Group plc Unapproved	3,325,000	2 Aug 2027	0.20	0.1525
ZOO Digital Group plc Unapproved	30,000	5 Oct 2027	0.49	0.3800
ZOO Digital Group plc Unapproved	165,000	2 Jul 2028	1.33	1.01
ZOO Digital Group plc Unapproved	200,000	30 June 2029	0.80	0.63
Outstanding at the end of the year	6,718,818			

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:

	Sep 2013	Jan 2015	Sep 2015	Aug 2017	Oct 2017	July 2018	Nov 2018
Expected volatility (%)	84	67	61	57	57	57	57
Risk-free interest rate (%)	1.52	1.08	1.35	0.55	0.55	0.55	0.55
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 based payments have had the following impact on the group's profit/(loss) for the year:	2020	2019
	$000	$000
Total expense recognised from share option transactions	**257**	286

Share based payment reserve appears in the statement of financial position under:	2020	2019
	$000	$000
Share option reserve	**1,375**	1,085

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.

The adoption of IFRS 9 has resulted in a reclassification of financial instruments as follows:

financial assets previously classified as loans and receivables are now classified as financial assets subsequently measured at amortised cost.

Categories of financial instruments

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Financial Assets subsequently measured at amortised cost				
Trade and other receivables excluding pre-payments and VAT (note 18)	**8,881**	7,392	**-**	-
Amounts owed by subsidiary undertakings (note 18)	**-**	-	**13,872**	13,469
Cash and cash equivalents	**1,218**	1,828	**25**	113
Total	**10,099**	9,220	**13,897**	13,582

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Financial liabilities subsequently measured at amortised cost				
Finance lease liabilities (note 22)	**552**	798	**108**	164
Amounts owed to subsidiary undertakings (note 22)	**-**	-	**9,701**	9,701
7.5% Unsecured convertible loan stock (note 22)	**3,168**	3,349	**3,168**	3,349
Other bank borrowings (note 22)	**500**	-	**-**	-
Connected person loan (note 22)	**-**	-	**-**	-
Trade and other payables excluding payroll taxes (note 23)	**7,870**	6,998	**3,749**	3,270
Total	**12,090**	11,145	**16,726**	16,484

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Financial liabilities at fair value through profit or loss (level 2)				
Separable embedded derivative (note 22)	**978**	1,965	**978**	1,965
Total	**1,965**	1,965	**1,965**	1,965

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 2020 there was more volatility in the pound sterling/US dollar rate than in some previous years with the rate peaking at 0.8702 and falling to a low of 0.7424, with an average rate of 0.787. If the US dollar had remained at its highest level throughout the full year the group would have shown a post-tax profit of $2.3m (2019: Profit $0.5m), if US dollar had been at its lowest level throughout the full year the group would have shown a post-tax profit of $1m (2019: Loss $0.6m) and if the US dollar had remained at the average rate throughout the year the group would have shown a post-tax profit of $1.4m (2019: Breakeven).

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 foreign currency risk through the Convertible loan note has a significant impact on the reporting of exchange variances but it is not expected to have a material commercial risk as the expectation is that the loan will be converted into equity which is also denominated in pound sterling.

The pound sterling/US dollar exchange rate at the 31 March 2020 was 0.809 (2019: 0.763).

Interest rate risk

The loan notes pay a coupon of 7.5%. The US dollar value of the loan notes at 31 March 2020 was $3,168,000 (2019: $3,349,000).

The group and company consider the interest rate risk on the loan to be minimal as the rate is fixed.

The group has an arrangement with Crestmark Bank to provide an invoice financing facility of up to $2.5m against US client invoices raised by ZOO Digital Production LLC. This facility has been renegotiated since the year end and is now in place until 7 July 2021. Interest is payable on a monthly basis at an interest rate linked to LIBOR with a monthly minimum fee. The principal outstanding at 31 March 2020 was $500,000 (2019: nil). The group is subject to interest rate risk on the movement in the LIBOR rate.

The HSBC bank overdraft facility has terms linked to the UK base rate but the interest rate risk is minimal due to the reduced need for drawing down upon the facility.

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 an overdraft facility, 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 clients' invoices. This facility will be in place until July 2021, with the option to extend. The principal outstanding at 31 March 2020 was nil (2019: nil).

The group has a £250,000 overdraft facility in place from HSBC for the UK companies. There has been no lending drawn down from this facility to date.

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 2020	**$000**	**$000**	**$000**	**$000**
Borrowings	**-**	**3,668**	**-**	**-**
Finance lease liabilities	**260**	**-**	**292**	**-**
Trade and other payables	**8,049**	**-**	**-**	**-**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2019	$000	$000	$000	$000
Borrowings	-	3,349	-	-
Finance lease liabilities	248	-	550	-
Trade and other payables	7,189	-	-	-

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2020	$000	$000	$000	$000
Amount owed to subsidiary undertakings	9,701	-	-	-
Borrowings	-	3,168	-	-
Finance lease liabilities	64	-	44	-
Trade and other payables	3,879	-	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2019	$000	$000	$000	$000
Amount owed to subsidiary undertakings	9,701	-	-	-
Borrowings	-	3,349	-	-
Finance lease liabilities	56	-	108	-
Trade and other payables	3,434	-	-	-

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 18.

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.

	2020	2019
	$000	$000
Total borrowings	**8,006**	6,112
Less cash and cash equivalents	**(1,218)**	(1,828)
Net debt	**6,788**	4,284
Total equity	**5,297**	4,684
Total capital	**12,085**	8,968
Gearing ratio	**56%**	48%
Adjusted Gearing ratio *	**48%**	26%

*Adjusted for the impact of the non-cash embedded derivative movement

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