ZOO Digital Group plc
Annual Report 2021

Key performance indicators

Financial

Revenue
$39.5 million
(FY20: $29.8 million)

EBITDA margin[1]
11.5%
(FY20: 7.0%)

Operational

Operating expenses as a % of revenue
32%
(FY20: 36%)

Number of freelancers[2]
9,207
(FY20: 7,184)

Retained Sales[3]
98.5%
(FY20: 97.0%)

1 Adjusted for share-based payments

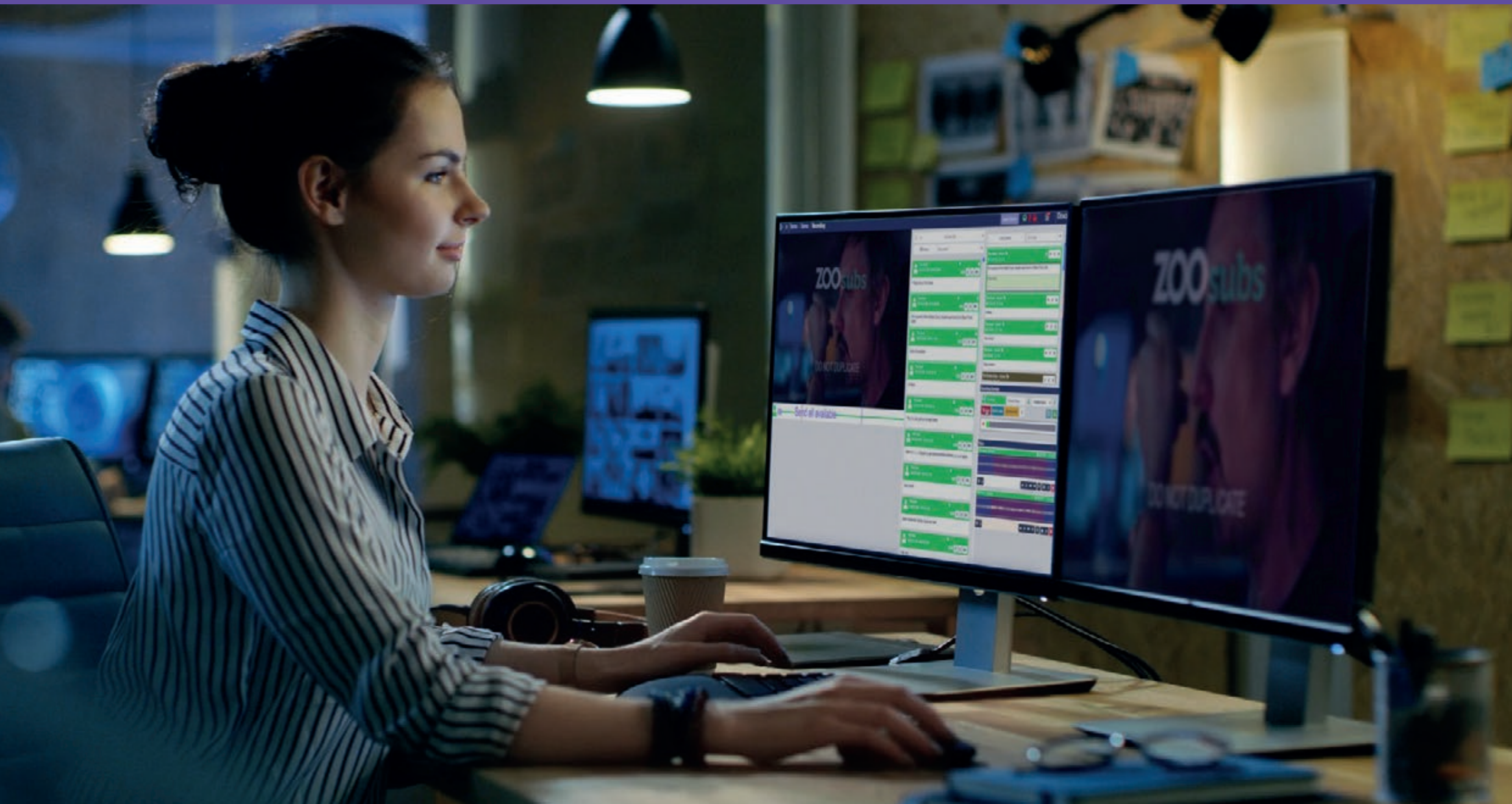
2 The number of active freelance workers in ZOO's systems who are engaged directly

3 Proportion of customer revenues retained from one year to the next

WELCOME TO OUR ANNUAL REPORT FOR 2021

In a year when the world stayed at home and watched more TV, ZOO worked from home to deliver more content, to more audiences than ever before.

Having ended the year with a strong revenue increase of 33%, we are confident of our enduring growth prospects.



WHO WE ARE

ZOO Digital is a leading provider of cloud-based localisation and media services to the global entertainment industry.

Our services, solutions and technologies support major Hollywood studios and streaming services to globalise their new and catalogue content for audiences around the world – in all languages and for all streaming platforms.

OUR TEAMS

ZOO Digital Labs

Our experienced in-house R&D team creates the industry-leading software tools that make our services smarter and our customers' lives easier.

Content Localisation

Our localisation teams manage the creation of localised content in different languages to share movies and TV shows with streaming audiences around the world.

Media Services

Our media services teams package and deliver technically-compliant digital content to streaming platforms in all territories.

ZOO AT A GLANCE

4 post-production facilities
in Los Angeles, London, Dubai and Sheffield

Distributed workforce in 59 countries

309 ZOO staff

24-hour follow-the-sun service coverage

39 in-house R&D specialists

20-year track record of innovation

83 languages
offered as part of ZOO's localisation services

9,207 freelance translators, actors, directors, adapters and mixers

Increased revenues at a compound annual growth rate of 27% over the past five years

Global ZOO team grows by 35%

to accommodate increased demand for services and technology

OUR YEAR IN REVIEW

ZOO enhances the calibre of its audio post-production services with the appointment of

Emmy™ award winner, Dave Concors, as Head of Sound

£7.4 million ($10.3 million)

raised through an oversubscribed placing to invest for growth and maintain leading industry position

ZOO strengthens its in-house teams for R&D, media services, audio description and mastering

Remote ADR service and virtual ADR stages are launched to support content creators

Territory managers are appointed to bolster ZOO's dubbing expertise across key markets in Europe, Middle East and Asia

ZOO is awarded the Broadcast Tech Innovation Award for 'Excellence in Localisation For a Global TV Project' for the second year in a row

Pandemic accelerates adoption of remote/ cloud dubbing across the industry

ZOO commits to a hybrid working model for the post-pandemic future

WHAT WE DO

ZOO provides content creators with the end-to-end services needed to globalise TV and movie content.

Our localisation services adapt original content for different languages, regions and cultures. Our media services ensure content is technically compliant for all required distribution platforms. Through globalisation, content creators can extend the reach and financial opportunities for their new and existing entertainment content.

Content

↓

Language versions | **Media services**

↓

Delivery to platforms worldwide

ZOO's localisation services include:

Subtitling: Textual, on-screen translation of the dialogue in other languages

Dubbing: Audio adaptation of the dialogue in other languages

Captioning: Textual, on-screen representation of the dialogue and other sounds for the deaf and hard of hearing

Audio description: Spoken narration of on-screen visual content for the visually-impaired

ZOO's media services include:

Content preparation: Preparing source video and audio content to the correct technical formats for a digital distribution platform

Content packaging: Combining all video, audio, graphics, metadata and localisation assets in a digital delivery package

Content QC: Ensuring delivery packages are compliant with the content and technical specifications of the target streaming platform

Content delivery: Delivering packaged content to end-point streaming platforms around the world

Metadata preparation: Preparing compliant metadata, including the synopsis and information about the cast and crew, for a digital delivery package

Asset health check service: Reviewing customers' existing assets, creating missing components, and consolidating reliable assets in customer systems

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HOW WE DO IT

ZOO has created an interconnected ecosystem of cloud-based production and management software platforms. The proprietary platforms support efficiency, quality and security across all ZOO services.

Cost-effective, scalable servicing capacity is achieved by working collaboratively with a global network of independent dubbing studios, translation partners and a freelancer community around the world. This global workforce collaborates as one in our cloud-based platforms, with security and quality standards enforced by ZOO technologies. We identified this as the most effective approach to respond to the growing challenges of today's entertainment industry; challenges that have been further compounded by the global pandemic.

WHO WE DO IT FOR

ZOO operates as part of the rapidly expanding global media and entertainment industry.

Our customers are the world's biggest content creators that distribute TV shows and movies to vast multi-lingual audiences via global streaming services.

OUR CUSTOMERS

A BOOMING INDUSTRY IN NUMBERS

More viewers. More content. More languages. More platforms. More opportunities.

Over 200 TV and movie streaming services worldwide[4]

Streaming video-on-demand (SVOD) revenues for 138 countries will reach $100 billion by 2025[5]

SVOD subscriptions to reach 1.5 billion by 2026[6]

$121 billion estimated annual spend on original content[7]

Disney predicted to lead original content spend in 2021 with a total of $30.5 billion; £13.2 billion for their D2C and International segment[8]

Global media localisation spend is an estimated $2.27 billion[9]

Netflix currently provides localised content in 30 languages across 190 countries[10]; Disney+ offers 27 languages in 59 countries[11]

4 https://flixed.io/complete-list-streaming-services-2021/
5 Source: Digital TV Research
6 Source: Digital TV Research
7 Source: Variety Intelligence Platform
8 Source: Variety Intelligence Platform
9 Source: Slator 2021 Language Industry Market Report
10 Source: https://about.netflix.com/en
11 Source: https://dmedmedia.disney.com/about-disney-plus

INDUSTRY CHALLENGES AND ZOO SOLUTIONS

Content creators face unprecedented challenges as they launch new platforms and distribute content to new audiences around the world. In ZOO, they have a partner with a purpose to make their lives easier. We work alongside them to address their current challenges and anticipate their future needs.

SPEED

Customer challenge:

Time to market must be reduced to hit simultaneous global 'day-and-date' release schedules.

ZOO solution:

Our software platforms use assistive technologies and automation to make localisation and media services more efficient, working effectively from early preliminary versions of video content.

SECURITY

Customer challenge:

The value of content must be protected by ensuring that access to it is rigorously controlled during the localisation workflow

ZOO solution:

Our software ensures watertight security through robust content protection measures, significantly reducing any vulnerabilities in the workflow.

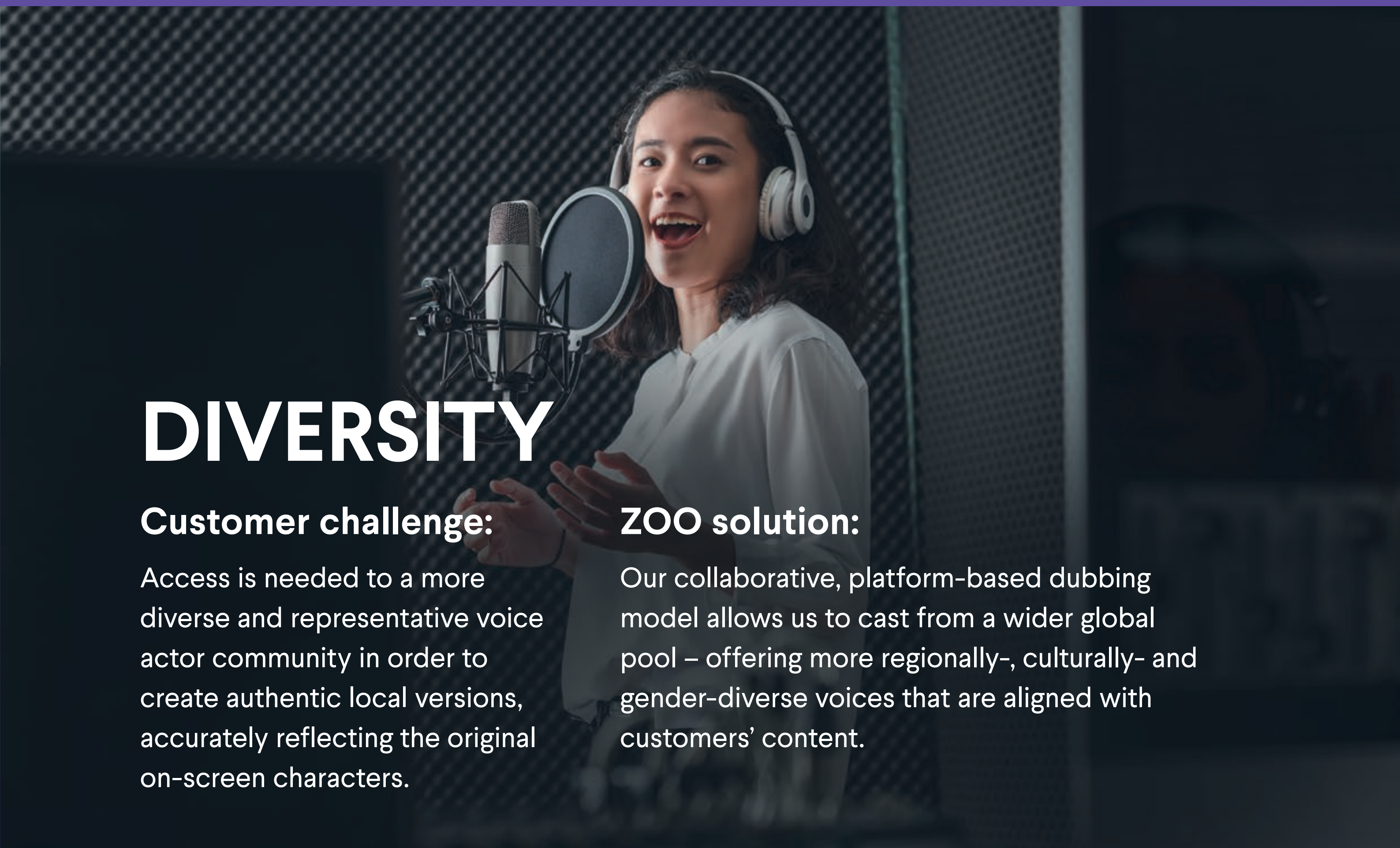
QUALITY

Customer challenge:

Global audiences demand a high-quality experience of their favourite shows and movies with authentic dubbing and true-to-original subtitling.

ZOO solution:

The focus on delivering superior quality extends across all ZOO services and software platforms through the engagement of experienced talent, and by combining both automated and human-led QC processes.



DIVERSITY

Customer challenge:

Access is needed to a more diverse and representative voice actor community in order to create authentic local versions, accurately reflecting the original on-screen characters.

ZOO solution:

Our collaborative, platform-based dubbing model allows us to cast from a wider global pool – offering more regionally-, culturally- and gender-diverse voices that are aligned with customers' content.

VOLUME

Customer challenge:

More content production and the repurposing of vast content archives means a greater volume of content globalisation projects for the customer to manage, with limited additional internal resource to do so.

ZOO solution:

Our servicing model and production platforms are specifically designed for globalisation at scale. We partner with our customers and provide management platforms to help their in-house teams to successfully manage localisation and media services.

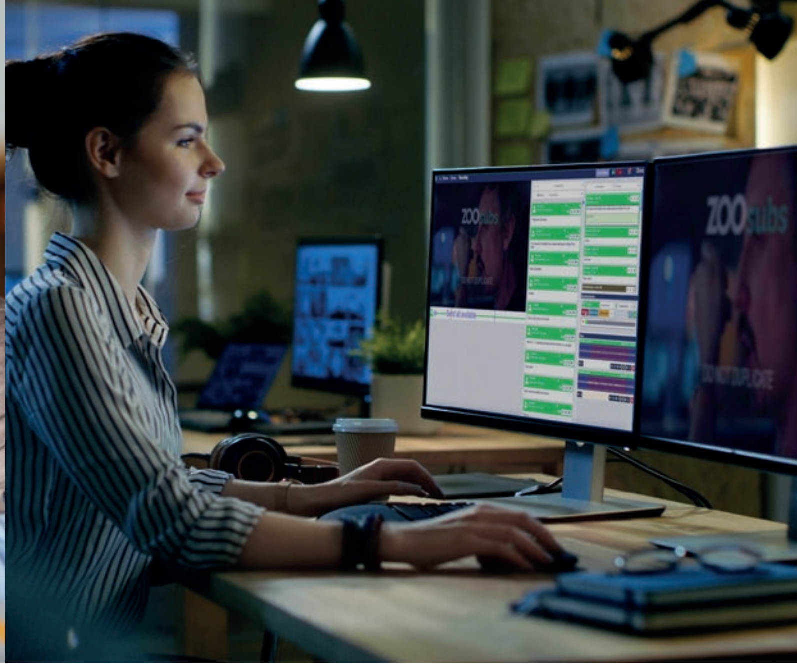
GROWTH STRATEGY

ZOO understands the current and future needs of the industry.

Our strategy for long-term, sustainable growth is driven by foresight and agility. Foresight to recognise immediate and future challenges in the industry. Agility to swiftly align the business to successfully address them. This is expressed in the following pillars:

INNOVATION

Deliver significant competitive advantage by making operations more efficient, ensuring consistently high quality, and developing service capabilities specific to the needs of customers and the market.



SCALABILITY

For creative and skilled roles, our team will identify, recruit, train and engage freelance workers for a cost-efficient, flexible and scalable resource across all required languages.

CUSTOMERS

Work with the leading global buyers of OTT subtitling, dubbing and media services in order to establish ZOO as a preferred partner.

COLLABORATION

Appoint qualified partners and provide access to ZOO software to establish a presence in key countries, particularly emerging markets

TALENT

Attract, develop and engage staff to grow capability and capacity through talented and experienced individuals across all functions.

BUILDING A RESPONSIBLE, FUTURE-FOCUSED BUSINESS

ZOO is committed to building a responsible, future-focused business. Always looking forward, to ensure that we and our services are built for tomorrow as well as today.

Our team is dedicated to delivering innovation, education and opportunities for all.

Education

Our ZOO Academy initiatives are educating the global workforce of the future. Talented translators, adapters, actors and directors are in short supply. Through training qualifications, academic collaborations and free-to-access deployment of ZOO software platforms, we are helping the next generation to learn their craft in a reliable, relevant and sustainable way.

Diversity and Inclusion

To address the challenge of sourcing representative voice actors for diverse on-screen characters, ZOO is building a far-reaching voice actor community, capable of authentically representing characters of all ethnicities, cultures and gender identities.

Technological Innovation

The ZOO Digital Labs innovation centre is researching and developing the tools and technologies of the future; innovations that empower us to offer smarter, easier and better solutions to our customers for years to come.

Environmental

ZOO will continue to maintain its low carbon footprint and build a responsible business through the use of cloud-based technology that enables work to be done without the need to travel to a specific central location and with fewer global offices.

WHY INVEST IN ZOO?

Investment summary at a glance

Large, growing global market

$1.3 billion estimated annual addressable market[12]

Significant year-on-year revenue growth

33% revenue growth in FY21

Continued investment in innovation

$1.6 million investment in R&D in FY21

Market-leading position

Top 35 leader in the global Language Services Provider (LSP) index[13]

Fully supported remote capabilities

100% remote workforce during pandemic

Strategically aligned with the world's biggest content creators and streaming services, ZOO addresses their current needs and anticipates future challenges better than anyone else in the sector.

This customer-focused approach to services, solutions and technologies will continue to deliver sustainable, profitable revenue growth. The business is well placed to meet its $100m sales target in the medium term.

Distributed global supply chain

Network of over 9,200 translators, voice actors, adapters, directors and mixers

Scalability via international partner network

Over 230 onboarded partner studios and vendors

Trusted customer partnerships

98.5% retained sales in FY21

Experienced senior leadership team

10-year average length of service in senior team

Highly engaged, growing global workforce

35% growth in FY21; workforce engagement at 81%[14]

Well-funded for growth

£7.4 million ($10.3 million) raised in April 2021 placing

[12] Company estimate [13] Slator LSP Index 2021 [14] Independently measured by an Edgecumbe survey in January 2021

Chairman's Statement

I am pleased to report an excellent year for ZOO Digital, which has delivered strong growth throughout a period of significant disruption to the entertainment industry caused by the COVID-19 pandemic.

For several years the entertainment market has been undergoing a structural shift and we have seen this accelerate markedly over the last 12 months. The industry continues to be reshaped by the unrelenting rise in streaming video through which internationally sourced content is becoming accessible to consumers globally.

ZOO's role is pivotal, providing the essential services needed by the industry to take completed TV series or feature films and create the materials necessary for content to playout on streaming platforms in any language. ZOO operates as a one-stop-shop, delivering services powered by its proprietary cloud technology that has provided resilience during the pandemic.

ZOO has been able to operate as normal during the past year, despite the disruption to the wider industry. In a market segment that has shrunk slightly over the period, ZOO has delivered strong growth. Revenues are up by 33% over the prior year to $39.5 million, and adjusted EBITDA has increased 112% to $4.5 million.

For major media companies, business is becoming increasingly challenging due to the decline in traditional revenue sources of the box office and PayTV licensing, the launch of direct-to-consumer services, enlarged production programmes and expansion of streaming services globally. At ZOO, our mission is to make life easier for the people who entertain the world and be our customers' most trusted partner to deliver engaging, entertaining, and immersive content experiences to global audiences.

During a period when market commentator Slator* reported that media localisation market sales declined slightly, our strong growth implies that we have grown our market share. With the backdrop of the temporary halting of new title productions during the pandemic, we have proven ourselves to be reliable, adaptable, and capable of meeting all our customers' requirements. Our competitive advantage is particularly strong with global platform customers that have adopted our software solutions to manage their streaming production operations and enjoy significant productivity benefits as a result.

In April 2021, we completed a £7.4 million (approximately $10.3 million) fundraise to enable us to fully capitalise on the excellent opportunities available to us. This will allow us to accommodate an expanding order book, continue to deliver strong growth and boost our R&D capabilities to further build on our leading position in the market.

I would like to welcome the new shareholders who joined our register in the recent placing, and to thank all our investors and stakeholders for the support they have shown over the past year. In addition, I am grateful to the holders of ZOO's convertible unsecured loan stock, most of whom have continued their support since this was issued in 2007 and have since agreed to several extensions. With the instrument reaching the end of its term in October 2021, we look forward to redeeming the capital or converting the loan stock to equity at the option of individual holders.

There have been many obstacles to navigate over the past year, yet our people have performed magnificently, rising to every challenge that has been thrown at them. I would like to extend my gratitude not only to those employed by ZOO, but also to our growing community of over 9,000 freelance workers and over 200 partner studios and vendors who are crucial to delivering the high-quality services we offer. Today's results would not have been possible without their ongoing support and hard work. Thank you all.

With an expanding market and excellent customer relationships, the Board remains confident of continuing growth for the years ahead.

Gillian Wilmot

Chairman
ZOO Digital Group plc

*https://slator.com/data-research/slator-2021-language-industry-market-report/

Strategic Report

Introduction

Our strategic report covers an extraordinary period for almost every business across all sectors around the world. There are few markets that have been unaffected by the global pandemic, and entertainment is certainly no exception. The suspension in production of feature films and TV series has had a detrimental effect on businesses that operate in production and post-production. The demand for media localisation in our sector is greatest in relation to newly produced titles and consequently the pandemic has had a big impact particularly on traditional dubbing businesses in its early months.

Despite this, ZOO has delivered strong growth of 33% year on year, fuelled by the expansion of its media services segment, and continued to play a leading role in the digital transformation of the sector. This is a testament to the Group's strategy, built on its proprietary technology and operational differentiators that have enabled it to adapt to the changing requirements of customers, and to the trusted status of the Company as a preferred vendor to six leading content producers and streaming platforms.

Market Overview

Changes to industry dynamics accelerated during 2020

Streaming video through Over-the-Top (OTT) delivery is now central to the strategy of every major media company across the entertainment industry. During the pandemic, major publishers including Disney, WarnerMedia and NBC Universal have pursued Premium Video on Demand (PVOD) offerings where new movies are shown on streaming services first. Netflix, Amazon and Disney+ have all reported significant growth in subscribers to their streaming services during the last year as the platforms are increasingly adopted.

This rise in streaming services has further accelerated the decline in the PayTV market, where consumers are terminating expensive long-term PayTV packages ('cord-cutters') in favour of internet services combined with month-to-month subscriptions to streaming platforms. The loss of licensing and advertising revenue is expected to continue fuelling providers to move their best content away from PayTV to direct-to-consumer (DTC). This has been evidenced by Disney, who is pivoting its core strategy away from PayTV and recently announced its intention to close 100 international TV channels and migrate content to Disney+. Other major media companies including Comcast, WarnerMedia, ViacomCBS and Discovery have also launched DTC services over the past two years, driving consumers to switch to subscription video on demand (SVOD) offerings. SVOD subscriptions are expected to increase by 591 million between 2020-26 to reach 1.5 billion, an increase of 65% (Digital TV Research).

In addition, the recently announced divestment of WarnerMedia (that includes brands HBO, Cartoon Network and CNN) by AT&T will see it combine with Discovery to create one of the largest entities in entertainment, while Amazon intends to acquire MGM Studios to bolster the Amazon Prime video service with a large catalogue of content that will include James Bond, Rocky and Real Housewives to name a few. The acquisition also brings the talents and experience of a fully-fledged studio to Amazon, which should help in producing high quality originals like MGM's recent hits such as The Handmaid's Tale and Fargo.

Going forward, it is difficult to know whether simultaneous release on PVOD will become the norm to optimise revenues through earlier exploitation of streaming services. However, despite the pandemic, large media companies are committing to ever increasing budgets to create new programmes. Earlier this year, Netflix announced it will spend $17 billion on content in 2021; Amazon spent $11 billion on TV series, movies and music for its Prime services in 2020, an increase of 41% from 2019; while Disney expects to spend $8-9 billion on content for Disney+ by 2024 (excluding spend on feature films and TV shows distributed elsewhere that may also become available on the platform). At launch, Comcast pledged about $1 billion per year for four years on content and marketing to launch its Peacock service. WarnerMedia committed between $1.5 billion and $2 billion for content on its HBO Max platform in its first year, with $1 billion budgeted for each following year.

Globalisation of content

Netflix provides localised versions of content in around 27 languages across 190 countries. Amazon Prime (available in over 200 countries) makes available a similar number of language versions. Disney+ original titles are available with subtitles and dubbed audio in 21 languages across 59 countries and additional languages continue to be added as the company progresses its global expansion.

Content is going increasingly global as non-English feature films and TV series become more and more popular amongst international audiences. Quality international content is in high demand and widely sought after by streaming platforms. In 2020, review website Rotten Tomatoes chose Netflix's first German-language show, Dark, as the best Netflix Original series. The second season of Iceland's Trapped was watched by 10 million people in the United Kingdom, Germany, France, and across Scandinavia. Distribution demand for the Spanish La Casa de Papel (Money Heist) soared and the show's fourth season in April 2020 was 32 times more in demand than popular English-language series like The Walking Dead, Westworld, and Game of Thrones. The opening of global markets for such content, which hitherto may have been accessible only in the country of origin, is providing vast archives of untapped programming that may, over time, find its way onto streaming services – a great opportunity for ZOO.

All global streaming companies are paying particular attention to the high growth markets in Asia where the increased penetration of broadband and wireless networks is creating significant demand for SVOD services. China's absolute growth is forecast to exceed that of the United States between 2018 and 2023 for the first time (at a CAGR of 7.7%), while Indonesia, Vietnam and the Philippines are expected to grow (according to the latest PwC Entertainment and Media Outlook) at 9.4%, 7.1%, and 6.1% respectively.

COVID-19

The impact of the global pandemic was felt early across the entertainment industry as many struggled to work from home while maintaining robust levels of data security. ZOO initially experienced a dramatic drop-off in the order book and increasing uncertainty as customers migrated to home working between February and April 2020 when their placement of orders was temporarily suspended. A large proportion of the work the Company processed at that time related to new original titles, the production of which was halted.

However, ZOO's cloud software platforms enabled the company to transition seamlessly to working from home and continue to provide an efficient, secure and uninterrupted service. The pandemic highlighted the resilience of ZOO's model in contrast to the disruption experienced by traditional providers reliant on travel and people working in proximity. ZOO was also well positioned to adapt quickly to the changing focus of customers as their attention shifted to back catalogue content. This was possible due to the end-to-end (E2E) service offering that ZOO provides, including a portfolio of media services that are required to prepare content for digital distribution. Over the course of the financial year, the significant temporary decline in demand for services around new original content was more than offset by the rise in demand for media services, a consequence of the accelerated drive by content owners to migrate catalogues to streaming for which such services are required to a greater extent.

ZOO's ability to continue to deliver services meant that the company received a much higher level of customer enquiries in the period from April 2020. The Company worked to finish projects that had been begun by other vendors and on newly completed titles that would previously have been dubbed by traditional studios. For new customers, ZOO was able to demonstrate the benefits of its cloud-based dubbing service as not only a more efficient means to complete projects quickly but also to deliver high quality results.

The roll-out of vaccines has enabled some productions to resume, with Netflix now producing safely in every major market except Brazil and India. As a result, the Board anticipates that new titles will become ready for localisation in volume commencing in the third calendar quarter of 2021.

During this period, ZOO was also approached to work on Automated Dialogue Replacement (ADR) projects. ADR is the process of re-recording original dialogue after the filming process to improve audio quality, facilitate lip-sync dubbing and make changes to the originally scripted dialogue. It is a standard practice when creating premium scripted entertainment and its production has similarities to the process of dubbing. With screen actors unable to travel, customers turned to ZOO to enable the efficient production of ADR recordings using the company's ZOOdubs platform. This experience enabled us to identify a new market opportunity and launch our remote ADR service offering during the year.

Strategy

ZOO is pioneering and innovating in the markets in which it operates. ZOO's strategy is to deliver significant competitive advantage by making operations more efficient, ensuring consistently high-quality results, and developing service capabilities specific to the needs of its customers and the market. The strategic plan is built on the foundations of five pillars: innovation, scalability, collaboration, customer, and talent. Good progress has been made in all areas during the past year.

Innovation

ZOO's services are performed and delivered predominantly using its own proprietary cloud computing platforms that give the company competitive advantages through streamlining operations, and automating administrative processes and technical functions to enable efficient collaboration over the internet. These platforms bring many benefits to ZOO, its customers, and collaborators, including efficiencies in working practices, reduced production times, security, quality assurance and scalability. ZOO's ongoing commitment to product innovation provides it with strategic differentiation in its sector and the Board expects that this investment will continue to strengthen the Company's position as an E2E vendor in a growing market. Significant product innovations in the period include:

- **ZOOstudio** – a secure platform that provides a centralised system to manage localisation and media service operations. It provides a single source of order and fulfilment and affords efficient collaboration, sharing of assets and reference materials, with in-built ERP functionality that is specific to the domain and configurable for each customer. ZOOstudio is licensed by a major streaming service where it is being used to manage all production operations. This platform has been developed further during the period in recognition of its strategic value in supporting a greater breadth and depth of integration with customers. During the period it has been enhanced through the addition of a wide range of new features, including integration with finance systems, support for invoicing, tools to assist with bulk order creation, report generation and integrated features to enable customer review of dubbed soundtracks.
- **ZOOdubs** – enables the entire creative and technical tasks associated with dubbing to be orchestrated and performed in a distributed fashion. Greater functionality has been added to support new features, including simultaneous recording of multiple voices, integrations with industry tools, automated generation of cue sheets, automated generation of Audio Description script review, enhancements for ADR, automated take editing and enhanced integrated video chat. In addition, a mobile application has been developed to support recording and playback.
- **ZOOmedia** – a newly developed platform that provides a centralised service for source media management, including

automated creation of personalised watermarks for each user and other security enhancements. Other cloud platforms including ZOOdubs, ZOOsubs (subtitling management and production) and ZOOscripts (original version script production and management) have been integrated with ZOOmedia to enable efficient handling of assets throughout the end-to-end (E2E) workflow.

- **ZOOsign** – a new platform to support the electronic processing of complex legal documentation that must be created and managed for dubbing projects, including Assignment of Rights agreements.

We continue to be proactive in protecting the innovative aspects of our product developments and have filed two new patents during the period.

Scalability

The scalability of ZOO's offering arises through the capabilities of its cloud-based software platforms that provide automation features and facilitate efficient collaboration over the internet. In addition, scalability is due, in part, to a large community of freelance workers with which the company works to fulfil customer projects in a cost-efficient way. Most of these freelancers are media localisation specialists, including translators, voice actors, script adapters and dubbing directors. By the end of the period under review the number of active contractors in our systems grew to 9,207, up from 7,184 a year ago and 8,272 at the half year point. We have expanded this pool across the growing number of languages that are being ordered by our customers, and to build capacity for dubbing ahead of the greater demand that we anticipate once lockdown restrictions are lifted and new title productions resume at pre-pandemic levels.

Collaboration

We have continued our strategy of working with local dubbing studios to establish a presence for ZOO in key territories particularly where this arrangement is requested by customers, with the number of partner studios and vendors across all service lines rising to 232 from 155 in FY20. We have a growing number of partners experienced in using ZOO's platforms to enable efficient management and recording of dubbing projects, including hybrid scenarios in which some voices are recorded in traditional studios while others are recorded at remote locations.

We have been strengthening our academic partnerships in both research and education. From a research standpoint, we have engaged on several collaborative projects with specialist groups at the University of Sheffield in the areas of speech and hearing technologies, natural language processing and linguistics. We expect that these will lead, in due course, to new assistive features in our platforms for enhancing the productivity of our staff and freelance workers. We also have several new initiatives in the pipeline to create innovative speech and hearing technologies that will commence in FY22 and which we expect will deliver competitive advantages in the future.

Experience of ZOO's platforms is being sought by students hoping to enter the sector. As part of a new initiative entitled ZOO Academy, several universities that offer media localisation courses and/or modules are now incorporating the use of ZOOsubs and ZOOdubs on their curricula. These include University College London, University of Sheffield, University of Essex, University of Malta, and Alicante University. To address the shortage of talent in certain disciplines and languages, we have also been working with an educational partner on the development of online training courses that we plan to launch in FY22.

Our collaborative initiatives in both research and education have the added benefit of enabling us to identify highly capable individuals who have the appropriate skills to join ZOO's ecosystem in the future.

Customer

ZOO's strategy is to target primarily the organisations that create significant volumes of original entertainment programming and seek to exploit that content through international distribution. These are mostly large media companies that take a multi-vendor approach to the sourcing of localisation and media services. Each such company operates its own framework for the selection and engagement of partners, which leads to the appointment of typically three or four preferred vendors. ZOO's aim is to secure preferred vendor status and, over recent years, has had a high success rate; the Company holds this status today with six major media companies and streaming services.

The relationship that ZOO has in place with a major streaming service provider (announced in 2019) continues to go from strength to strength. This customer has licensed ZOOstudio for managing procurement of the activities required to prepare both new and catalogue content for distribution through its streaming service. The enhancements made to this platform over the last year provide additional operational efficiencies and benefits to this customer, further strengthening the relationship between the two companies. As a result, ZOOstudio is used more widely within this organisation, including across multiple operating divisions. Performance metrics tracked monthly by this customer confirm that ZOO is performing at the highest levels in the industry.

During the period, ZOO was selected and has been operating as a vendor to support the international roll-out of an advertiser-supported video on demand service.

In the current period, ZOO was engaged by several content licensors to provide localisation and media services to prepare back catalogue content for global distribution on the Netflix platform. This follows the Company's appointment as a Netflix Preferred Fulfilment Partner in 2018.

This year, the company was also selected as the sole subtitling and captioning vendor for a new video-based service that was launched in English-speaking countries, and which is expected to expand its distribution into other territories in the next year.

ZOO's retained sales KPI was 98.5% (FY20: 97.3%, FY21H1: 98.4%), which illustrates the high level of satisfaction of customers with the Company's performance.

Talent

ZOO seeks to attract, develop, and engage staff to grow capability and capacity across all functions. During the period, the

Company launched its Advocates programme to engage with experienced and progressive practitioners of the dubbing market across several countries and territories, bringing the benefit of their insights, expertise, and contacts with local buyers as well as relationships with talent for voice acting, directing and script adaptation.

Our appointments over the past year are of individuals with great experience, a modern approach and outlook that complements ZOO's strategy, and include:

- **Teresa Alonso** – appointed Dubbing Territory Manager for Spain and Portugal in February 2021. With more than 21 years of experience working for Sony Pictures Entertainment in Spain, Teresa brings extensive expertise to the newly created position at ZOO.
- **Dave Concors** – appointed Head of Sound in October 2020. With more than 30 years of experience working on both features and episodic content, Dave is using his wealth of industry knowledge to refine dubbing services at ZOO. Based in Los Angeles, he has more than 20 years of experience with Disney, exclusively working on foreign theatrical releases, which included mixing work on Disney, Marvel, Pixar and Lucasfilm projects. He is an Emmy Award winner for 'outstanding sound mixing' for the long-running NBC show, *ER*.
- **Mariusz Jaworowski** – appointed Creative Director for Central and Eastern European dubbing in January 2021. Mariusz is a leading name in the dubbing industry with more than 21 years of experience as executive creative director at Disney. In his previous role, Mariusz managed and supervised the creation of local versions of feature animation and live action films for both the theatrical market and TV series.
- **Andreas Kaj** – appointed as Dubbing Territory Manager for the Nordics in January 2021. Andreas is responsible for delivering high-quality dubbed projects to ZOO's global clients from his territories, which include Sweden, Norway, Finland, and Denmark.
- **Abeer Shabo** – appointed as Dubbing Territory Manager for Middle East in June 2021. With over 30 years experience in the dubbing industry, Abeer is enhancing intercultural exchange through media localisation between the Arabic region and other territories.
- **Ewa Zawadzka** – appointed Head of Dubbing for EMEA in May 2021. With over 10 years in dubbing and localisation, Ewa brings a wealth of experience to ZOO. Her previous roles include dubbing management positions at both BTI Studios and Iyuno-SDI Group, most recently in the role of global client director.

Review of Operations

The Company's revenues are predominantly from the supply of services and fall into two key segments: Media Localisation, which includes subtitling and dubbing, and Media Services. In the past these have been delivered primarily through ZOO's facilities in the United States and United Kingdom. However, during the period we have expanded our facilities in London and Dubai to access the experienced talent available in those locations and grow our international footprint. A third segment, software solutions, relates primarily to recurring sales of legacy systems.

Media Localisation

The requirement for localisation in the entertainment industry exists for both newly produced titles and those that have been released previously ("catalogue titles"). Most newly produced titles are simultaneously distributed to international audiences and require localisation into many languages over a short period. In contrast, catalogue titles will usually have been previously localised into at least some languages and, therefore, repurposing them for streaming services will incur work in conforming pre-existing assets to the requirements of the destination platforms and quality control, but proportionally less origination of translations into additional languages.

Media localisation in the industry has been affected by the temporary halting of new title productions and ZOO's media localisation segment has followed the trend of the market more widely, delivering $20.3 million compared with $20.8 million in FY20.

The services that fall within this segment are subtitling, captioning (for the deaf and hard-of hearing), dubbing and audio description (for the visually-impaired).

Subtitling and captioning – orders were weaker than the prior year due to a reprioritisation of customer orders from new titles to catalogue during the pandemic, resulting in a reduced subtitling requirement. We expect orders to recover once new productions resume, which we expect to take place in the third calendar quarter of 2021. At the time of writing, since launching this service in 2014, ZOO has created and stored over 400 million subtitles and captions on behalf of customers.

Dubbing – ZOO received a greater number of orders for dubbing, particularly in the first half, despite the wider market being adversely affected by lockdowns. With more customers enjoying a favourable experience of working with ZOO, the Board expects that the Company will increase its market share for dubbing when new productions resume. During the period, the Company has undertaken dubbing projects for leading media companies and has been able to profile its work on The Whistlers for Magnolia Pictures, American Gods for Fremantle, Cleo and Cuquin for Animaccord and Pose for FX Networks. During the year, we observed a growth in demand for dubbing into English. The lack of established traditional infrastructure in the industry for English dubbing, coupled with the benefits afforded by the ZOOdubs platform and demonstrated to clients during the pandemic, mean that the company is well placed to capitalise on this growing requirement.

Audio Description – the increasing importance of accessibility is leading to growth in demand for AD services, which are available on most Netflix Original titles and most of the content on Disney+. We have observed more companies making a commitment to accessibility features for their audiences and anticipate that we will continue to see a growing demand. ZOOdubs incorporates several features to enable the efficient production of AD streams which has been valuable to support the growth in demand we have seen for these services.

Media Services

Media Services incorporates several service lines that relate to the processing and packaging of TV and feature film content. Referred to as 'Digital Packaging' in previous reports, the segment has been renamed to reflect the broadened scope of services that are now being requested by our customers.

ZOO's combined offer of localisation and media services qualifies the company as one of the few 'end-to-end' (E2E) vendors in the industry – a one-stop-shop for all activities that are required to prepare original content for distribution worldwide through OTT services. We refer to this as our "Post to Platform" offering, which provides the end-to-end technical and management services needed to fulfil content packages to all major streaming services in all territories, beginning after the completion of post-production and ending once the titles are accessible to consumers on streaming platforms. Our teams create or conform all the components required for each delivery package – including subtitles, metadata and graphics – accurately and compliant with each platform's unique specifications. The service is available 24/7 from our facilities in Los Angeles, Dubai, and London.

There is a growing preference of buyers within the sector to select E2E vendors due to the convenience and administrative ease of working with fewer, more capable suppliers. As with localisation, the requirements for media services apply whether content is new or catalogue. However, depending on the age of the content, the requirements can be significantly greater when working with catalogue titles which may need to be brought up to the technical specifications and quality standards required by modern streaming platforms. Consequently, the decline in availability of new content during the pandemic and the refocus of customers on back catalogues has led to a significant increase in demand for media services, resulting in sales for the period of $17.5 million (FY20: $7.4 million), a growth of 136%.

Two of the service lines that have grown significantly in the period are metadata preparation and "asset health checks". Content metadata is descriptive programming information, such as title, actors, description, release date, running time, and genre. It allows consumers to make selections of content for viewing and to perform searches. The large back catalogues of content that have migrated to OTT platforms over the past year have necessitated the preparation of compliant metadata, which is then localised into each language for which the content is available. ZOO's "asset health check" assesses materials to determine what work will be necessary to enable their preparation for OTT distribution and estimates the associated cost. One such assignment completed by ZOO in January 2021 involved 780,000 items of metadata across 13 languages. The Company is well placed to undertake such projects due to the proprietary cloud platforms it has developed, which bring efficiencies and scalability and enabled this project to be completed rapidly.

During the period ZOO provided for the first time ADR services in response to clients that were unable to complete projects in the traditional way due to lockdowns. We have since developed new features in ZOOdubs to streamline the ADR production process and anticipate further demand for these services once new productions resume.

Due to increased demand, we have made infrastructure investments and recruited additional staff to expand our capacity for mastering. Mastering is the process of finishing or finalising a programme after post-production to synchronise the video and audio tracks, conform to technical requirements of the target platforms, and perform compression and encoding of the audio-visual materials. We anticipate a growing demand for mastering services in FY22 and beyond, primarily because of the shift by customers to the E2E model.

Investing for future growth

The evolution of the broader market together with the demand for our services presents ZOO with a unique and significant opportunity to seize market share and grow. To support this, in March 2021 we undertook a non-pre-emptive fundraise by way of a placing of shares with new and existing shareholders, raising in April gross proceeds of £7.4 million ($10.3 million).

The Board's intention is to use the net proceeds of the placing to accelerate the Company's commercial position by building balance sheet strength to further scale the business through the following key initiatives:

1. **Growing the R&D team** – through our close working relationships with our customers, we recognise further significant opportunities to enhance our existing cloud platforms and develop new products and functionality that will deliver greater differentiation and maintain our competitive advantage over our peers. We intend to establish a longer-range research function to build on several initiatives we have already begun in the areas of machine learning and AI, and to expand our collaboration with academic research partners.
2. **Establishing regional hubs for media services** – these will enable us to support our customers as they invest in international series and require media services for locally sourced content in key growth markets such as India, Middle East and Southeast Asia.
3. **Expanding international business development** – with the establishment of regional hubs in key locations we will also expand our business development team to give us wider international coverage and support our customers as they seek to grow on a global scale.
4. **Expanding the service delivery teams** – with the greater volumes of orders that we anticipate in the period ahead, we will expand certain delivery teams to ensure that we have sufficient capacity for oversight of projects. This will include project managers, quality control staff, video and audio specialists, and our in-house English team – responsible for overseeing the preparation of all English materials, the quality of which is critical to ensure the highest creative standards are upheld.
5. **Increasing capital expenditure** – due to the greater volumes of work that we are receiving, we are upgrading our IT infrastructure at our existing production facilities in the United Kingdom and United States to give us greater data throughput and storage, and we will ensure that the IT facilities in place at our other locations are adequate and allow us to deliver a 24/7 service.
6. **Providing general working capital** – having greater working capital at our disposal means that we can react quickly to our customers as their requirements unfold and change, and can continue to play our part in the transformation of the

entertainment industry.

People

Our recruitment drive to expand our capacity and support future growth in all our facilities has been unrelenting. The past year represents the period of fastest addition of staff in ZOO's history, with total headcount across the Group at year end being 298 versus 228 in the prior year, an increase of 31%.

The excellent financial performance that we have delivered during a year of unprecedented challenge is a testament to the talent, adaptability, and passion of all those who work for and on behalf of ZOO to whom I express my heartfelt appreciation. The pandemic-related challenges have had an impact on every group within the Company, yet everyone has responded magnificently, adapting to new ways of working, collaborating, and recruiting. It has been no mean feat to have embraced a far greater number of customer projects than at any other time in our history, whilst consistently meeting or exceeding expectations. The performance metrics tracked by our customers confirm that ZOO is one of the leading vendors in the industry, for which we have our excellent team and freelance community to thank.

Our mission is to be the partner that makes globalisation easier for the world's best content creators. We take complex media content challenges and make them simpler by finding smarter and better ways of doing things. This is only possible due to the culture of ZOO which is lived every day by each of our people: we are open to learning; we look at things differently to find new and creative ways to take on any challenge; everyone is valued; we put ourselves in our customers' shoes to anticipate their future needs; we think big and bold, believing that disruption favours the brave; and we never underestimate the power of determination. New recruits are selected based on their alignment with this culture code, and its impact extends to every part of the business. Its embodiment in all our people is the ZOO secret sauce that makes us stand out in the market.

Outlook

Trading in the first quarter of FY22 has been strong and ahead of the prior year period, continuing the momentum built over the last year. Based on current visibility, we expect to deliver significant growth in the first half. We have started to see signs of new productions being completed although this is still some way from pre-pandemic levels. However, all indications are that the former levels of production volumes will resume and will likely be exceeded. The on-going investment being made in facilities, infrastructure and people will position us well to support our customers with greater volumes of business.

We continue to receive significant orders for project work relating to catalogue content not only because of titles being adapted for OTT for the first time, but also due to streaming platforms launching their services in new geographies. Given the global appeal of quality entertainment content that has already been demonstrated by leading OTT providers, there exist vast untapped archives of programmes that are likely to find their way to streaming services over many years ahead. This work in particular favours E2E vendors, given the diversity of services that are required to evaluate such content and undertake all that is necessary to deliver it to consumer audiences globally. ZOO is well placed to continue to grow its market share for such requirements.

Following the successful fundraise in April 2021, the Board is actively exploring several opportunities to establish regional hubs for delivering media services in the Middle East, India and Southeast Asia. Initiatives to expand our service and R&D teams and appoint territory managers in key locations are progressing well.

Given ZOO's strengthening position in the market for the services it supplies, the competitive advantages that derive from its proprietary software and the ever-growing market requirements, the Board remains confident of continuing growth and achieving market expectations.

Stuart Green

Chief Executive Officer

Financial Review

Revenue
The Company achieved revenue growth of 33% in the financial year ended 31 March 2021, with total revenues of $39.5 million compared to $29.8 million in FY20. This demonstrates the real progress achieved as the business transitioned to one focused on localisation and media services for global entertainment streaming providers. The growth in revenue reflects the contract wins in 2019 to support the international launches of our customers.

Most of the Group's operations are in the United States, where revenues were up 34% at $34.0 million. The balance of work was performed in Europe which grew by 23% to $5.5 million. The split in geographical production illustrates the international launches of US based streaming services.

In FY21 we experienced an increase in customer concentration, as the revenue contribution from our largest client increased to 72% of sales as a consequence of circumstances relating to the pandemic (FY20: 56%), with the second largest accounting for 4%, down from 10% last year. This is a direct result of a contract win which resulted in us becoming the primary E2E vendor to a new global streaming service, a relationship that we expect will continue over the long term.

The media localisation segment saw revenues drop by 2% in the year due to the global pandemic which restricted the production of new titles that are required to support localisation services. We expect growth in this segment to return once new title production resumes.

The media services segment, our other main segment, saw revenues increase by 136% as our service for OTT platforms was in big demand as global streaming services repurposed their back catalogues and launched them internationally to fill the gap left by the shutdown in new productions.

Software solutions, our third segment which has been a reducing proportion of our business, increased by 10% in the year to $1.8 million as a result of bespoke development work for a client.

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 $13.6 million in FY21 from $10.1 million in FY20, an increase of 35%.

Media localisation segment contribution fell in the year from $4.7 million to $2.9 million because of two main factors. The first of these was the revenue decrease of 2% which was attributed to the deferment of localisation projects throughout the year due to COVID-19, causing direct costs to be proportionally higher than expected. The second factor was a doubling of headcount to support the longer-term opportunity in dubbing that is not supported by the current level of revenues.

Media services segment contribution more than doubled in the year to $11.4 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 65% was lower than the previous year's margin of 74%, and this is due to the mix of services favouring activities that require a high level of translation services that have a lower gross margin.

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

Overall gross profit increased by 35% to $13.6 million compared to $10.1 million in FY20. This represents a gross profit margin of 35%, up from 34% last year. The improvement is due to higher margin Media services representing a bigger percentage of total sales, increasing to 44% compared to 25% in FY20.

Other operating expenses
Operational fixed costs, which are defined as operating expenses less share-based payments, depreciation and amortisation, have increased by 13% in the year as we invested heavily in people and IT to support our growth plans. Overall, operating expenses increased to $12.9 million, including share-based payments, depreciation and amortisation and after reclassifying property costs of $1.0 million to comply with IFRS 16. The 18% increase in operating expenses is explained by the above, the doubling of the share-based payment accrual and higher depreciation and amortisation costs, due to the expansion of office space and the increase in R&D.

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 was extended by one year after consultation with the holders in 2020 to October 2021. Interest on the principal in the year was $0.3 million, approximately the same as FY20. The other two components of finance costs are non-cash items. The first is the exchange loss on the conversion of the outstanding sterling-denominated debt at the year-end due to the strengthening of sterling relative to the United States Dollar in the year, which has given rise to an exchange loss of $0.4 million. The second is the increase 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 $3.5 million loss.

These non-cash accounting entries, above, have had an impact on the profit/loss before tax for the year ended March 2021, which was in total a loss of $3.6 million (FY20: loss of $0.1 million).

As a result of the increase in revenues coupled with the improved gross profit the operating profit of $1.0 million compares to a loss last year of $0.6 million. On the Company's preferred measure of profitability, being EBITDA before share-based payments, the profit was $4.5 million, up from $2.1 million in FY20, due to the reasons explained above.

Post balance sheet event

Since the end of the financial year, we are pleased to have completed a 10% placing of new equity raising a gross $10.3 million. This money will be used to accelerate our international growth brought about by the favourable market conditions. The details of the placing are that the company has raised gross proceeds of £7.4 million ($10.3 million) through the oversubscribed placing of 7,454,727 Ordinary Shares with certain existing and new institutional and other investors at a price of 100 pence per New Ordinary Share. The shares were admitted to trading on the 6 April 2021.

Statement of financial position

Non-current assets increased by 8% in the period which is mainly due to an increase in the purchase of fixed assets such as computer and production equipment that totalled $2.2 million. The increase in expenditure was used to upgrade our production systems in both the United States and United Kingdom to cope with the increased volume of assets we are handling. The gross expenditure was partly offset by a larger depreciation charge relating to leasehold properties. The capitalisation of research and development costs increased by 41% to $1.3 million as we accelerated the product roadmap to support customer requirements. This also increased the depreciation charge resulting in the balance sheet asset increasing by only 7% to $2.5 million.

Trade and other receivables have increased 10% compared to last year to $10.2 million reflecting the strong sales performance in the second half of the year. 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 $4.4m to $5.0m. This is partly due to the appreciation of the UK currency making the convertible loan note more expensive in US dollars which added $0.4 million to the liability. In addition, we took out short term leases to fund some of the computer equipment acquired in the year with a $0.3 million impact on current liabilities. Also included in current liabilities is the separable embedded derivative which is attached to the loan notes and this instrument increased in value by $3.5 million due to the higher share price at the year end compared to the previous year. This is a non-cash liability and will be reversed when the loan notes mature in October 2021.

Cash and cash equivalents of $2.9 million at year end, (FY20: $1.2 million) were up 142% reflecting the revenue and profit growth in the year.

Non-current liabilities, fell in the year as our overdraft facility remained unused at the year end, compared to a $0.5m overdraft at the end of the year end 31 March 2020 and due to the reduction in the "right to use" liability as our property leases have a shorter time to run.

Consolidated statement of cash flows and going concern

Net cash generated from operating activities was $6.8 million, up from $1.3 million in FY20.The improvement of $5.5 million is attributable to the operating profit, an increase in depreciation on leases and an increase in trade payables. The inflow from operating activities was partly offset by a $2.1 million increase in investing activities and an increase of $1.0 million from financing the business. The investment outflow was attributable to our ongoing development programme and significant upgrades to our IT infrastructure. The financing outflow relates to the cost of repaying the office leases, interest on the leases and 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 recent placing gives us cash to fund operating activities and our investment in growth. This is further validated by the strong start to FY22, with record orders which we expect to deliver another operating profit for FY22 and has been stressed tested by our financial modelling. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

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 86% 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 affect on customers may cause them to reduce the number of titles and/or languages into which they procure localisation services from ZOO. The experience of the last 12 months has been positive for ZOO with our main customer placing a significant increase in orders with us, however, we remain vigilant in case circumstances change.

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 enhanced its methods of engagement with the workforce by appointing a group human resources manager last year and this has improved staff engagement, as evidenced by the recent staff engagement survey. 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 the following significant events or decisions were required to be separately reported under this section.

- The Board reacted swiftly in response to the onset of Covid-19 implementing a working from home policy for all employees and making resources available so that all employees could work productively from home. A further review was conducted as the various lockdowns were eased to ensure that those employees who wished to return to the office could in a safe and secure environment.
- The Board reviewed the Company's financial facilities and working capital position approving a successful equity fundraise to strengthen the balance sheet and to provide liquidity to enable the drive for future growth which completed on 6 April 2021.

Political uncertainty

The political climates in the UK and US are currently challenging due to the uncertainty surrounding the post COVID19 economic environment. 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 28 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 the UK.

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 2021. 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 a virtual investor 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.

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 make life easier for the people who entertain the world. Our business model is to provide media localisation and media 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 turn-around 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 facilities in Sheffield, London and Los Angeles are audited for security annually 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 enhanced features within our software that provide 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 are adopting hybrid working as a permanent practice across the group following successful operations through the lockdown periods of the past year.

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 20	Presentations to institutional investors	SG, PB	Discussion relating to a trading update
May 20	Broking firms sales and team meetings	SG, PB	Provide an update
May 20	Investor newsletter		Newsletter distributed to subscribers
July 20	Preliminary results roadshow and media meetings	SG, PB	Institutional investors, analysts and PCB's via Zoom calls
July 20	Retail investor presentation	SG, PB	Open invitation to retail investors; presentation with Q&A; recording made and published on website and via PI World
July 20	Investor calls	GW	Follow-up calls with institutional investors
Aug 20	Investor newsletter		Newsletter distributed to subscribers
Sept 20	AGM	GW, SG, PB, GD, MK	Actively encouraged all investors to attend event held via webinar; event recorded and made available on website
Sept 20	Capital Markets Day	SG, PB, GD	Presented event as a webinar including guest speakers; event recorded and made available on website
Oct 20	LSE/Stifel New York Virtual Investor Conference	SG, PB	Participated in an investor conference, including panel discussion and one-on-one investor meetings
Nov 20	Interim results roadshow and media meetings	SG, PB	Institutional investor meetings held by Zoom
Nov 20	Retail investor presentation	SG, PB	Open invitation to retail investors; presentation with Q&A; recording made and published on website and via PI World
Nov 20	Investor newsletter		Newsletter distributed to subscribers
Dec 20	Ad hoc investor meetings	SG, PB	Update meetings with institutional investors
Jan 21	Ad hoc investor meetings	SG, PB	Update meetings with institutional investors
Feb 21	Ad hoc investor meetings	SG, PB	Update meetings with institutional investors
Feb 21	Investor newsletter		Newsletter distributed to subscribers
Mar 21	Analyst meetings	SG, PB	Introductory meetings
Mar 21	Share placing meetings	SG, PB	Presentations to institutional investors and PCBs relating to a share placing
Mar 21	Video briefing for retail investors	SG	Produced video explanation of share placing and distributed to investor mailing list subscribers

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 virtual 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.

Stakeholder	Reason for engagement	How we engage
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, MESA 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.

Corporate social responsibility

The Company strives to ensure that its business activities positively benefit all stakeholders by committing to conduct its business in a fair and responsible manner, to treat its employees fairly, supporting personal growth and development, and to have a positive impact in its local community.

We strongly value our customers and seeks to deliver a world-class product backed by class-leading customer service and support. The Company routinely seeks customer feedback and performance appraisal inputs and takes active steps to remedy any instances of customer dissatisfaction.

Key customers are also routinely invited to provide product improvement inputs, and in some cases to test key features or functionality prior to general release.

The Company has agreed rate cards with its major customers to provide a fair and transparent pricing structure so that customers can be confident that the Company's services are cost effective.

The Company is an Equal Opportunity Employer and its policy is to ensure that all employees and job applicants will be given equal opportunities in all aspects of employment and training irrespective of their gender, ethnic origin, disability, age, marital status, sexual orientation or religious affiliation (and/or any other protected characteristics under relevant legislation). ZOO encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the Group.

The Company recognises the benefit of involving employees in target setting and keeping employees informed of progress. As a result of the COVID-19 pandemic, the Group wide meetings (via video conferencing) became much more frequent in FY2021. The Board felt this was necessary in order to keep employees up to date on progress and to keep employees closely connected with each other and the business. Due to the size of the Company, regular consultations with senior management take place. The views of employees are considered when making decisions which are likely to affect their interests. This has included the introduction of increased ability for employees to put questions to senior management members during Group wide meetings and has also included the introduction of various digital surveys issued to employees throughout FY21 so that they can give their views and feedback on relevant Group wide matters. ZOO ensures that it communicates clear and appropriate policies to employees setting out data protection rules, information security rules, commercial contract rules (e.g. sales contracts, procurement contracts and partner contracts), commercial dispute resolution rules, share dealing rules, anti-bribery rules, anti-bullying/harassment rules and anti-discrimination rules and codes of conduct. These policies and procedures are made available to employees via the Group's Human Resources Information System and are regularly reviewed and updated as necessary. The Board regularly reviews, considers and updates the salaries, benefits and support offered to the Group's employees. The aim of this is to ensure that individuals with the appropriate experience and skill to add value to the business and drive its long-term success are attracted to the Group and then retained. In addition, this approach by the Board aims to ensure that staff are provided with the appropriate environment, career progression and rewards to remain motivated and enabled to produce the best possible output and add the maximum possible value to the Group.

The Company participates in various charitable activities in the communities in which it operates. The Company has made a number of small direct financial contributions to charities and Company employees have participated in a number of local charity events during the year. Looking forward to FY22, the Company will be encouraging employees to actively take two additional paid leave days each and donate them for the support of charitable projects in the community. The Company will be extending its involvement with charities that are associated with our industry that are either technology or language based and progress will be included in next year's report.

Towards the end of 2020, the Board approved and initiated a project for the Group to become carbon neutral and designated a member of staff responsible for leading this long-term project to a successful conclusion. This project commenced on the 2 June 2021 and will involve an in-depth review, analysis and evaluation of the carbon emissions of the Company, followed by the implementation of appropriate changes in policies, procedures and systems to enable the Company to strive towards its aim of obtaining and maintaining a carbon neutral status. The cloud computing solutions employed for deployment of the Group's software platforms provides an energy and infrastructure efficient approach. In addition, the Group's novel approach to fulfilling dubbing services through its cloud software enable projects to be performed remotely and in a distributed way, thereby significantly reducing the requirement of voice actors, dubbing directors and others to travel, and minimising the Group's need to own and operate extensive dubbing facilities across many locations. The Group's current approach to the business/work related travel activities of its staff remains the main area targeted by this project, along with the way in which such activities are recorded and reported. This project and its continuation throughout FY22 will demonstrate the Board's awareness of and regard for the Company's impact on the environment and the Board's intention to ensure that the Company reduces, as much as is reasonably possible, any negative impact of the Company's operations upon the environment.

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 mobilised 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 and to be available at other times as required for video 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	12	12	–	–	2	2
Gordon Doran	12	12	–	–	–	–
Phillip Blundell	12	12	2	2	–	–
Non-executive Directors						
Gillian Wilmot	12	12	2	2	2	2
Mickey Kalifa	12	12	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.

Gillian Wilmot, Independent Chairman
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 21 years as a main board director of AIM-quoted companies.

Current external appointments: Trustee of the registered charity Friends of the Rowan School and Trustee of the Sheffield Chamber Orchestra.

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 23 years as a CFO and Company secretary of AIM listed businesses 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 2021. All 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 core values which reflect our core brand proposition to make globalising media content smarter, easier and better:

- **Think Smarter**
  - **Inspiration everywhere:** We're always open to learning. From our colleagues, from our customers, even from our suppliers. When we work together and share ideas, we share success.
  - **There is no box:** When you look at things differently, you'll find new and creative ways to take on any challenge.
- **Make it easier**
  - **We are family:** Everyone is heard, everyone is valued. We challenge each other, but it's done with love and respect.
  - **Be the customer:** We put ourselves in our customers' shoes to anticipate their future needs and blow their minds.
- **Be better**
  - **Daydream believers:** Think big and be bold. See a way to change something for the better and then believe you can make it happen. Remember... disruption favours the brave!
  - **There's always a way:** Never underestimate the power of determination. From dreaming up new tech to just good old-fashioned graft. We'll get the job done.

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 core values. All nominees are recognised at company-wide staff briefings that in FY21 took place by webinar, 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 it's 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, and Gillian Wilmot. 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.

Directors' Remuneration Policy

This section sets out the Directors' Remuneration Policy. The Remuneration Committee considers the Remuneration Policy annually to ensure that it continues to underpin the Group's strategy.

Key principles

The main aim of the Group's policy is to align the interests of Executive Directors with the Group's growth strategy and long-term creation of shareholder value. The policy is designed to remunerate the Executive Directors competitively and appropriately and allow them to share in this success and the value delivered to shareholders. The policy is based on the following principles:

- Promote shareholder value creation and support the business growth strategy.
- Ensure that the interests of the Directors are aligned with the long-term interests of shareholders.
- Deliver a competitive level of pay for the Directors sufficient to attract, retain and motivate individuals; and
- Ensure that an appropriate proportion of the package is determined by targets linked to the Group's performance.
- Ensure the total reward cost to ZOO are affordable and sustainable.

Component	Purpose and link to strategy	Operation	Maximum	Performance measure
Base salary	To provide a competitive base salary to attract, motivate and retain directors with the experience and capabilities to achieve the strategic aims.	Reviewed annually against salary surveys for market rate, Group performance, role and experience.	No overall maximum, however, they are reviewed to ensure they are proportionate and fair when compared to other salaries in the Group.	N/A
Benefits	To provide a market competitive benefits package	Receive benefits in line with market practise, these include death in service plus health care in the US.	Set a level deemed appropriate by the Remuneration committee	N/A
Pension	To provide an appropriate level of retirement benefit	Executive Directors are eligible to participate in the Group's pension scheme.	Up to 5% of base salary	N/A
Annual bonus	To reward performance against annual targets which support the strategic plan.	Awards are made annually and are paid in cash	Maximum of 100% of base salary	Minimum of 80% based on financial performance and a maximum of 20% linked to smart personal objectives.
L-T incentives	Awards are linked to long-term financial and strategic objectives. To further promote equity ownership and long-term performance, vesting occurs at the end of a three-year period with holding periods applying up to a further seven years.	Awards are made at market price at date of grant and with performance targets that require to be met in the first 3 years after grant.	No maximum, subject to not exceeding the Group's overall share based incentive schemes limit that apply across all employees of 15% of issued share capital.	Performance metrics will be linked to financial performance.
Shareholdings	To promote share ownership for Executive Directors	Executive Directors are encouraged to build a shareholding in the Group over time.	No maximum	N/A

Explanation of performance measures

Performance measures are selected that are aligned with the performance of the Group and the interests of shareholders. Stretching targets are set each year for the annual bonus and long-term incentive awards. When setting these performance targets, the Committee will consider several different reference points, which may include the Group's business plan and strategy and the economic environment.

The Committee retains the ability to adjust or set different performance measures if events occur which cause the Committee to determine that the measures are no longer appropriate, and that amendment is required so that they can achieve their original purpose. Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the share option scheme.

Non-Executive Directors Remuneration Policy

The Remuneration Policy for the Non-Executive Directors is to pay fees necessary to attract an individual of the talent required, taking into consideration the size of the business and the time commitment of the role. This is reviewed annually by the Group Chairman and the Chief Executive. The basis of the fees is cash only and Non-Executive Directors do not receive any other benefits other than reasonable travel and other expenses incurred in the course of performing their duties.

The Company welcomes dialogue with its shareholders over matters of remuneration. The Chairman of the Remuneration Committee is available for contact with institutional investors concerning the approach to remuneration.

The remuneration committee report is contained on page 45.

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 2021.

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 22 to 28.

The audited financial statements for the year ended 31 March 2021 are set out on pages 57 to 96. 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 prepared trading and cash flow forecasts for the group for the period to 31 March 2023 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 was in place until 7 July 2021. In the UK there is an overdraft facility with a limit of £250,000 ($345,000) in place with HSBC.

The convertible unsecured loan notes totalling £2.6m ($3.6m) are in place until 31 October 2021. It is believed the loan will be repaid on or before the maturity date.

The directors believe the assumptions used in preparing the trading and cash flows 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.

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

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

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 2021 are disclosed in the Directors' Remuneration report. In accordance with the company's Articles of Association, Phillip Blundell and Gillian Wilmot retire by rotation at the next Annual General Meeting and, being eligible, offers themselves for re-election.

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

Financial risk management
The financial risk management is included in the Strategic Report and in note 28.

Substantial shareholdings

At 6 July 2021, 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*	14.00%	11,528,764
Canaccord Genuity Group Inc	11.29%	9,294,270
Herald Investment Trust plc	10.27%	8,449,269
Invesco Ltd	8.51%	7,000,000
Stonehage Fleming IM Limited LLC	4.66%	3,835,489

*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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 37 and 38.

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 12th July 2021

Phillip Blundell

Director and Secretary

Remuneration Committee report

I am pleased to present the remuneration committee report for FY2021, which sets out the remuneration earned and paid to Directors in the year ended March 2021.

As an AIM listed company, ZOO Digital Group plc is not required to comply with the remuneration reporting requirements applicable to fully listed companies in the UK. However, the Committee has taken a number of these regulations into account in the preparation of this report for the year as a matter of best practice.

The work carried out by the Remuneration Committee during the year included the following:

- A review of the performance of the Executive Directors
- A formal review of the scale and structure of their remuneration,
- Reviewing the basis of their service agreements and,
- Reviewing incentive plans and other employment related benefits with due regard to the interests of the shareholders

The Annual report on remuneration, detailed on pages 45 to 48 provides details of the amounts earned in respect of the year ended 31 March 2021 and how Directors' Remuneration Policy has operated and will be subject to an advisory shareholder vote at the 2021 AGM.

Review of the year ended 31 March 2021.

As described earlier in the annual report, the Company has exceeded its financial goals for the year, achieving revenue growth of 33% and more than doubling EBITDA. As a result of this performance the Executive Directors achieved an annual cash bonus of 120% of their on-target earnings which is between 39% and 55% of their base salary.

In the period 500,000 share options held by Gordon Doran vested at a price of 15.25p and 50,000 share options held by Phillip Blundell vested at a price of 63p. No additional share options held by the Executive Directors vested in the period. In the year Phillip Blundell was awarded 400,000 share options, Gordon Doran was awarded 110,000 share options, both grants were at the prevailing market price on the date of grant of 72.5p. These share options have performance targets attached that need to be attained within 3 years for them to vest. The awards were granted to align Directors interests with the objectives of shareholders.

Outlook for FY2022

The Committee remains committed to a fair and responsible approach to executive pay whilst ensuring it remains in line with best practice and appropriately incentivises Executive Directors over the longer term to deliver the Group's strategy. In respect of the Remuneration policy for FY 2022:

- The committee determined it was appropriate to increase the base salaries of the 3 Executive Directors by an average of 15% to reflect market rates for similar companies and also recognising that there had not been any increases for 3 years.
- After reviewing the annual cash bonus provision, the committee felt it appropriate to increase the on-target earnings percentage to an average of 54% of base salary. This again mirrors similar schemes at comparable companies.
- The committee determined that it was not appropriate to grant further long-term incentives at this stage. The committee agreed to review this component of executive pay and make recommendation in the next 12 months.

On behalf of the Board

Chairman of the Remuneration Committee

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 2021 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 2021 is:

	Salary	Bonus	Benefits	Sub total	Pension	2021 Total	2020 Total
	$000	$000	$000	$000	$000	$000	$000
Dr Stuart A Green	229	236	-	465	8	473	292
Gordon Doran	300	124	25	449	-	449	324
Phillip Blundell	205	118	-	323	-	323	222
Gillian Wilmot	103	-	-	103	-	103	5
Mickey Kalifa	33	-	-	33	1	34	33
Roger D Jeynes**	-	-	-	-	-	-	13
Helen P Gilder*	-	-	-	-	-	-	12
	870	478	25	1,373	9	1,382	901

Helen Gilder resigned as a director on 8 August 2018*

Roger Jeynes resigned as a director on 1 July 2019**

Of the above, the following directors were remunerated in pound sterling for the year to 31 March 2021. The pound sterling amounts are shown below:

	Salary	Bonus	Sub total	Pension	2021 Total	2020 Total
	£000	£000	£000	£000	£000	£000
Dr Stuart A Green	175	174	349	6	355	229
Phillip Blundell	157	87	244	-	244	174
Gillian Wilmot	75	-	75	-	75	4
Mickey Kalifa	25	-	25	1	26	26
Roger D Jeynes	-	-	-	-	-	10
Helen P Gilder	-	-	-	-	-	9
	432	261	693	7	700	452

Helen Gilder resigned as a director on 8 August 2018*

Roger Jeynes resigned as a director on 1 July 2019**

Gordon Doran is remunerated in US dollars.

One director (2020: one) 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:	**2021**	2020
	$000	$000
Emoluments	473	324

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 2020	Granted during the year	Exercised during the year	Surrend-ered during the year	31 March 2020	Exercise price ($)	Exercise price (£)	Date from which exercise-able	Expiry date
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
Gordon Doran	-	110,000	-	-	110,000	$0.89	72.5p****	May-21	May-30
Phillip Blundell	-	400,000	-	-	400,000	$0.89	72.5p****	May-21	May-30
	3,735,000	510,000	-	250,000	3,995,000				

* 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 share options granted in the year have a vesting condition relating to the profitability of the group.

The exercise of share options granted prior to 31 March 2020 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 $138,000 (2020: $116,000).

The market price of the ordinary shares at 31 March 2021 was 148 cents (108p) and the range during the year was 168 cents (121.5p) (high) to 68 cents (51.5p) (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 2021 had the following interests, including any interests of a "connected person", in the 1p ordinary shares of ZOO Digital Group plc:

Name of director	2021 Beneficial	2020 Beneficial
Gillian Wilmot	31,517	31,517
Dr Stuart A Green	11,535,997	11,528,764
Phillip Blundell	75,000	50,000
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 2021:

Name of director	2021 $000	2020 $000
Dr Stuart A Green	847	759

The value of the convertible loan stock are as follows:

Name of director	2021 £000	2020 £000
Dr Stuart A Green	615	615

On 10 November 2020 Phillip Blundell purchased 25,000 ordinary shares at 52.9p per share bringing his total holding to 75,000.

No other transactions have taken place with directors.

No changes (other than noted above) took place in the interests of directors between 31 March 2020 and 30 June 2021.

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 2021 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 the 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006;
- 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.

Conclusions relating to going concern
We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

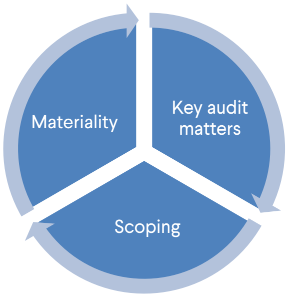
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Grant Thornton



Overview of our audit approach

Overall materiality:

Group: $300,000, which represents 0.75% of the group's revenue at the planning stage.

Parent company: $225,000, which represents 1% of the parent company's total asset balance at planning, capped at component materiality.

Key audit matters were identified as:

- Revenue recognition (Same as previous year); and
- Going concern (Same as previous year)

Our auditor's report for the year ended 31 March 2020 included no key audit matters that have not been reported as key audit matters in our current year's report.

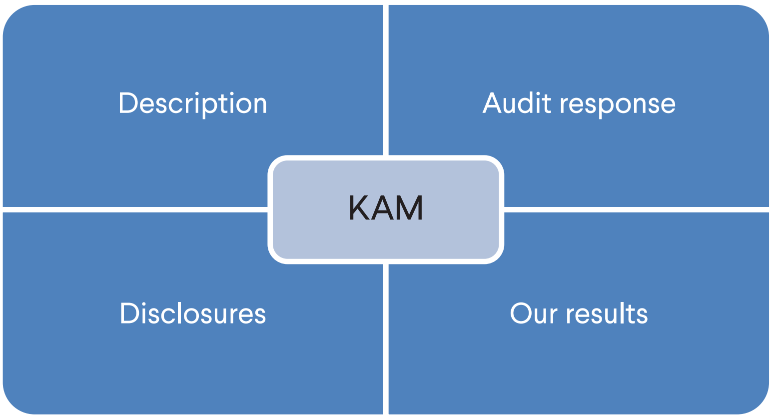
Audits of the financial information of the component using component materiality (full scope audits) were performed on all non-dormant UK entities. A combination of full scope audits and analytical procedures at group level (analytical procedures) were performed on US entities.

100% of group revenue and 99% profit before tax was subjected to full scope procedures with 92% of the total asset balance being subject to full scope procedures.

All audit work was performed by the group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue recognition We identified revenue recognition , including contract assets and liabilities, as one of the most significant assessed risks of material misstatement due to fraud. Revenue is a major driver of the business and under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition that could result in material misstatements. Total revenue recognised for the year ended 31 March 2021 was $39,525,000 (2020: $29,793,000). Revenue is recognised throughout the group as the fair value of consideration receivable in respect of the performance of contracts and the provision of services and is reported under International Financial Reporting Standard (IFRS) 15) 'Revenue from Contracts with Customers' There is significant judgement in the group's contract revenue especially around the contract which are open at the year end and therefore is susceptible to management bias which heightens the risk.	In responding to the key audit matter, we performed the following audit procedures: • assessing whether the revenue recognition policy is in accordance with IFRS 15 'Revenue from Contracts with Customers'; • selecting a sample of contract revenue to to determine whether the contracts have recognised in in accordance with the group's accounting 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 either direct confirmation from the customer or customer payments, remittances and evidence of performance of the service; • testing the design and operating effectiveness of the relevant controls surrounding revenue recognition for the group's main revenue stream by observing the relevant control log; and • Analytically reviewing sales, including trend and ratio analysis comparing results to prior year.

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Note 2, Accounting Policies • Financial statements: Note 5, Revenue The group's accounting policy on revenue, including its recognition, is shown in note 2 to the financial statements and related disclosures are included in note 5.	**Our results** Based on the work we have undertaken we have not found any material misstatements in revenue recognition.
Going Concern We have identified a key audit matter related to going concern as one of the most significant assessed risks of material misstatement as a result of the judgement required to conclude whether a material uncertainty related to going concern exists. Covid-19 and Brexit are also the most significant economic events for the UK, and at the date of this report there remains uncertainty in the economy around the post lockdown restriction. In undertaking their assessment of going concern for the group the directors considered the impact of Covid-19 and Brexit related events in their forecast future performance of the group and anticipated cash flows. In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.	In responding to the key audit matter, we performed the following audit procedures: • obtaining management's forecasts covering the period to March 2023, 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 historical forecast information; • assessing management's cash and available financing facilities by assessing the future cash balance and any significant cash inflows which are included within these forecasts; • corroborating post year end eventswhich support the going concern assumption to relevant documentation and evaluating of their application in the forecasts for accuracy; • performing sensitivity analysis, including a reverse stress test, on management's 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 post lockdown restrictions in the United Kingdom and the United States; and • assessing the adequacy of the going concern disclosures included within the financial statements.
Relevant disclosures in the Annual Report and Accounts 2021 Financial statements: Note 2, accounting policies	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

We did not identify any additional key audit matters relating to the audit of the financial statements of the parent company which were not captured in the key audit matters above.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

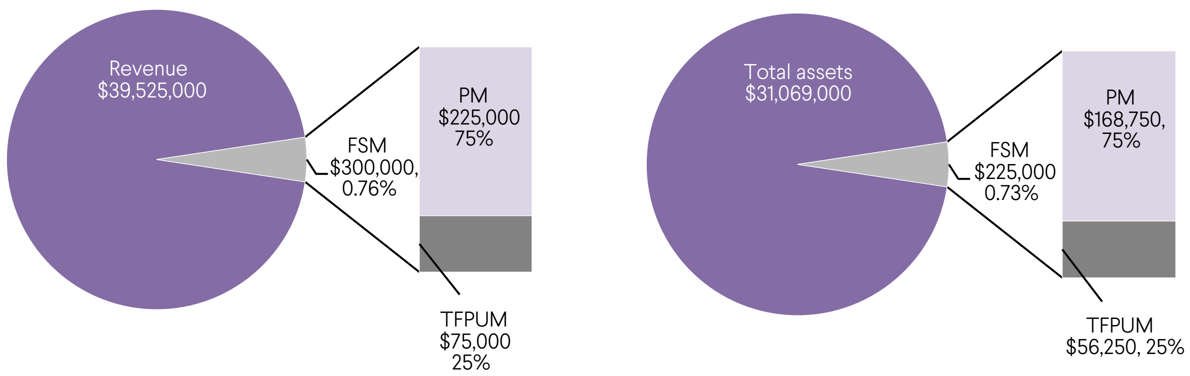
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	$300,000 which is 0.75% of Group revenue for the year.	$225,000 which is 1% of the total assets of the parent entity, capped at component materiality.

Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • Revenue is a key performance indicator for management as identified within the Strategic report. We therefore considered revenue to be the most appropriate benchmark for the group. • We deemed a percentage of 0.75% to be appropriate based on the group being listed on AIM and the performance of the group in the year has been strong. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the improvement in the performance of the group during the year which has led to the groups financial position also strengthening.	In determining materiality, we made the following significant judgements: • Total assets is considered the most appropriate because this is most relevant performance measure to the stakeholder of the parent company based on there being no trade through the parent company. • The percentage applied was selected based on the risk profile of the entity as a component within a listed entity. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the improvement in the group's financial performance which was previously capping the parent company materiality at a lower level.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	$225,000 which is 75% of financial statement materiality.	$168,750 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we assessed the strength of the control environment, including the effect of misstatements identified in previous audits, to make our judgement. Therefore, we consider the same performance materiality percentage to be appropriate.	In determining performance materiality, we assessed the strength of the control environment, including the effect of misstatements identified in previous audits, to make our judgement. Therefore, we consider the same performance materiality percentage to be appropriate. .
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: Directors' remuneration Related party transactions	We determined a lower level of specific materiality for the following areas: Directors' remuneration Related party transactions
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	$15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$11,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements based on the final financial information.

Overall materiality – Group | Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit
We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- the engagement team obtained an understanding of the individual components, including component specific controls, and assessed the risks of material misstatement at the group level; planning discussions were held between the engagement team and the group's management team; and
- walkthroughs were performed on key areas of focus to understand the controls and assess the design effectiveness of these.

Identifying significant components

- we identified a total of five components within the group of which four were identified as significant components based on either quantitative or qualitative factors, performing a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings. Analytical procedures were performed on the other subsidiary.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- the engagement team performed a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings which are subject to a statutory audit; and
- the engagement team performed a full-scope audit of the financial statements of the main trading entity within the United States (ZOO Digital Production LLC) and analytical procedures on the other entity within the United States (ZOO Digital Inc)

Performance of our audit

- we performed a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings representing all of the group's operations. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and 99% of total profit before tax. This approach was consistent with the prior year; and
- 8% of the group's total asset balance as subject to analytic procedures.

Communications with component auditors

- there were no component auditors involved in the group audit. All audit work performed by the group auditor.

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.

Matter 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, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the International Accounting Standards in conformity with the requirements of the Companies Act 2006 and other legislative requirements;
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and the Audit Committee, and from inspection of the group's board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations across the group with the directors and the Audit Committee;
- We assessed the susceptibility of the groups's consolidated financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts.
- Audit procedures performed by the engagement team included:

  - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and identifying and testing related party transactions.
- identifying and testing related party transactions by agreeing to underlying records and obtaining confirmation for directors' emoluments.

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
12 July 2021

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	2021 $000	2020 $000
Revenue	5	**39,525**	29,793
Cost of sales		**(25,882)**	(19,705)
Gross Profit		**13,643**	10,088
Other operating income	6	**188**	252
Other operating expenses	8	**(12,869)**	(10,896)
Operating profit/(loss)		**962**	(556)
Analysed as:			
EBITDA before share based payments		**4,534**	2,138
Share based payments	8	**(649)**	(257)
Depreciation (net of grant)	8	**(1,702)**	(1,369)
Amortisation	8	**(1,221)**	(1,068)
		962	(556)
Exchange (loss)/gain on borrowings	7	**(359)**	197
Fair value movement on embedded derivative	7	**(3,474)**	986
Finance cost	7	**(700)**	(674)
Total finance (costs)/income		**(4,533)**	509
Loss before taxation		**(3,571)**	(47)
Tax credit	11	**408**	363
(Loss)/profit and total comprehensive income for the year attributable to equity holders of the parent		**(3,163)**	316

(Loss)/profit per share	**13**		
basic		**(4.24) cents**	0.42 cents
diluted		**(4.24) cents**	0.39 cents

The notes on pages 64 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 March 2021

	Note	**2021 $000**	2020 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**4,362**	3,633
Intangible assets	16	**6,812**	6,692
Deferred income tax assets	17	**486**	486
		11,660	10,811
Current assets			
Trade and other receivables	18	**8,063**	7,302
Contract assets	24	**2,178**	2,021
Cash and cash equivalents	19	**2,949**	1,218
		13,190	10,541
Total assets		**24,850**	21,352
LIABILITIES			
Current liabilities			
Trade and other payables	23	**(9,955)**	(7,313)
Contract liabilities	24	**(813)**	(736)
Borrowings	22	**(5,032)**	(4,391)
Separable embedded derivative	22	**(4,452)**	(978)
		(20,252)	(13,418)
Non-current liabilities			
Borrowings	22	**(1,759)**	(2,637)
		(1,759)	(2,637)
Total liabilities		**(22,011)**	(16,055)
Net assets		**2,839**	5,297
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	21	**1,010**	1,010
Share premium reserve	21	**41,003**	41,003
Foreign exchange translation reserve	21	**(997)**	(992)
Convertible loan note reserve	21	**42**	42
Share option reserve	21	**2,085**	1,375
Capital redemption reserve	21	**6,753**	6,753
Interest in own shares	21	**(46)**	(46)
Other reserves	21	**12,320**	12,320
Accumulated losses	21	**(59,331)**	(56,168)
Attributable to equity holders		**2,839**	5,297

The notes on pages 64 to 96 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 96 were approved and authorised for issue by the board of directors on 12 July 2021 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 2021

	Note	2021 $000	2020 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**444**	516
Intangible assets	16	**2,281**	2,282
Investment in subsidiary undertakings	25	**9,700**	9,700
Amounts due from subsidiary undertakings	18	**18,100**	13,818
		30,525	26,316
Current assets			
Trade and other receivables	18	**455**	276
Cash and cash equivalents	19	**89**	25
		544	301
Total assets		**31,069**	26,617
LIABILITIES			
Current liabilities			
Trade and other payables	23	**(8,881)**	(3,879)
Borrowings	22	**(13,343)**	(13,033)
Separable embedded derivative	22	**(4,452)**	(978)
		(26,676)	(17,890)
Non-current liabilities			
Borrowings	22	**-**	(103)
		-	(103)
Total liabilities		**(26,676)**	(17,993)
Net assets		**4,393**	8,624
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	21	**1,010**	1,010
Share premium reserve	21	**41,003**	41,003
Foreign exchange translation reserve	21	**(13)**	(13)
Convertible loan note reserve	21	**42**	42
Share option reserve	21	**2,085**	1,375
Capital redemption reserve	21	**6,753**	6,753
Interest in own shares	21	**(4)**	(4)
Other reserves	21	**10,596**	10,596
Accumulated losses	21	**(57,079)**	(52,138)
Attributable to equity holders		**4,393**	8,624

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 loss for the parent company for the year was $4,941,000 (2020: profit of $877,000).

The notes on pages 64 to 96 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 96 were approved and authorised for issue by the board of directors on 12 July 2021 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 2021

	Ordinary shares	Share premium reserve	Foreign exchange translation reserve	Convertible loan note reserve	Share option reserve	Capital redemption reserve	Other reserves	Accu-mulated losses	Interest in own shares	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2019	1,010	41,003	(992)	42	1,085	6,753	12,320	(58,484)	(53)	2,655
Share based payments	–	–	–	–	290	–	–	–	–	290
Transactions with owners	–	–	–	–	290	–	–	–	–	290
Foreign exchange translation adjustment	–	–	–	–	–	–	–	–	7	7
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**
Share options exercised	–	–	–	–	61	–	–	–	–	61
Share based payments	–	–	–	–	649	–	–	–	–	649
Transactions with owners	–	–	–	–	710	–	–	–	–	710
Foreign exchange translation adjustment	–	–	(5)	–	–	–	–	–	–	(5)
Loss for the year	–	–	–	–	–	–	–	(3,163)	–	(3,163)
Total comprehensive income for the year	–	–	(5)	–	–	–	–	(3,163)	–	(3,168)
Balance at 31 March 2021	**1,010**	**41,003**	**(997)**	**42**	**2,085**	**6,753**	**12,320**	**(59,331)**	**(46)**	**2,839**

Company Statement of Changes in Equity

for the year ended 31 March 2021

	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 2019	1,010	41,003	(13)	42	1,085	6,753	10,596	(53,015)	(4)	7,457
Share based payments	–	–	–	–	290	–	–	–	–	290
Transactions with owners	–	–	–	–	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**
Share options exercised	–	–	–	–	61	–	–	–	–	61
Share based payments	–	–	–	–	649	–	–	–	–	649
Transactions with owners	–	–	–	–	710	–	–	–	–	710
Loss for the year	–	–	–	–	–	–	–	(4,941)	–	(4,941)
Total comprehensive income for the year	–	–	–	–	–	–	–	(4,941)	–	(4,941)
Balance at 31 March 2021	**1,010**	**41,003**	**(13)**	**42**	**2,085**	**6,753**	**10,596**	**(57,079)**	**(4)**	**4,393**

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

	Note	2021 $000	2020 (restated) $000
Cash flows from operating activities			
Operating profit/(loss) for the year		**962**	(556)
Depreciation	14	**1,715**	1,383
Amortisation and impairment	16	**1,221**	1,068
Share based payments		**649**	290
Changes in working capital:			
Increases in trade and other receivables		**(918)**	(1,220)
Increases in trade and other payables		**2,719**	860
Cash flow from operations		**6,348**	1,825
Tax received		**408**	363
Net cash inflow from operating activities		**6,756**	2,188
Investing activities			
Purchase of intangible assets	16	**(67)**	(235)
Capitalised development costs	16	**(1,274)**	(901)
Purchase of property, plant and equipment	14, 19	**(2,290)**	(509)
Net cash outflow from investing activities		**(3,631)**	(1,645)
Cash flows from financing activities			
Repayment of borrowings		**(982)**	(246)
Proceeds from borrowings		**1,043**	500
Repayment of principal under lease liabilities		**(1,102)**	(1,044)
Finance cost		**(414)**	(363)
Share options exercised		**61**	-
Net cash outflow from financing		**(1,394)**	(1,153)
Net increase/(decrease) in cash and cash equivalents		**1,731**	(610)
Cash and cash equivalents at the beginning of the year		**1,218**	1,828
Cash and cash equivalents at the end of the year	19	**2,949**	1,218

The notes on pages 64 to 96 are an integral part of these consolidated financial statements.

Company Statement of Cash Flows

for the year ended 31 March 2021

	Note	**2021 $000**	2020 (restated) $000
Cash flows from operating activities			
Operating (loss)/profit for the year		**(817)**	(26)
Depreciation	14	**313**	224
Amortisation & impairment	16	**1**	1
Share based payments		**649**	290
Changes in working capital:			
Trade and other receivables		**(4,461)**	(374)
Trade and other payables		**5,002**	445
Cash flow from operations		**687**	560
Tax received/(paid)		**-**	-
Net cash flow from operating activities		**687**	560
Investing Activities			
Purchase of property, plant and equipment	14	**(241)**	(238)
Net cash flow from investing activities		**(241)**	(238)
Cash flows from financing activities			
Repayment of borrowings		**(64)**	(57)
Repayment of principle under lease liabilities		**(121)**	(109)
Finance cost		**(258)**	(244)
Share options exercised		**61**	-
Net cash flow from financing		**(382)**	(410)
Net increase/(decrease) in cash and cash equivalents		**64**	(88)
Cash and cash equivalents at the beginning of the year		**25**	113
Cash and cash equivalents at the end of the year	19	**89**	25

The notes on pages 64 to 96 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

for the year ended 31 March 2021

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 and going concern

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 2023 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 was in place until 7 July 2021. In the UK there is an overdraft facility with a limit of £250,000 ($345,000) in place with HSBC.

The convertible unsecured loan notes totalling £2.6m ($3.6m) are in place until 31 October 2021. It is believed the loan will be repaid on or before the maturity date.

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.

New and revised standards that are effective for annual periods beginning on or after 1 April 2020

There are no new or revised standards that will have a material impact on the Group.

2.1.1 Standards and interpretations in issue at 31 March 2021 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 2021 was 0.726 (2020: 0.809).

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

The Group as a lessee

For any new contracts entered into 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.

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 16) 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 28)

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 2021, 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		Media services		Software solutions		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total revenue	**23,699**	23,296	**17,466**	7,411	**1,798**	1,631	**42,963**	32,338
Inter-segment revenue	**(3,438)**	(2,545)	**-**	-	**-**	-	**(3,438)**	(2,545)
Revenue	**20,261**	20,751	**17,466**	7,411	**1,798**	1,631	**39,525**	29,793
Segment contribution	**2,946**	4,685	**11,365**	5,460	**1,693**	1,528	**16,004**	11,673
Unallocated cost of sales							**(2,361)**	(1,585)
Gross profit							**13,643**	10,088
Unallocated corporate expense							**(12,681)**	(10,644)
Operating Profit/(loss)							**962**	(556)
Finance cost							**(4,533)**	509
Loss before taxation							**(3,571)**	(47)
Tax on profit							**408**	363
(Loss)/profit for the year							**(3,163)**	316

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	
	2021	2020	**2021**	2020	**2021**	2020
	$000	$000	**$000**	$000	**$000**	$000
United Kingdom (domicile)	**5,492**	4,470	**12,168**	12,237	**4,479**	3,886
US	**34,033**	25,323	**12,682**	9,115	**7,181**	6,925
	39,525	29,793	**24,850**	21,352	**11,660**	10,811

At 31 March 2021, contract assets amounted to $2.2m (2020: $2.0m) and contract liabilities amounted to $0.8m (2020: $0.7m). Revenue for the year ended 31 March 2021 includes $0.7m (2020: $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:

	2021	2020
	$000	$000
Service revenue	**37,727**	28,162
Licence revenue	**1,798**	1,631
	39,525	29,793

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

	For the year ended 31 March 2021		
	Service	Licensing	**Total**
	$'000	$'000	**$'000**
United Kingdom	1,223	45	**1,268**
USA	34,791	1,741	**36,532**
Europe	1,006	-	**1,006**
Other countries	707	12	**719**
	37,727	1,798	**39,525**

	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

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

	For the year ended 31 March 2021		
	Service	Licensing	**Total**
	$'000	$'000	**$'000**
Services transferred over time	37,727	1,798	**39,525**
	37,727	1,798	**39,525**

	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

Major clients

The group has two major customers contributing 72% and 4% (2020: 56% and 10%) of the group's revenue respectively. The debtor receivable balance as at 31 March 2021 for the two largest clients was $1.6m. The revenues are as follows:

	2021	2020
	$000	$000
Largest two clients	**30,077**	19,608
Other clients	**9,448**	10,185
	39,525	29,793

6. Other operating income

	2021	2020
	$'000	$'000
Grant Funding (MAUDIE grant from Innovate UK)	**188**	252
Other operating income	**188**	252

7. Finance costs/income

	2021	2020
	$'000	$'000
Interest on borrowings	**452**	384
Interest on IFRS16 Lease liabilities	**248**	290
	700	674
Fair value movement on embedded derivative	**3,474**	(986)
Exchange loss/(gain) on borrowings	**359**	(197)
Finance costs	**4,533**	(509)

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:

	2021	2020
	$000	$000
Other exchange losses/(gains)	**96**	(9)
Staff costs	**7,025**	5,764
Capitalised staff costs	**(1,274)**	(901)
Share based payment	**649**	257
Depreciation	**1,715**	1,383
Grant release re tangible fixed assets	**(13)**	(14)
Amortisation of other intangible assets	**1,221**	1,068
Research and non-capitalised development costs	**320**	566
Auditor's remuneration	**91**	77
Other expenses	**3,039**	2,705
Other operating expenses	**12,869**	10,896

9. Auditor's remuneration

	2021	2020
	$000	$000
Fees payable to the company's auditor for the audit of the company's financial statements	**69**	55
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**	4
	91	77

10. Employees including directors

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

	Group		Company	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
Product design and service delivery	**225**	182	**62**	45
Sales and marketing	**9**	9	**5**	4
Administration	**16**	14	**10**	9
	250	205	**77**	58

Their aggregate remuneration comprised:

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$000	**$'000**	$000
Wages and salaries	**16,926**	12,581	**2,011**	1,281
Social security costs	**1,177**	990	**144**	121
Other pension costs	**200**	168	**95**	78
Share based payments	**649**	257	**574**	150
	18,952	13,996	**2,824**	1,630

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

Compensation of key management personnel (including directors)

	Group		Company	
	2021	2020	**2021**	2020
	$000	$'000	**$000**	$'000
Short-term employee benefits	**1,739**	1,228	**924**	564
Cost of defined benefit scheme pensions	**9**	9	**9**	8
Share based payments	**211**	120	**137**	116
	1,959	1,357	**1,100**	688

This includes all directors listed on pages 37 and 38 and senior management.

Directors' remuneration for the year to 31 March 2021 is:

					2021	2020
	Salary	**Bonus**	**Benefits**	**Pension**	**Total**	Total
	$000	**$000**	**$000**	**$000**	**$000**	$000
Dr Stuart A Green	**229**	**236**	**-**	**8**	**473**	292
Helen P Gilder***	**-**	**-**	**-**	**-**	**-**	12
Gordon Doran	**300**	**124**	**25**	**-**	**449**	324
Phillip Blundell	**205**	**118**	**-**	**-**	**323**	222
Roger D Jeynes**	**-**	**-**	**-**	**-**	**-**	13
Mickey Kalifa	**33**	**-**	**-**	**1**	**34**	33
Gillian Wilmot*	**103**	**-**	**-**	**-**	**103**	5
	870	**478**	**25**	**9**	**1,382**	901

*appointed 1 July 2019
**resigned 1 July 2019
***resigned 8 August 2018

Two directors (2020: 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:	**2021**	2020
	$000	$000
Emoluments	**473**	324

11. Income tax

	2021	2020
	$000	$000
Current tax:		
UK corporation tax		
- Research and development tax credit	**408**	376
Foreign tax	**-**	(13)
Total current tax	**408**	363
Total deferred tax	**-**	-
Tax credited	**408**	363

Corporation tax is calculated at 19% (2020: 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:

	2021	2020
	$000	$000
Loss before tax	**(3,571)**	(47)
Tax calculated at standard rate of corporation tax of 19% (2019: 19%)	**(678)**	(9)
Research and development tax credit	**408**	376
Deducted from losses brought forward	**678**	(4)
Tax credited	**408**	363

Tax losses carried forward

The group has tax losses carried forward of approximately $45.7m (2020: $42m), of which $3.4m (2020: $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. The tax rate will increase from 19% to 25% from 1 April 2023.

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	
	2021	2020
	$000	$000
(Loss)/profit for the financial year	**(3,163)**	316

	2021	2020
	Number of shares	Number of shares
Weighted average number of shares for basic & diluted (loss)/profit per share		
Basic	**74,597,495**	74,487,534
Effect of dilutive potential ordinary shares:		
Convertible loan note	**-**	-
Share options	**-**	6,729,240
Diluted	**74,597,495**	81,216,774

	2021	2020
	Cents	Cents
Basic	**(4.24)**	0.42
Diluted	**(4.24)**	0.39

The convertible debt has not been included in the 2021 or 2020 diluted earnings per share calculations due to being anti-dilutive.

In 2021, the share options have been excluded from the diluted EPS calculation due to these being anti-dilutive and the Group incurred a loss in the year.

14. Property, plant and equipment

Group	**Production equipment**	**Leasehold improvements**	**Computer hardware**	**Office equipment, fixtures & fittings**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Cost					
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
Opening cost at 1 April 2020	661	4,284	3,180	150	8,275
Additions – ROU assets	-	154	-	-	154
Additions - owned	182	22	2,045	41	2,290
Closing cost at 31 March 2021	843	4,460	5,225	191	10,719
Accumulated depreciation					
Opening balance at 1 April 2019	504	341	2,317	97	3,259
Depreciation	19	952	397	15	1,383
Opening balance at 1 April 2020	523	1,293	2,714	112	4,642
Depreciation	105	1,013	582	15	1,715
Closing balance at 31 March 2021	**628**	**2,306**	**3,296**	**127**	**6,357**
Opening carrying value at 1 April 2019	5	288	620	31	944
Opening carrying value at 1 April 2020	138	2,991	466	38	3,633
Closing carrying value at 31 March 2021	215	2,154	1,929	64	4,362

Included in the net carrying amount of Leasehold Improvements are right-of-use assets of $1,966,000 (2020: $2,712,000)

Company	Leasehold improvements	Computer & Production hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000
Cost				
Opening cost at 1 April 2019	311	234	74	619
Adjustment on transition to IFRS 16	248	-	-	248
Additions	56	180	2	238
Opening cost at 1 April 2020	615	414	76	1,105
Additions	6	235	-	241
Closing cost at 31 March 2021	**621**	**649**	**76**	**1,346**
Accumulated depreciation				
Opening balance at 1 April 2019	152	148	65	365
Depreciation	157	61	6	224
Opening balance at 1 April 2020	309	209	71	589
Depreciation	174	136	3	313
Closing balance at 31 March 2021	**483**	**345**	**74**	**902**
Opening carrying value at 1 April 2019	159	86	9	254
Opening carrying value at 1 April 2020	306	205	5	516
Closing carrying value at 31 March 2021	**138**	**304**	**2**	**444**

Included in the net carrying amount of leasehold improvements are right-of-use assets of $51,000 (2020: $155,000)

15. Leases

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

	Group		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Current	**1,506**	1,223	**116**	164
Non-current	**1,759**	2,137	**-**	103
	3,265	3,360	**116**	164

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	4	1-4 years	2 years	-	-	-	-
IT equipment	-	-	-	-	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 31 March 2021 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 2021							
Lease payments	1,733	1,580	563	45	-	-	**3,921**
Finance charges	(116)	(55)	(5)	-	-	-	**(176)**
Net present values	1,617	1,525	558	45	-	-	**3,745**
31 March 2020							
Lease payments	1,296	1,220	1,088	374	-	-	**3,978**
Finance charges	(39)	(19)	(6)	-	-	-	**(64)**
Net present values	1,257	1,201	1,082	374	-	-	**3,914**

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 $12,000 for leases of low value assets. (2020: $6,000).

At 31 March 2021 the total commitment was $26,000. (2020: $4,000).

Total cash outflow for leases for the year ended 31 March 2021 was $1.6 million (2020 $1.2 million).

Group

Tangible assets for the group includes the following amounts where the company is a lessee:

At 31 March 2021	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000	$000
Cost - capitalised leases	298	4,086	2,815	26	7,225
Accumulated depreciation	(159)	(2,080)	(2,066)	(26)	(4,331)
Net book value	**139**	**2,006**	**749**	**-**	**2,894**

At 31 March 2020	Production equipment	Leasehold improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000	$000
Cost - capitalised leases	131	3,932	1,940	26	6,029
Accumulated depreciation	(131)	(1,125)	(1,802)	(26)	(3,084)
Net book value	**-**	**2,807**	**138**	**-**	**2,945**

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

Company

Tangible assets for the company includes the following amounts where the group is a lessee:

At 31 March 2021	**Leasehold Improvements**	**Computer hardware**	**Total**
	$000	**$000**	**$000**
Cost - capitalised leases	525	20	545
Accumulated depreciation	(434)	(20)	(454)
Net book value	**91**	**-**	**91**

At 31 March 2020	**Leasehold Improvements**	**Computer hardware**	**Total**
	$000	**$000**	**$000**
Cost - capitalised leases	525	20	545
Accumulated depreciation	(275)	(20)	(295)
Net book value	**250**	**-**	**250**

16. Intangible assets

Group	Goodwill	Development costs	Patents and trademarks	Computer software	Total
	$000	$000	$000	$000	$000
Cost					
Opening cost at 1 April 2019	16,610	11,408	651	605	29,274
Additions	-	901	42	193	1,136
Opening cost at 1 April 2020	16,610	12,309	693	798	30,410
Additions	-	1,274	46	21	1,341
Closing cost at 31 March 2021	**16,610**	**13,583**	**739**	**819**	**31,751**
Accumulated amortisation					
Opening balance at 1 April 2019	12,620	8,984	469	577	22,650
Amortisation	-	990	48	30	1,068
Opening balance at 1 April 2020	12,620	9,974	517	607	23,718
Amortisation	-	1,116	38	67	1,221
Closing balance at 31 March 2021	**12,620**	**11,090**	**555**	**674**	**24,939**
Opening carrying value at 1 April 2020	3,990	2,335	176	191	6,692
Closing carrying value at 31 March 2021	**3,990**	**2,493**	**184**	**145**	**6,812**

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 (2020: nil).

No intangible assets were impaired during the year (2020: nil).

Company	Goodwill	Computer software	Total
	$000	**$000**	**$000**
Cost			
Opening cost at 1 April 2020	10,960	14	10,974
Closing cost at 31 March 2021	**10,960**	**14**	**10,974**
Accumulated amortisation/ impairment			
Opening balance at 1 April 2020	8,679	13	8,692
Amortisation	-	1	1
Closing balance at 31 March 2021	**8,679**	**14**	**8,693**
Opening carrying value at 1 April 2019	2,281	2	2,283
Opening carrying value at 1 April 2020	2,281	1	2,282
Closing carrying value at 31 March 2021	**2,281**	**-**	**2,281**

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% (2020: 10%). The carrying amount of goodwill is allocated as follows:

Software solutions		**Media production**		**Group**	
2021	2020	**2021**	2020	**2021**	2020
$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 the Board 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 and are therefore considered a "worse case" scenario. 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	
	2021	2020	**2021**	2020
	$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	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
At 31 March 2020 and 31 March 2021	**486**	486	**-**	-

Tax losses carried forward

The group has tax losses carried forward of approximately $45.7m (2020: $42m), of which $3.4m (2020: $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. The tax rate will increase from 19 to 25 percent from 1 April 2023.

18. Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Trade receivables	**7,101**	6,250	**-**	-
Less: allowance for impairment of trade receivables	**(29)**	(11)	**-**	-
Trade receivables - net	**7,072**	6,239	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**18,160**	13,872
Other debtors	**312**	585	**82**	47
Prepayments	**679**	478	**313**	175
	8,063	7,302	**18,555**	14,094
Less non-current portion: amounts owed by subsidiary undertakings	**-**	-	**(18,100)**	(13,818)
Current portion	**8,063**	7,302	**455**	276

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

As of 31 March 2021, trade receivables of $467,000 (2020: $1,477,000) were overdue. The ageing analysis of these trade receivables is as follows:

	Group	
	2021	2020
	$000	$000
Less than 3 months	**553**	838
3 to 6 months	**149**	716
7 to 12 months	**(132)**	(42)
Over 12 months	**(103)**	(35)
	467	1,477

There were no trade receivables outstanding in the company at 31 March 2021 or 31 March 2020.

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 $29,000 (2020: $11,000) has been recorded accordingly.

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

	Group		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Pound sterling	**855**	381	**327**	210
US Dollar	**8,256**	7,693	**18,228**	13,884
Hong Kong dollar	**17**	33	**-**	-
Japanese Yen	**47**	161	**-**	-
Mexican Peso	**-**	164	**-**	-
Polish Zloty	**-**	43	**-**	-
Euro	**1,066**	848	**-**	-
	10,241	9,323	**18,555**	14,094

Allowance for impairment of trade receivables:

	Group	
	2021	2020
	$000	$000
At 1 April 2020	**11**	-
Allowance for receivables impairment	**18**	11
Receivables written off in the year	**-**	-
At 31 March 2021	**29**	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 $2,290,000 (2020: $509,000) of which $1,043,000 (2020: $nil) was acquired by the means of a lease.

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	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Cash on hand and balances with banks	**2,949**	1,218	**89**	25

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 $000	Short-term borrowings $000	Embedded derivative $000	Lease liability $000	Total $000
1 April 2020	**3,960**	**260**	**978**	**2,808**	**8,006**
Cash-flows					
- Repayment	(925)	(58)	-	(809)	(1,792)
- Proceeds	717	326	-	-	1,043
Non-cash					
- Fair value	358	-	3,474	-	3,832
- Reclassification	-	-	-	154	154
31 March 2021	**4,110**	**528**	**4,452**	**2,153**	**11,243**

The financial instrument met the 10% change in future cash flows in the year and was there extinguished and re-recognised.

	Long-term borrowings $000	Short-term borrowings $000	Embedded derivative $000	Lease liability $'000	Total $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)
- Converted	-	-	-	-	-
- Reclassification	(12)	12	-	3,562	2,808
31 March 2020	**3,960**	**260**	**978**	**2,808**	**8,006**

The 2020 cashflow balances have been re-stated to more accurately reflect the treatment of IFRS 16. There is no impact on the opening and closing reserves from the restatement as it is just reclassification within the cashflow.

21. Share capital and reserves for Group and Company

Called up share capital

	2021 $000	2020 $000
Allotted, called-up and fully paid		
74,837,271 (2020: 74,547,271) ordinary shares of 1p each	**1,010**	1,010

Reconciliation of the number of ordinary shares outstanding:		
Opening balance	**74,547,271**	74,424,771
Share options exercised	**290,000**	122,500
Closing balance	**74,837,271**	74,547,271

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.

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22. Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Non-current				
7.5% Unsecured convertible loan note stock	**-**	-	**-**	-
Right of use asset liability	**1,175**	1,845	**-**	59
Other bank borrowings	**-**	500	**-**	-
Lease liabilities	**584**	292	**-**	44
	1,759	2,637	**-**	103

	Group 2021 $000	Group 2020 $000	Company 2021 $000	Company 2020 $000
Current				
7.5% Unsecured convertible loan note stock	**3,526**	3,168	**3,526**	3,168
Amounts owed to subsidiary undertakings	**-**	-	**9,701**	9,701
Lease liabilities	**528**	260	**44**	64
	4,054	3,428	**13,271**	12,933
Right of use asset liability	**978**	963	**72**	100
Borrowings	**5,032**	4,391	**13,343**	13,033
Separable embedded derivative	**4,452**	978	**4,452**	978
Total borrowings	**11,243**	8,006	**17,795**	14,114

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 2021 was $3,526,000 (2020: $3,168,000). 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 2021, 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 2021 the valuation of the embedded derivatives resulted in a non-cash charge totalling $3,474,000 (2020: credit $987,000) which has an underlying value of $4,452,000. (2020: $978,000)

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 was in place until 7 July 2021. The principal outstanding at 31 March 2021 was $nil (2020: $500,000). 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 2021 was nil (2020: 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 2021 Group only	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
	$000	**$000**	**$000**
Less than one year	646	(118)	528
Between one and five years	643	(59)	584
	1,289	(177)	1,112

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**	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Trade creditors	**3,809**	2,008	**372**	167
Amounts owed to subsidiary undertaking	**-**	-	**6,700**	2,907
Social security and other taxes	**399**	179	**300**	130
Contract liabilities	**813**	736	**-**	-
Accrued expenses	**5,747**	5,126	**1,509**	675
	10,768	8,049	**8,881**	3,879

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

24. Contracts with customers

The Group and Company have recognised the following assets and liabilities relating to contracts with customers:

	Group	
	2021	2020
	$000	$000
Current contract assets	**2,178**	2,021
Current contract liabilities	**(813)**	(736)
Net current assets	**1,365**	1,285

	Group
	2021
	$000
Contract liabilities as at 31 March 2020	736
New contract liabilities	1,678
Revenue recognised in the year:	
That was included in the contract liability balance as at 31 March 2020	(502)
Relating to new contract liabilities in the year	(1,099)
Contract liabilities as at 31 March 2021	**813**

Of the existing contracts that were unsatisfied or partially unsatisfied at 31 March 2021, revenue is expected to be recognised in the financial year to 31 March 2022.

25. Commitments for Group and Company

Capital commitments

The group had no capital commitments at the 31 March 2021.

Operating commitments

For FY20 & FY21 the group has applied IFRS 16 to operating leases. Other than the lease liabilities included in the Statement of Financial Position, the Group (and Company) has no operating lease commitments.

26. 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	
	2021	2020
	$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	
	2021	2020
	$000	$000
Interest paid on loans:		
Sara Green	**60**	59

The gross interest payable to Sara Green at 31 March 2021 is $36,000 (2020: $21,000). The gross interest payable to Roger D Jeynes at 31 March 2021 is $1,000 (2020: $1,000).

Sara Green, wife of Dr Stuart A Green, held a $847,000 (2020: $759,000) interest in 7.5% unsecured convertible loan stock at 31 March 2021. The underlying value of the interest in the convertible loan stock is £614,500 (2020: £614,500).

27. 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:

	2021		2020	
	Options No.	**Weighted average exercise price $**	Options No .	Weighted average exercise price $
ZOO Digital Group plc EMI scheme				
Outstanding at the beginning of the year	**2,240,318**	**0.50**	2,274,818	0.50
Granted during the year	**1,119,827**	**0.89**	-	-
Exercised during the year	**(255,000)**	**0.21**	(34,500)	0.22
Surrendered during the year	**(250,000)**	**-**	-	-
Outstanding at the end of the year	**2,855,145**	**0.58**	2,240,318	0.50
Exercisable at the end of the year	**1,827,818**	**0.46**	1,772,818	0.36

The underlying weighted average exercise price for the shares under option at 31 March 2021 was 33p (2020:29p).

ZOO Digital Group plc Unapproved				
Outstanding at the beginning of the year	**4,478,500**	**0.28**	4,366,500	0.25
Granted during the year	**795,173**	**0.89**	200,000	0.80
Exercised during the year	**(35,000)**	**0.22**	(88,000)	0.37
Surrendered during the year	**-**	**-**	-	-
Outstanding at the end of the year	**5,238,673**	**0.37**	4,478,500	0.28
Exercisable at the end of the year	**4,274,001**	**0.25**	3,426,501	0.23

The underlying weighted average exercise price for the shares under option at 31 March 2021 was 18p (2020:19p).

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 8,093,818 outstanding options (2020: 6,718,818 options), 6,101,819 were exercisable (2020: 5,199,319).

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	184,167	**11 Jul 2022**	**0.23**	0.1500
ZOO Digital Group plc EMI scheme	52,500	**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	1,188,651	**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	1,119,827	**13 May 2030**	**0.89**	0.73
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	153,500	**17 Sept 2025**	**0.23**	0.1500
ZOO Digital Group plc Unapproved	3,305,000	**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
ZOO Digital Group plc Unapproved	795,173	**13 May 2030**	**0.89**	0.73
Outstanding at the end of the year	**8,093,818**			

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:

	Jan 2015	Sep 2015	Aug 2017	Oct 2017	July 2018	Nov 2018	May 2020
Expected volatility (%)	67	61	57	57	57	57	83
Risk-free interest rate (%)	1.08	1.35	0.55	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:	**2021**	2020
	$000	$000
Total expense recognised from share option transactions	**710**	290

Share based payment reserve appears in the statement of financial position under:	**2021**	2020
	$000	$000
Share option reserve	**2,085**	1,375

28. 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		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Financial Assets subsequently measured at amortised cost				
Trade and other receivables excluding pre-payments and VAT (note 18)	**9,471**	8,881	**-**	-
Amounts owed by subsidiary undertakings (note 18)	**-**	-	**18,160**	13,872
Cash and cash equivalents	**2,949**	1,218	**89**	25
Total	**12,420**	10,099	**18,249**	13,897

	Group		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Financial liabilities subsequently measured at amortised cost				
Finance lease liabilities (note 22)	**1,112**	552	**44**	108
Amounts owed to subsidiary undertakings (note 22)	**-**	-	**9,701**	9,701
7.5% Unsecured convertible loan stock (note 22)	**3,526**	3,168	**3,526**	3,168
Other bank borrowings (note 22)	**-**	500	**-**	-
Trade and other payables excluding payroll taxes (note 23)	**10,369**	7,870	**8,581**	3,749
Total	**15,007**	12,090	**21,852**	16,726

	Group		Company	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Financial liabilities at fair value through profit or loss (level 2)				
Separable embedded derivative (note 22)	**4,452**	978	**4,452**	978
Total	**4,452**	978	**4,452**	978

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 2021 there was similar volatility in the pound sterling/US dollar rate as in the previous year with the rate peaking at 0.8254 and falling to a low of 0.708875, with an average rate of 0.7659. If the US dollar had remained at its highest level throughout the full year the group would have shown a post-tax profit of $5.3m (2020: Profit $2.3m), if US dollar had been at its lowest level throughout the full year the group would have shown a post-tax profit of $6.1 (2020: Profit $1m) and if the US dollar had remained at the average rate throughout the year the group would have shown a post-tax profit of $5.7m (2020: $1.4m).

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

The main exposure for the group and the company to fluctuation in the pound sterling/US dollar rate is through the Convertible loan note creditor which is denominated in pound sterling. The value of the loan is translated at the year end exchange rate. The 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 2021 was 0.726 (2020: 0.809).

Interest rate risk

The loan notes pay a coupon of 7.5%. The US dollar value of the loan notes at 31 March 2021 was $3,526,000 (2020: $3,168,000).

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 2021 was nil (2020: $500,000). 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 2021 was nil (2020: $500,000).

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 2021	**$000**	**$000**	**$000**	**$000**
Borrowings	**3,526**	**-**	**-**	**-**
Finance lease liabilities	**528**	**-**	**584**	**-**
Trade and other payables	**10,768**	**-**	**-**	**-**

	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	-	-	-

Company

At 31 March 2021	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000
Amount owed to subsidiary undertakings	**9,701**	-	-	-
Borrowings	**3,526**	-	-	-
Finance lease liabilities	**44**	-	-	-
Trade and other payables	**8,881**	-	-	-

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

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.

The 2020 cash flow has been updated to kore appropriately reflect IFRS 16 balances.

29. 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.

	2021 $000	2020 $000
Total borrowings	**11,243**	8,006
Less cash and cash equivalents	**(2,949)**	(1,218)
Net debt	**8,294**	6,788
Total equity	**2,839**	5,297
Total capital	**11,133**	12,085
Gearing ratio	**74%**	56%
Adjusted Gearing ratio *	**66%**	48%

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

30. Post Balance Sheets Events

Since the end of the financial year, we are pleased to have completed a 10% placing of new equity raising a gross $10.3 million. This money will be used to accelerate our international growth brought about by the favourable market conditions. The details of the placing are that the company has raised gross proceeds of £7.4 million ($10.3 million) through the oversubscribed placing of 7,454,727 Ordinary Shares with a certain existing and new institutional and other investors at a price of 100 pence per New Ordinary Share. The shares were admitted to trading on the 6 April 2021.

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