ANNUAL REPORT 2022

Welcome to

A BRAVE ZOO WORLD

Key performance indicators

Financial

Revenue
$70.4 million
(FY21: $39.5 million)

EBITDA margin[1]
11.8%
(FY21: 11.5%)

Operating expenses as a % of revenue
27%
(FY21: 32%)

Operational

Number of freelancers[2]
11,028
(FY21: 9,207)

Retained sales[3]
97.6%
(FY21: 98.5%)

1. Adjusted for share-based payments
2. The number of active freelance workers in ZOO's systems who are engaged directly
3. Proportion of client revenues retained from one year to the next

WELCOME TO OUR ANNUAL REPORT

Streaming is the new normal in home entertainment.

Global investment in content is set to surpass $220 billion in 2022 as entertainment becomes more widely accessed than ever before – thanks in large part to the boom in streaming.

In 2022 and beyond, the entertainment industry is delivering more content onto more platforms and into more languages.

More content. More platforms. More languages.

As a leader in the globalisation industry, ZOO Digital is well positioned. Built from the ground up to tackle even the most complex media content challenges and reach audiences everywhere. With sales up 78% year-on-year, ZOO is taking share in a growing market and deepening partnerships with the biggest names in entertainment. **Making life easier for the people who entertain the world.**

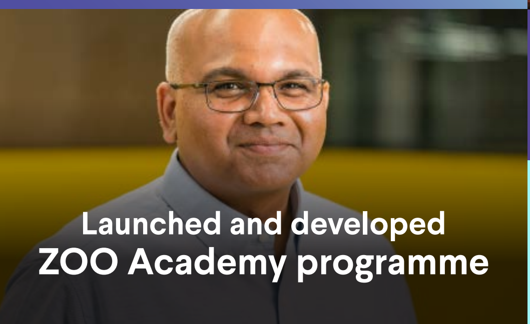
YEAR IN REVIEW

Four new production facilities in Korea, Turkey, India and Denmark

Team ZOO increased by 38% (to 413)

ZOO digital labs

Brand launch of ZOO Digital Labs

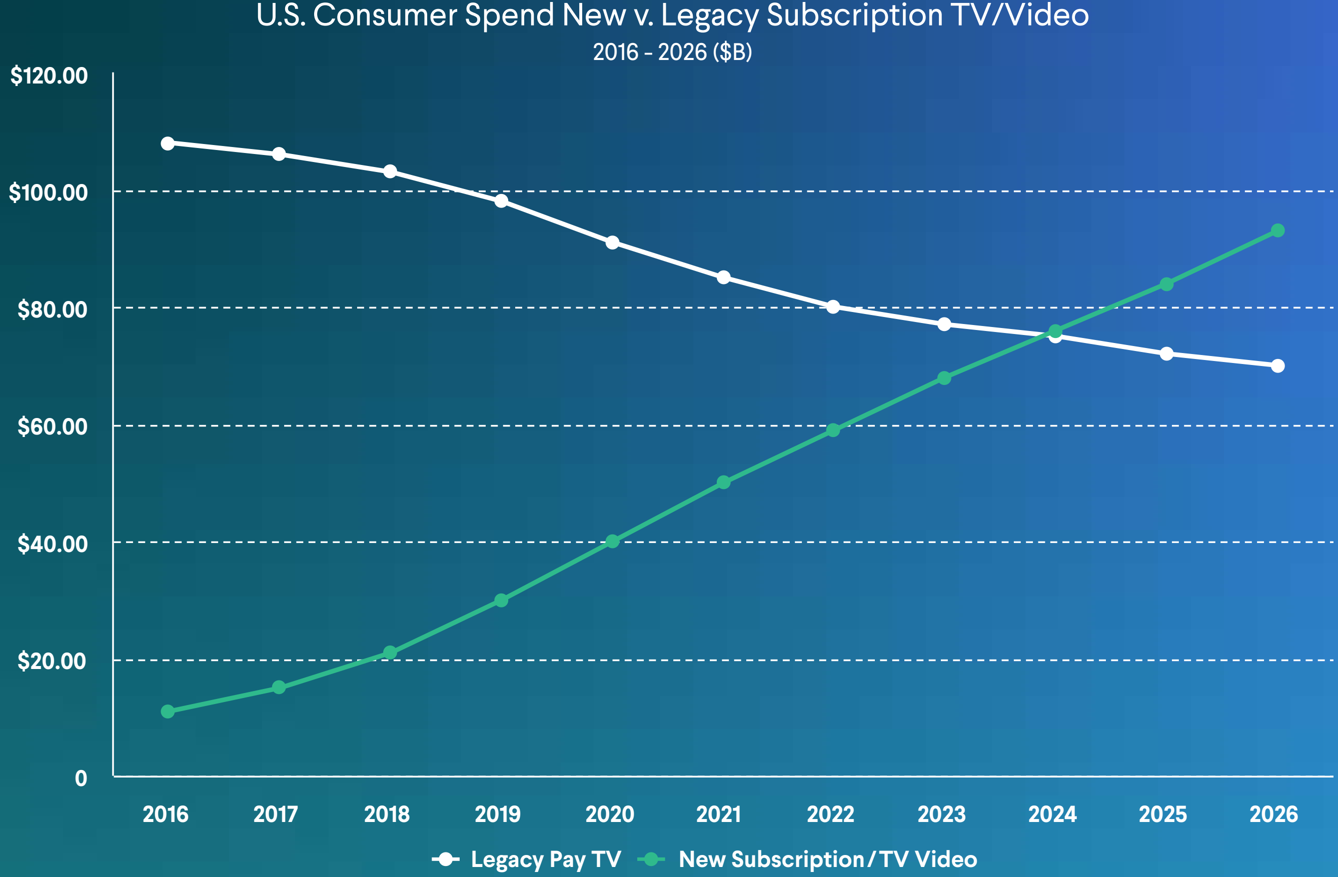


Launched and developed ZOO Academy programme

Working with over 11,000 freelancers

Localised (approximately) 613 million words

STREAMING: THE FUTURE OF HOME ENTERTAINMENT



Source: Strategy Analytics TV & Media Strategies service, April 2021
Note: Legacy pay TV includes cable, satellite and managed IPTV, New includes SVOD and vMVPD

The global OTT (Over-The-Top) market was worth $122 billion in 2019. It is forecast to grow to $1 trillion by 2027.

The average US household now has four subscriptions as streaming takes the lead on legacy pay TV.[1]

Streaming has changed the shape of entertainment and it's only getting started.

1. Kantar

THE NEW WAVE OF STREAMING

Streaming video on demand has changed the shape of entertainment, led by the likes of Netflix, Prime Video, Hulu and Apple.

Now, a second phase sees a host of major content owners launching or expanding their own dedicated streaming platforms around the world.

More Content

Audience demand for fresh content, sourced domestically or internationally, is relentless – but new streaming video services are ready to capitalise.

Major streamers are expanding their content offering – both in terms of new, original productions and decades of highly sought-after catalogue content localised for new audiences.

Over the last year, this global investment in content was estimated at $220 billion, with further growth expected throughout 2022.

- Spend on film and TV production in 2021 – $220 billion[1]
- Subscription OTT services increased investment in content by 20% in 2021 to nearly $50 billion[1]
- Competition amongst media companies to secure content and production capacity
- Production capacity in English-speaking countries is saturated

Non-English Content Going Global

Shows such as Dark, Money Heist, Lupin and Squid Game have demonstrated the global reach of international content – at least half of European Netflix and Amazon Prime viewing time could be spent watching non-English language content by 2030[2].

- Squid Game became the most popular Netflix show in over 90 countries[3]
- Netflix has invested over $1 billion in Korean content alone[3]
- English dubbing is on the rise
- New platform rollouts lead to proliferation of demand for localisation

More Languages

Likewise, global SVOD subscribers are projected to grow by 43% by 2026. This international consumption of content in previously untouched markets drives an intense demand for localisation and media services.

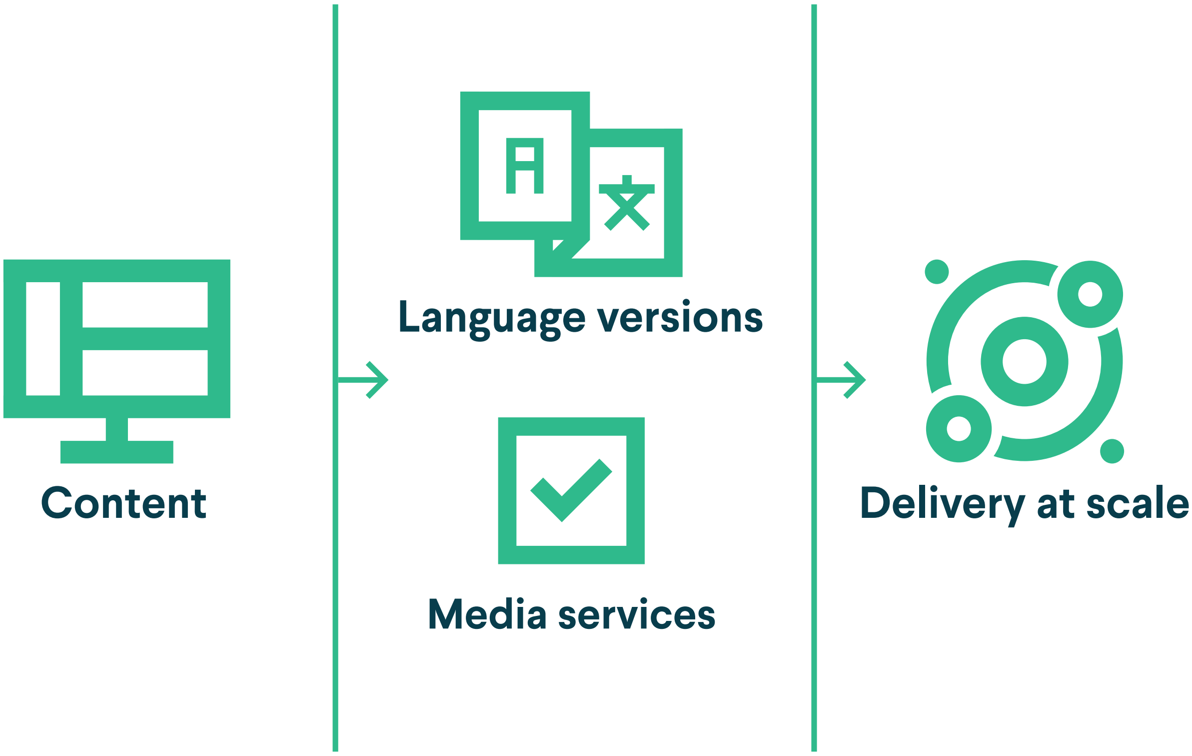
- US streaming video service penetration 85%[2]
- Global SVOD subscribers to grow by 43% by 2026[3]
- High growth markets: SEA (39% by 2026[3]), India (137% by 2026[3])
- Drives demand for globalisation services

1. Ampere Analysis, 2021
2. Entertainment on Demand, 2022
3. Digital TV Research, 2021

WHAT WE DO

Globalising media content made smarter, easier, better.

ZOO provides the end-to-end localisation and media services required to adapt original TV and movie content for different languages, regions and cultures. These globalisation services are trusted by the biggest names in entertainment.



ZOO Digital: Delivering high-quality localisation and media services at scale.

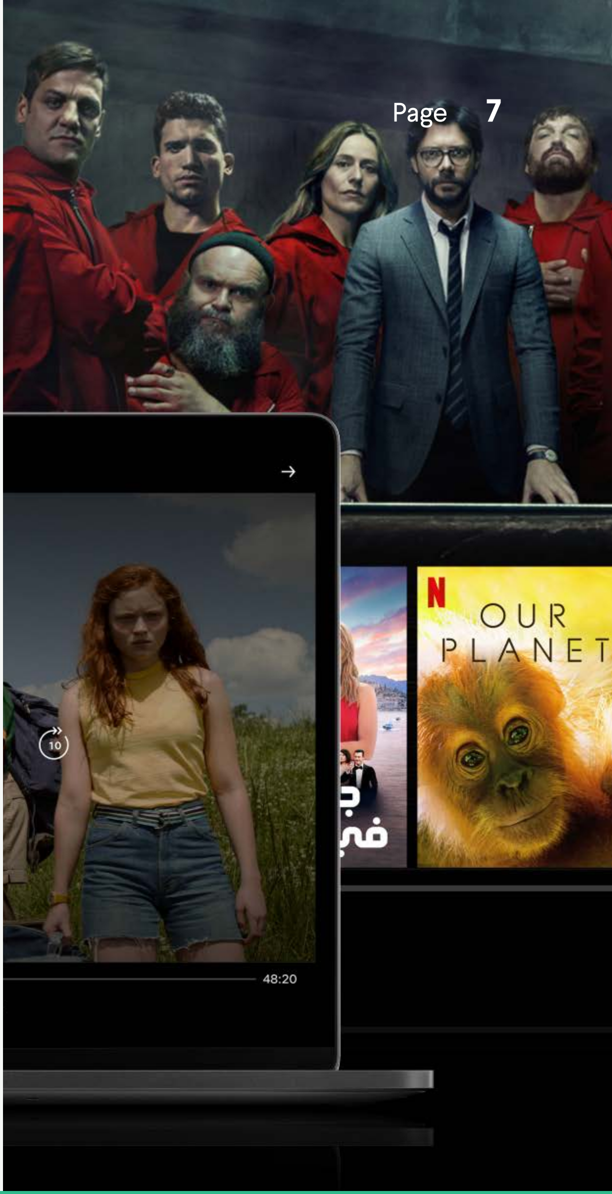
- Dubbing
- Audio Post Production
- Audio Description
- Subtitling
- Scripting
- Metadata Localisation
- Artwork Localisation
- Compliance
- Mastering
- Media Services

Media Localisation

- International audiences demand localised content
- Content is localised into many languages (Netflix produced 5 million minutes of subtitling and 7 million minutes of dubbing in 2021[1])
- Primary driver of growth is new content production
- Catalogue content provides additional volume

Estimated addressable market for media localisation:

- Estimated Netflix spend $500m[2] – represents 2.9% of Netflix 2021 content spend of $17bn
- Major streaming companies spent $50bn (out of global total of $220bn) on new original content in 2021 (excluding catalogue content)
- Assuming these adopt a similar strategy to Netflix, we estimate $1.5bn content localisation spend by major streaming companies



Post to Platform

As an end-to-end localisation service provider, ZOO Digital offers all the services needed to transform media created by production companies into fully compliant digital packages, ready for playout on streaming video platforms. **This post to platform service takes a complex process and keeps it simple.** Whether our teams are working with a streaming service with hundreds of content owners to manage, or a production partner delivering valuable content to a platform, our job is to make their life easier. Global teams deliver end-to-end project management and technical services so licensed content gets to where it needs to be. Compliant and on time. Every time.

Trusted by the biggest names in entertainment to deliver localisation and media services at scale.

Our team is trusted to deliver licensed content to the world's leading streaming services. Technical capabilities combined with dedicated project management skills mean partners and their content are in safe hands.

Disney NBCUniversal HBO Paramount WB NETFLIX

1. Netflix 2022 2. ZOO Digital estimate

What makes ZOO STAND OUT

Problem Solvers

ZOO customer proposition

“For the world’s biggest content creators whose job is getting increasingly tougher, ZOO is on your side.

We are the globalisation partner that takes even the most complex media content challenges and makes them simpler by finding smarter, better ways of doing things, making your life easier at every step.”

Purpose:

Enriching lives through access to entertainment

Mission:

To make life easier for the people who entertain the world

Vision:

We will be our customers’ most trusted partner to help them deliver engaging, entertaining and immersive content experiences to their global audience.

Our differentiators are what we do that no one else can. They are what set us apart in our customers' eyes. Our three differentiators, identified by strategic research, are:

Foresight + Agility

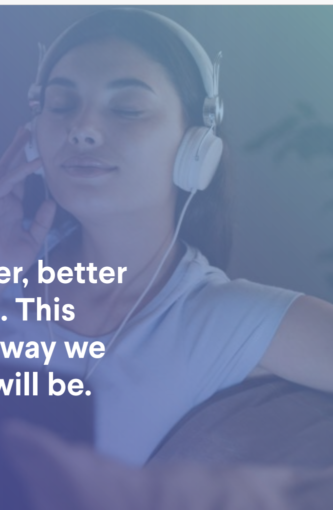
We see what's coming and act on it

The media landscape has seen unparalleled change and for that reason we never stand still. We are always looking forward while challenging what has gone before us to make sure we are ready to adapt, deliver and meet our customer needs whether it's today, tomorrow or in two years' time.

Innovation + Talent

Combining magic and logic at every step

Creativity vs technology. Speed vs quality. Big picture vs small details. We believe these shouldn't be mutually exclusive traits. We combine the talent of our people, with market defining technology and innovation. We apply this magic and logic at every opportunity to ensure there is no weak link in the globalisation of content.



Purpose + Drive

Smarter, easier, better is our life's work

If we see a kink, we straighten it. If we hit an obstacle, we don't stop until it's cleared. Present us with a challenge and we'll find a solution. Because we look at things differently, we find smarter, better and easier ways of doings things. This approach is hard-wired into the way we work. Always has been. Always will be.

A BRAVE ZOO WORLD

Globalising media content made **smarter, easier, better.**

INTRODUCING ZOO DIGITAL LABS

Ingenious engineers developing industry-defining technology.

Relentless in the pursuit to make life easier for the people who entertain the world.

ZOO Digital Labs is made up of some of the smartest thinkers in entertainment. This award-winning team creates the software platforms, tools and technologies that help the world's greatest content creators share their stories with audiences everywhere.

Faster, smarter and better than ever before.

Unlocking Entertainment

Our engineers are driving the entertainment industry forward. Their technological innovations unlock content for global audiences, bringing people across the world together through the localisation of film and television.

Global Game-Changers

ZOO Digital Labs is a melting pot of talent. An award-winning team of true innovators, working on the cutting-edge of technology. Turning **can't** into **can** with industry-defining software. Developing current solutions for future challenges.

A Home For The Curious

At ZOO Digital Labs, our team is trusted to create its own journey, with just the right balance of challenge and freedom. We don't fit into any one mould. We overcome challenges together. We empower each other to share and grow – at every step of the way.

GLOBAL EXPANSION

Team ZOO spans continents and cultures to do incredible things.

Bringing insight and expertise to every project. By sharing our ideas and collective experience, we're helping to shape the future of media globalisation.

ZOO Technology Ecosystem:

All regional hubs, dubbing studios, partners and freelancers work together in the ZOO technology ecosystem. This guarantees consistent security, process efficiency, production quality and rapid scalability across the world.

ZOO technology is built for security and scale – so new localisation or media servicing resource can be fired up in any in-demand territory to take pressure off existing facilities and develop additional capacity.

ZOO continues to build its presence in the fastest-growing markets – ensuring we are strategically aligned with our customers.

ZOO India

ZOO Korea

ZOO Denmark

ZOO Turkey

GLOBALISATION: UNDER THE MICROSCOPE

ZOO works on end-to-end projects at huge scale. Unlocking entertainment for the world.

Here's what goes into just one show, being readied for a new territory launch.

Let's say the show has five seasons and each episode has a runtime of 30 minutes. To ready the content for a new territory launch, it may need to be localised into, say, 12 langauges

With an average of **600 subtitle events*** for one 30-minute episode, five series would involve 60,000 events per language. **720,000 subtitle events in total!**

Each event includes roughly 10 words, so that's 7,200,000 localised words for one show.

Delivering end-to-end services to our clients means the same project may also involve...

Roughly **36,000 runtime minutes'** worth of dubbing performed, captured and quality controlled

Around 5,000 pieces of metadata reviewed, localised and neatly packaged.

As well as services across audio description, artwork localisation, mastering and more.

This is one show.

* Subtitle 'event' is each line of on-screen dialogue

Our clients are the biggest names in entertainment and are continuing to roll out dedicated streaming platforms into new territories.

Each individual territory launch could involve around 250 series or features.

With the promotion and pressures to go into each regional launch, these all need completing to the same exacting quality standards and highly-publicised deadline. This is globalisation at scale and pace – and it's what we do best.

ESG STRATEGY

ZOO Digital is growing and globalising and as we do, we are committed to ensuring that we're building a responsible future-focused business.

Sitting at the very heart of our business model are our cloud-based software platforms that give our customers an energy and infrastructure efficient way of managing their dubbing services without the need for purpose-built studios. In addition, our unique approach to fulfilling these services remotely also reduces the time and emissions for voice actors and dubbing directors who would otherwise need to travel to local studios to work – helping significantly reduce Scope 2 and Scope 3 Greenhouse Gas emissions for us and our customers.

THREE DELIVERY PILLARS AND THE 16 MATERIAL TOPICS

E

1. Reducing carbon footprint
2. Zero Waste and recycling

S

3. Health, Safety & Wellbeing of own workforce and freelancers
4. Diversity, Equity & Inclusion
5. Employee empowerment, training & upskilling
6. Human Rights
7. Growing new talent
8. Contributing to global accessibility in entertainment

G

9. Charitable support
10. Innovation and R&D
11. Bespoke client solutions
12. Tech driven operational and economical efficiencies
13. Ethics, Compliance & Transparency
14. Data privacy and cyber security
15. Supply chain engagement
16. Industry & academic partnerships

01 Think smarter

We enrich the lives of our people and enhance their skills through access to industry-leading learning & education opportunities. [7] [16]

Diversity is critical to our success as a global business. We want to learn from those around us and inspire the next generation of talent to enter the digital media industry whatever their background, gender, sexual preference, cultural identity or ethnicity. [4] [7]

Building on this core strength, we have been considering other ways that our Group can improve its impact on the environment and people.

We appointed external consultants to help us build a deeper understanding of the environmental, social and governance (ESG) impacts of our business and are now developing a strategic framework for sustainability at ZOO.

During the review, we reached several conclusions that will inform our future sustainability strategy.

- **The need to articulate a clear purpose to supplement our existing Vision and Mission. We recognise that great people are key to our growth plans and that we need to attract, retain, and develop talented individuals. Having an inspiring purpose that transcends our business goals, and explains our wider impact in society, will help reinforce the culture and behaviours that will help us deliver our vision and mission.**
- **We have identified sixteen material topics that ZOO will focus on, measure and improve in the future, in the areas of Environment, Social and Governance.**
- **These sixteen material topics have been mapped to our three core value pillars as reproduced below to highlight the alignment of the material topics with ZOO's culture and the areas where we can make the most difference.**
- **We are now identifying the workstreams and measurement criteria for the next two years to ensure we codify our strategy and have the appropriate governance, goals, and targets in place to deliver against it.**

02 Make it easier

We work to make it easier and more efficient for customers & freelancers to use our localisation services. [12] Our unique technology platform means our customers can localise their content more cost-effectively, without having to travel. [11]

We relentlessly innovate to meet the future needs of the entertainment industry. [10] [14] Our flexible workplace approach enables collaboration and allows our people to work in a way that best suits them. [3] [5] [6] [15]

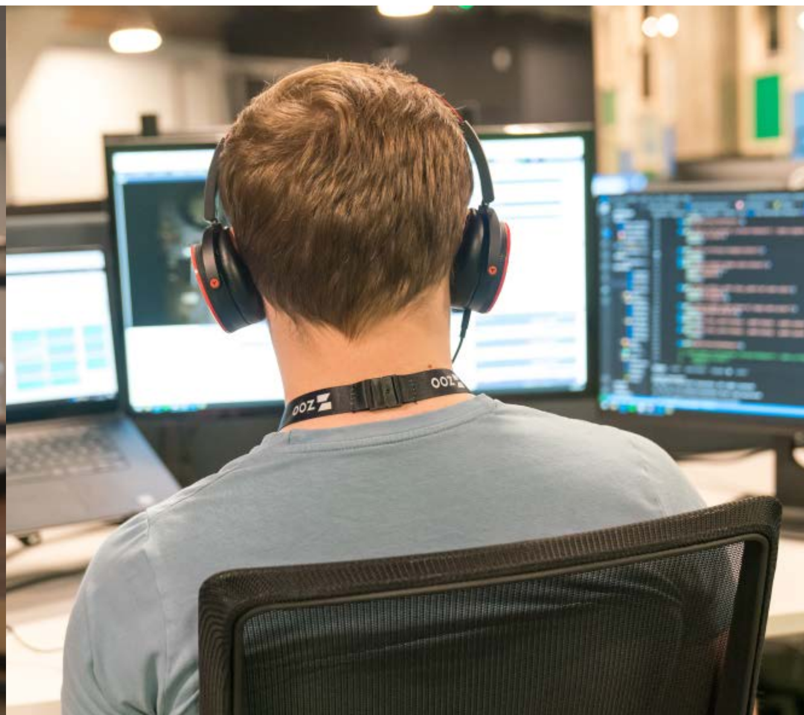
03 Be better

Disruption favours the brave. We are always looking for a way to do things better. [13] We are daydream believers, making access to entertainment easier for all and donating our time and resources to charity partners working towards the same goal. [8] [9] We are determined to minimise our impact on the planet. [1] [2]

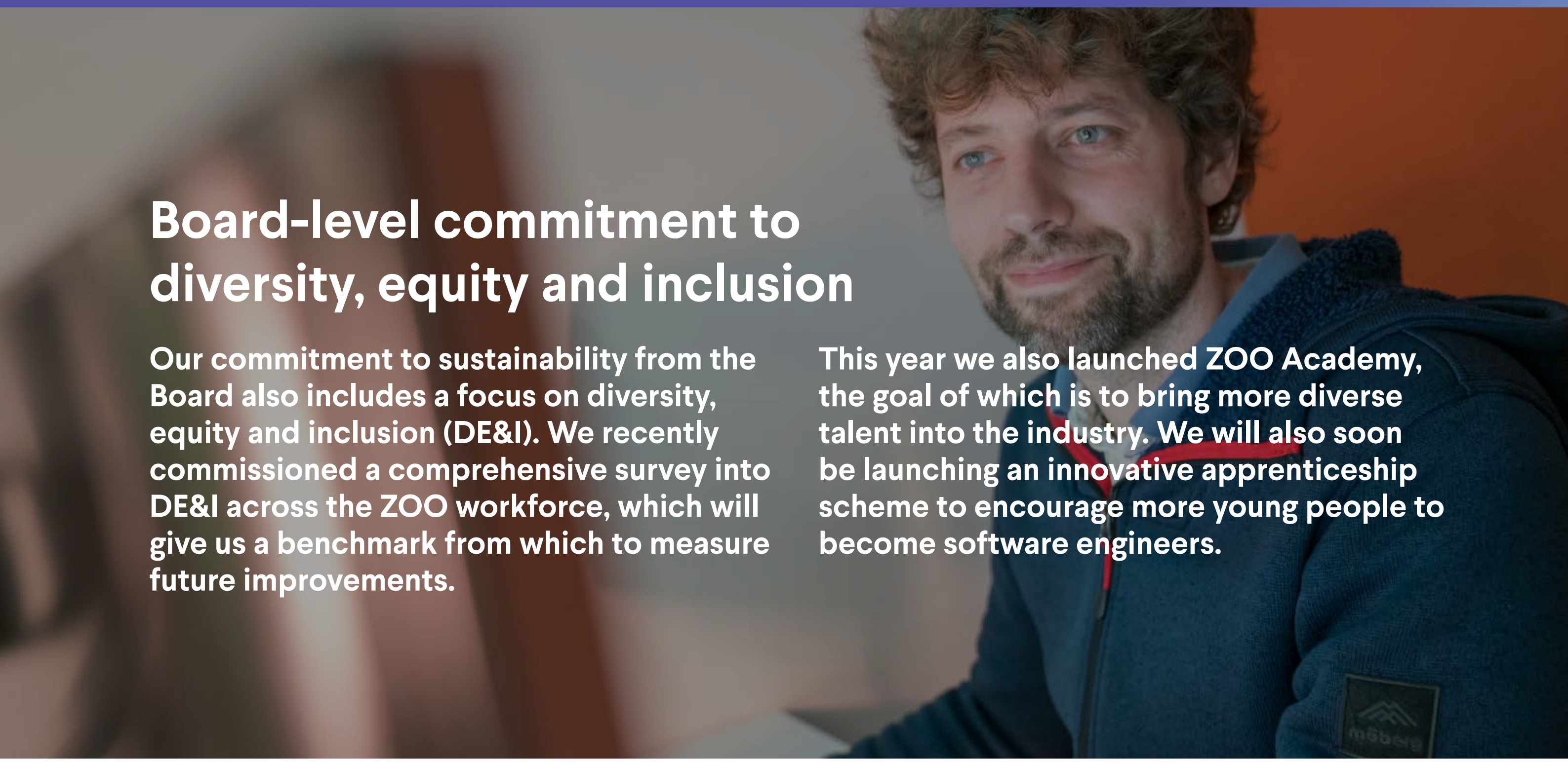
NEW SOCIAL RESPONSIBILITY COMMITTEE

We have set up an internal team headed by a main Board member called the Social Responsibility Committee, which is responsible for formulating ESG policy, initiatives, and measurement of effectiveness of all ESG programmes.

This committee meets at least once a month and, working with our human resources team, has already prepared the statement of purpose and the 16 material topics. It has identified three major industry charities that support our purpose and mission, and joint initiatives will commence in FY23.



The Social Responsibility Committee has also recognised the need to support local communities and this has led to the company-wide initiative known as ZOOgooders, which was recently approved by the main Board and allows all staff to spend two fully paid days a year to support a charity or local community project.



Board-level commitment to diversity, equity and inclusion

Our commitment to sustainability from the Board also includes a focus on diversity, equity and inclusion (DE&I). We recently commissioned a comprehensive survey into DE&I across the ZOO workforce, which will give us a benchmark from which to measure future improvements.

This year we also launched ZOO Academy, the goal of which is to bring more diverse talent into the industry. We will also soon be launching an innovative apprenticeship scheme to encourage more young people to become software engineers.

Supporting home working

Our human resources team continues to support enhanced health and safety procedures in our upgraded offices – offering support to our working from home initiative and implementing an e-learning platform that is available to all staff to assist in building their work and life skills.

The introduction of a formal ESG strategy means we can codify and measure how we are improving our impact on these critical issues. We are excited about developing and executing our ESG strategy over the coming months and years.

CHAIRMAN'S STATEMENT

It gives me great pleasure to report an outstanding year for ZOO Digital. The Company has delivered organic revenue growth of 78% and EBITDA (excluding share-based payments) growth of 84% during a period in which significant investment has been made in people, infrastructure, offices, and international operations.

In September 2020, we introduced for the first time our ambitious medium-term target to reach $100 million in sales – a steppingstone towards our long-term aspirations to become the largest vendor in our sector. This was accompanied by a 'bridge' to indicate how we expected the gap to be filled by contributions from our largest client and from others across our key revenue sources of subtitling, dubbing and media services. At that time our revenue for the full year to March 2020 was $29.8 million. Following each subsequent results announcement and trading statement we have updated the market with a revised bridge to indicate changes in our expectations. The most recent version indicates FY22 sales achieved of $70.4 million, well ahead of initial expectations at the beginning of the year.

Whilst FY22 has been a remarkable year for ZOO, we anticipate further significant market developments which will continue to be favourable to the Company in the year ahead. Indeed, we expect that the profound changes that are taking place across our industry will vindicate ZOO's strategic plan and the role the Company has played in bringing about a digital transformation in the media localisation supply chain.

Three Direct to Consumer (DTC) streaming video platforms from leading US media companies have recently begun their international rollouts, further compounding the already record high volumes of premium localisation services required by longer established participants. Consequently, demand is outstripping supply, and the industry requires expansion in capacity that is unlikely to be satisfied by traditional approaches alone. ZOO's scalable cloud-based approach provides an efficient and effective solution to the industry's evolving requirements.

Increased competition amongst consumer services, combined with subscribers exercising greater caution over discretionary spend, has resulted in a changing picture of the progress of the streaming video market. Our view, consistent with independent commentators, is that the overall market will continue to grow strongly, particularly in international locations, although the relative shares of leading participants may change. This heightened competition will require media companies to invest more heavily in original content and make this content go further by localising it for international markets. As a vendor to all the major media companies, and as one of the few service providers with the scale to deliver simultaneous, single-day global launches, ZOO is optimally positioned to benefit from the evolving market backdrop.

Upon raising £7.4 million ($10.1 million) in a share placing in April 2021, the board outlined how market conditions were presenting a unique opportunity for ZOO to seize market share. Our plan would invest the proceeds by growing the R&D and service delivery teams, establishing regional hubs, expanding international business development, and strengthening our infrastructure. I am pleased to report that we have made significant progress on all fronts and delighted that we have expanded our capabilities in Turkey, South Korea, India, and Denmark during the period.

Together with my board colleagues I would like to extend my appreciation to our supportive former holders of loan notes who, in September 2021, agreed to convert those notes into the share capital of ZOO, thereby eliminating all the Company's long-term debt. This, combined with the proceeds of the fundraise, leaves ZOO with a strong balance sheet and well placed for its continued rapid growth.

I should like to take this opportunity to welcome the newest member of our board. Nathalie Schwarz, who became a non-executive director in January 2022, brings 20 years of board-level international experience. She has expertise in the media and digital technology sectors with a career spanning broadcasting (television and radio), mobile and digital interactive platforms and information/data services. Nathalie will chair the Remuneration Committee from summer 2022 and is an experienced Remuneration Committee chair.

Finally, I would like to express my sincere thanks to all my colleagues globally in the UK, USA, Europe, Middle East, South Asia and Southeast Asia for their instrumental role in delivering such a successful year.

I look forward to reporting on the exciting period ahead and remain confident in the Company continuing to deliver strong profitable growth.

Gillian Wilmot
Chairman

STRATEGIC REPORT

Introduction

This report covers an exceptional period for the Group, bringing into sharp focus the strengths of its strategic plan. ZOO makes life easier for the streaming companies who now lead in entertaining the world by providing a comprehensive suite of software-enabled services to allow feature films and TV series to be adapted for and delivered to global audiences. Our aim is to be our customers' most trusted partner to help them deliver engaging, entertaining, and immersive content experiences to their consumers around the world.

ZOO's primary customers are major media organisations, predominantly in the US, almost all of which now offer streaming services and seek to differentiate their propositions through diverse catalogues of frequently updated premium original entertainment content. With the rapid decline in demand for packaged media (DVDs and Blu-ray discs) and PayTV which were previously significant generators of cash and profits for major media organisations, the future of these companies rests on monetising content through streaming. Both Subscription Video on Demand (SVOD) and Advertising Video on Demand (AVOD) are being variously pursued as the operators seek to maximise the return on their substantial investments in entertainment content through the streaming market.

Most of this content, made up of episodic TV series and feature films, is developed by independent production companies whose key deliverable in each case is a 'master' of the audio-visual materials. Before a programme can be streamed to consumers there is significant further work necessary. This work falls into two broad categories: (1) the video, audio and other assets must be converted into formats and combined into packages that meet the specific technical requirements of the target platform(s) as well as certain creative requirements of local markets and audiences (collectively referred to as "media services"); and (2) the original dialogue in the programme must be adapted into potentially many other languages through the creation of culturally-sensitive subtitles and dubbed soundtracks (collectively, "media localisation"). These services are highly specialised and demanding; their complexity is illustrated by the number of deliverables required for each original programme which can often be counted in thousands.

ZOO is one of very few 'End-to-End' (E2E) vendors in the industry with the capability to deliver the full range of media and localisation services to the high standards demanded of the major industry buyers, and with coverage of over 40 languages that are now regularly required for global distribution. A key differentiator of ZOO in the market is the cloud-based software systems that have been developed by its in-house R&D team over many years, bringing efficiency and scalability to the Company, its customers and its large community of freelancers including specialist media translators, directors, and actors.

In the past, it was common practice for large buyers to divide work amongst many vendors, with each vendor providing a subset of the services required. In the current market both the volume of original programmes produced each year as well as the number of languages into which those programmes are delivered are at record levels. The decline in their traditional sources of income has led buyers to look for greater efficiencies in their internal operations, and one strategy that has become popular is to outsource all media services and localisation across a much smaller number of more capable vendors. Thus, there is growing attraction to vendors such as ZOO that provide an E2E service.

A further strategy that may be employed by these buying organisations is the adoption of Enterprise Resource Planning (ERP) software to support internal staff in managing the complexity of these services and the high number of deliverables. Generalised ERP systems are not well suited to the required degree of specialism and the task is best served by special-purpose solutions that are tailor made for this domain. ZOO has developed such a system called ZOOstudio that it makes available to its customers as an integral component of its offering.

From an ESG standpoint we believe ZOO's strategy makes it environmentally superior to its competitors given that the Group does not need to own and operate dubbing facilities in every country nor require high levels of travel by acting and directing talent. The Company has strengthened its ESG credentials more broadly through several initiatives and has developed a sustainability strategy around its three core value themes of 'think smarter', 'make it easier' and 'be better'. These include our ZOO Academy programme, apprenticeships, university partnerships, innovation, employee engagement, charity partnerships and our ZOOgooders initiative that are explained later in this report.

Market Overview

Following a year in which new original title production was significantly disrupted due to the global pandemic, the trend continued into the beginning of FY22. Throughout this period the projects assigned to ZOO by customers were predominantly related to titles that had already been produced prior to the pandemic. A significant proportion of this work was to support the launch of existing streaming services in new territories which entails (1) taking the catalogue of titles available on a platform in other countries and producing new language versions, and (2) preparing a range of content for distribution in the languages of a region, usually through licensing of pre-existing third-party content.

Production of new titles resumed during the year and resulted in associated orders for media services and localisation returning in August

2021 at which point the mix of catalogue versus new content began to shift. By the end of the period the work relating to new titles accounted for a much greater proportion of the pipeline.

Three DTC streaming services were launched before or during the period of the pandemic by major US media companies: HBO Max from Warner Bros Discovery (the merger of AT&T's WarnerMedia unit and Discovery Inc. which was completed in April 2022), Peacock from NBCUniversal (a subsidiary of Comcast) and Paramount Plus from Paramount Global (formerly ViacomCBS, the merger of Viacom and CBS which completed in December 2019). Following their availability in the US and some English-speaking markets, these services have only recently begun their international rollout. Although in this regard they lag the first of the major DTC services, Disney+, by over two years, all three have publicly stated their commitment to making their services available across many countries.

The growing availability of multiple global streaming services in many countries is creating increased competition for viewers. The appeal of each of these services rests entirely on the strength of the catalogue of content they offer. To maximise this appeal the operators are discontinuing their licensing of some or all owned content to other services so that these titles are exclusively available on the operator's platform. This means that some high value content that was previously included on other services is being withdrawn, thereby potentially diminishing the perceived value of those other services.

Since content is the key differentiator of one service from another, each platform is compelled to continue to add new, fresh, high-quality titles to attract viewers and retain those who already use the service. This has propelled the volume of new original programme production to an all-time high. Market commentator Ampere Analysis reported that the global spend on original programming reached $220 billion in 2021 and is expected to grow strongly in 2022 and beyond. Of this total around $50 billion was estimated to have been spent by major streaming services.

Major US media companies already generate most of their revenues outside their domestic market. For example, two thirds of Netflix subscribers live outside of the US and account for 55% of its revenue. Given that the US has high household penetration of streaming services (around 85% according to data analysis firm, Kantar), subscriber growth across the industry will come predominantly from markets where penetration is much lower, such as Southeast Asia, the Middle East and Africa. Consequently, those who commission and license entertainment content increasingly make choices based on its appeal across multiple international markets.

A separate study by Ampere Analysis notes that historically, US content has tended to dominate on the global stage, while in individual countries local content has often held the balance of power. But this is beginning to change. In 2017, 15% of the world's 100 most popular titles were made outside the US and by December 2021 that figure grew to 27%. Ampere's analysis shows that the audience for internationally produced content is growing in the key revenue-generating English-speaking and European markets. SVOD subscribers in the US, UK, Australia, and Canada, in particular, are tuning in to content produced overseas, and the major global SVOD platforms are driving this trend by both commissioning high quality non-English language titles and increasing the number of foreign language titles in their catalogues.

The pandemic offered a boost to internationally produced content as production shutdowns and release delays led to locked-down viewers looking further afield for shows and movies to watch. As the SVOD players expand geographically and continue to make high production value titles in a multitude of global markets, Ampere expects the demand for overseas produced content to further increase.

With record volumes of new original content, which is required to be made available in many countries, the market is seeing unprecedented demand for media localisation services. Major media companies, especially those that are at earlier stages of their international rollout, are finding that the capacity for subtitling and dubbing in the market is inadequate to meet their needs. As traditional bricks-and-mortar providers of these services reach their capacity, for them, scaling up is a capital-intensive and slow process. In contrast, the flexibility afforded by ZOO's cloud software delivers unprecedented levels of capacity and access to talent all around the world. Therefore, the Company is well placed to grow in part by servicing projects that cannot be expediently satisfied by traditional vendors.

The attractiveness of the E2E model is also driving demand for ZOO's services. We expect more of the large buyers to transition to this approach in the future, thereby strengthening ZOO's position in the market as a leading supplier. One effect of this is that more customers will take multiple service lines offered by ZOO which plays to the strengths of the Company's proposition and enables efficient execution through its technology-enabled offerings.

Growth in demand for the services offered by ZOO to media clients is being fuelled by the competitive dynamics of the consumer market that is expanding through new entrants. The principal competitive arena for global streaming providers is in capturing viewers for their respective services. According to research published by Kantar in January 2022, the average number of subscriptions per US household reached 4.7 services in the final quarter of 2021 and is unchanged over the following quarter. Recent reports of subscriber volatility have heightened competition, however Kantar maintains that U.S. streamers are not leaving the streaming category.

The second area of competition for major streaming services is in relation to content. A differentiated and attractive catalogue that is updated regularly is essential to win and retain viewers, and therefore the rights to highly valued TV shows and feature films are selling to the highest bidder.

The board expects a third area of competition between streamers will likely intensify over the period ahead, namely access to capacity for preparing content for international distribution. This is a highly favourable dynamic that supports the ongoing expansion of the ZOO business. In this regard, ZOO is more closely aligned with the market dynamics of content production than with the business of streaming and the number of consumers who view that content.

Media Localisation Market Size

The market dynamics described above are giving rise to expansion of the market for media localisation. In its Video Localisation Report published in July 2021, language industry intelligence company Slator estimated that video localisation services and technology constitute a market that it estimates to have been worth $4.97 billion in 2021.

In a recent quarterly earnings call Netflix provided some statistics that illustrate the level of spend on media localisation by large buyers in the sector. The company disclosed that in 2021 it commissioned 7 million minutes of subtitles and 5 million minutes of dubbed soundtracks. We estimate that this corresponds to a spend of the order of $500 million, which equates to just under 3% of the content budget disclosed by Netflix for the same period.

Netflix is long established in the industry and is progressive in the scope and extent of localisation. Not all industry players are currently supporting as many languages as Netflix, but to remain competitive it seems likely that market participants will need to expand their propositions with a similar international reach to Netflix, at which point 3% of content budgets may become the appropriate level of expenditure necessary to support this ambition.

Strategy

The increasing appeal of ZOO's proposition – as evidenced by the strong organic growth in FY22 – is attributed to its strategy, built on the five pillars of innovation, scalability, collaboration, customer, and talent, that differentiate the Company amongst its competitors.

Innovation

During the period, the Company increased its resources in ZOO Digital Labs, its research and development function, with headcount increasing by 33%. The enlarged team has the capacity to develop its products more quickly as well as to embark on internal research projects.

ZOOstudio, the Company's specialised ERP and procurement platform, has been a major focus of development. A wide range of new features have been added to create enhanced levels of integration between ZOO and its customers as well as to continue to enable greater levels of efficiency through automation of workflows and elevated security. The system now supports a range of financial planning and management features, integrated capabilities for review and approval of materials such as scripts and dubbed soundtracks, and support for capacity planning.

The Company's cloud dubbing platform, ZOOdubs, is now being used for over 40 languages and has been enhanced further, particularly to support various territory-specific requirements needed in different locations.

During the period, ZOO Digital Labs pursued further research projects, mostly in collaboration with partners. These include several initiatives to develop machine learning approaches that we envisage will deliver new product capabilities and competitive advantages in the future.

Scalability

ZOO's network of independent freelancers provides the Company with flexibility and scale. The number of freelancers grew by 20% in the period to over 11,000 individuals located around the world, each providing language-specific expertise in the areas of translation, adaptation, direction and acting. To continue to grow its capacity ZOO must increase the number of freelancers across these disciplines in over 40 languages. The Company accelerated this process during the period with the launch of its global growth initiative to establish points of presence in several critical regions of the world.

During FY22 the Company made capital efficient investments in long-term partners in South Korea and Turkey – two strategically important locations for the industry due to their tradition of high-quality entertainment content production – and established ZOO Korea and ZOO Turkey through close strategic alignments with Whatsub Pro and Ares Media respectively. The Company acquired the award-winning media services and localisation business of long-time partner Vista India, based in Mumbai, to establish ZOO India. Finally, the Company has established ZOO Denmark in Copenhagen to provide a Scandinavian point of presence. Each of these operations provides a strategic hub in fast-growing regions and will be pivotal to the expansion of ZOO's talent pool.

The Company also launched ZOO Academy during the period, an important strategic initiative that will help develop talent, particularly where there is a shortage of certain services in particular languages. ZOO Academy will provide a range of online courses, workshops, and other learning resources to deliver both the support to equip new talent with the required industry knowledge and skills, and the experience required to hone those skills and become effective practitioners. The first ZOO Academy course has now launched and teaches the skillset necessary to adapt scripts for dubbing. Several further courses across multiple disciplines are in the pipeline and will be launched in the current period.

Collaboration

An important component of the ZOO Academy programme is the educational partnerships we have developed over several years which are being expanded and accelerated. Our cloud platforms, including ZOOscripts, ZOOsubs and ZOOdubs, are now being taught by educational providers around the world with approaching 20 partners signed up to this programme, including teaching centres in the UK, Europe, Latin America, and Southeast Asia.

ZOO Digital Labs continues to collaborate with our primary research partner, the University of Sheffield, where we currently have active projects in the areas of computer science and linguistics.

It is through our approach to collaboration that we were able to identify highly suitable targets for our global growth initiative by building on the long-term partnerships we have established with certain organisations. This significantly de-risks these investments due to the strong and productive working relationships that have already been established with management, and the willingness to embrace a more technology enabled approach to the delivery of localisation services (which is not the norm in our industry).

Customer

The strategic rationale for our ZOOstudio platform received a further endorsement during the period: a major media company that adopted the system in 2019 to support the roll-out of its global streaming video service has deployed it more widely across its operations. ZOOstudio has now been adopted by additional operating groups within this organisation and the new functionality that has been added is being widely used. The platform has proven to be highly effective in supporting the complex workflows and processes associated with preparing content for distribution via streaming, delivering operational efficiencies, providing visibility and transparency, measuring the performance of vendors, and ensuring high levels of reliability and accuracy.

Furthermore, a second multinational entertainment industry client adopted the platform during the period and is now using it to support its operations. Discussions with further customers regarding adoption of ZOOstudio are in progress. These are highly significant developments since they result in the embedding of ZOOstudio, an integral part of the Company's offering, within customers' operations.

The period included the launch of an important addition to ZOO's service offering: mastering, which involves optimising a digital original copy of audio-visual materials for playback through specific channels, such as broadcast and streaming. This new mastering service creates an additional revenue stream and provides an important adjacent capability that was requested by existing customers under the scope of E2E engagements. The costs associated with the capital infrastructure to support this service and the recruitment and training of a new team were incurred in H1. A significant engagement with a leading media organisation was secured in H2 which has delivered a new revenue stream during the period. This provides good visibility into FY23, not only for the incremental mastering assignments but also for the wider scope of work that is frequently bundled with such E2E projects in the areas of localisation and media services.

Talent

In FY21 we launched our Advocate programme to engage with experienced and progressive practitioners of the dubbing markets across key 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, mixing and script adaptation. Our advocates have been invaluable in enabling us to expand our talent pool across their territories.

We strengthened our Advocate programme further in FY22 with several key appointments in Japan, Singapore, Korea, and Dubai. Key appointments include:

- Anna Chew, a seasoned media localisation executive, has joined us as Territory Manager for Southeast Asia. She has worked across Malaysia, Singapore and Taiwan for companies including Disney, Nickelodeon and Blizzard.
- Through our acquisition of Vista India, Rajiv Raghunathan has joined our senior management team. His career spans 25 years spent in digital distribution, film production, post-production, and media localisation.
- In South Korea we welcome to our team Jonghyun Oh. His company has been a leading provider of media localisation services in the country.
- Our efforts in Turkey are led by Ender Albayrak and Emre Sahinkanat who have each played leading roles in the localisation industry in Istanbul.

During the period Chris Oakley was promoted to Chief Technology Officer for the Company. In his 18 years with ZOO, Chris has helped spearhead flagship platforms such as ZOOstudio, ZOOdubs and ZOOsubs. In his new role as CTO, Chris will be responsible for continuing to grow the ZOO Digital Labs technical centre of excellence to support and future-proof the globalisation industry.

Our ZOO Academy programmes are being led by Ambrish Acharya who joined us as Head of Education. He has over 10 years' experience working in audio engineering and sound design for companies including Fox International, as well as roles in audio-visual education at the Hong Kong Design Institute where he received a Teaching Excellence Award.

During a year of significant growth, our headcount grew from 298 in April 2021 to 413 by the end of March 2022. This figure excludes the 75 staff who have joined us through our Vista India acquisition.

Review of Operations

A significant contributing factor to the strong growth delivered in the period has been the regional launches of our customers' streaming platforms in Southeast Asia, Central and Eastern Europe and the Middle East and North Africa. This led to strong demand for localisation, particularly subtitling, and for a range of activities that fall into ZOO's media services revenue stream.

Our global growth initiative has given the Company a presence in new locations. This provides the opportunity to expand our operations in those countries where it may be more convenient to have staff working locally, such as in project management, and to access specialised industry skillsets such as dubbing management. With an international footprint that now includes Turkey, South Korea, Denmark, and India, we are shaping the future of the organisation to capitalise on the benefits of having a presence in these locations.

KPIs

The Group manages on an internal basis the following KPIs which assist in measuring progress against the Group's strategy.

<u>Financial</u>

- Revenue up 78% to $70.4 million (FY21: $39.5 million)
- EBITDA[1] 11.8% (FY21: 11.5%)
- OPEX as a % of Revenue improved by 5 points to 27% (FY21: 33%)

<u>Operational</u>

- Number of freelancers[2] 11,028 (FY21: 9,207)
- Retained Sales[3] 97.6% (FY21: 98.5%)

1. Adjusted for share-based payments
2. The number of active freelance workers in ZOO's systems who are engaged directly
3. Proportion of client revenues retained from one year to the next

Media Localisation
Revenues generated from media localisation more than doubled in the period to $42.2 million (FY21: $20.3 million). Dubbing revenues grew by 84% while subtitling increased by 135%. Assignments relating to catalogue content, which dominated the first half, typically include a lower requirement for dubbing than new original titles. Consequently, the influx of new titles in the second half led to half-on-half growth in dubbing revenue of over 170%.

With strong growth in non-English content production, we are now seeing increasing demand for high quality dubbing services into English. Except for content aimed at children, there has not been a significant requirement for English dubbing in the past, but this is now changing. The limited number of English dubbing studios in the UK and US means that capable providers are in high demand and this provides an excellent opportunity for ZOO to resource this requirement through its scalable proposition.

We have also seen significant growth in demand for Audio Description (AD) services during the period. Whilst subtitles for the deaf and hard of hearing have been commonplace in the entertainment industry (and, indeed, are mandated to some countries including UK and US), streaming providers have been slow to adopt AD and historically there have been relatively few titles that support it. This is now changing with regulatory requirements for streaming platforms also looking increasingly likely.

Media Services
Media services revenue grew by 51% during the period to $26.4 million, driven by assignments relating to catalogue content as well as those to support regional launches of streaming platforms. Service lines that grew particularly strongly were digital packaging/post-production and metadata preparation.

As previously mentioned, we generated maiden revenues for our mastering service following the recruitment of a Los Angeles-based team of specialists. Having acquired the necessary infrastructure and recruited the team in the first half, monthly revenues grew significantly through each month of the second half. The levels of demand that we see for this service have led us to expand the team further and to seek to extend our operations across some of our other international locations.

We have grown our artwork services team during the period to satisfy the growing demand from our customers for the processing of images that are used in the user interfaces of streaming platforms. This is also an activity that is increasingly included in E2E services and where we anticipate strong growth.

Investing for future growth
The oversubscribed fundraise completed in April 2021 provided ZOO with approximately $10 million net proceeds that we indicated we would invest to support future growth. A proportion of the proceeds has been used to support our working capital cycle for the much higher levels of business that we have transacted. Our progress in the areas of investment has been:

Capital equipment
We have invested around $4.4 million in capital equipment to extend our capacity. We have upgraded our internet connectivity at our sites in Los Angeles, London, and Sheffield, thereby enabling a significantly higher throughput of digital assets into our facilities and deliveries to our clients. We have acquired computer systems and local storage devices to support our new mastering service. Our Sheffield headquarters has been relocated to larger, more suitable premises and we have refitted our facilities in Los Angeles and London. New facilities in Dubai and Copenhagen have been fitted out.

International locations
We have completed capital efficient investments in Ares Media (Turkey) and Whatsub Pro (South Korea) and we have acquired the business of Vista India. A hub for Scandinavian operations has been opened in Denmark. We have in our pipeline several opportunities that we expect to complete and announce in due course.

Expansion of services
We have recruited heavily throughout the period and have added a mastering team in Los Angeles, and a larger business development team that now includes advocates in Southeast Asia and the Middle East.

Expansion of capacity
We have expanded our R&D team in ZOO Digital Labs, including the new position of Research Manager, such that we are now able to pursue internal research projects. In anticipation of strong growth for dubbing we have enlarged our project management team significantly by recruiting ahead of higher levels of orders being received. We have assembled a team to work on mastering.

Outlook
Trading in the first quarter of FY23 has been very strong with sequential growth over FY22Q4 and significantly ahead of the equivalent period in the prior year. The period has included work that is related to ongoing territory launches of major streaming platforms as well as the processing of significant volume of new original titles that have been completed and adapted into an increasing number of languages for global distribution. Visibility through until the end of H1 indicates further significant progress towards the goal that we set in 2020 of delivering sales of $100 million. We expect H1 sales to exceed the second half of the prior year which was in turn 60% ahead of FY22H1.

We are in dialogue with multiple streaming platform operators concerning the adoption of ZOOstudio to manage global distribution operations and are increasingly confident of adding to licensees during FY23.

We expect that the significant investments we have made in building our multilingual dubbing capability and capacity across many languages will result in strong growth in the year ahead in our localisation revenues. In the previous period this investment has had the temporary effect of incurring inflated cost of sales for localisation while we have been building additional capacity but we now expect both to grow sales strongly and expand dubbing margins. The record level of investment across the entertainment industry in new original content is creating unprecedented demand for localisation and media services. For some services and languages this is already exposing shortages in capacity that are prompting buyers to place orders with extended notice periods. We expect that this will result in improving visibility of revenues during FY23.

ZOO's scalable and efficient technology-enabled services place the company well to capitalise on the industry's surplus demand. Consequently, the Board remains confident of continuing to deliver strong growth in the year ahead.

Stuart Green
Chief Executive Officer

FINANCIAL REVIEW

Introduction

The last financial year has been truly transformative for the Group as we have laid the financial foundations to truly scale the business to compete with the largest suppliers to the global localisation market. In April 2021 we completed a fundraise injecting $10.1 million of cash into the business. This has allowed us to expand our global footprint through organic growth and also to take strategic stakes in companies operating in the significant media markets of the world. In September 2021 the 7.5% unsecured convertible loan note stock was redeemed reducing future liabilities by $3.5 million and eliminating future interest payments of roughly $0.3 million per annum. The financial performance in the year has reinforced the financial strength of the business with an operating profit of $3.1 million contributing to Net Assets growing to $26.2 million (FY21: $2.8 million).

Revenue

The Company achieved revenue growth of 78% in the financial year ended 31 March 2022, with total revenues of $70.4 million compared to $39.5 million in FY21. This reflects the success of our strategy to focus on being an end-to end supplier of localisation and media services to the global entertainment streaming providers. As our customers concentrate on their international launches we have increased our capacity to support the expansion in work required for both the initial launch and the ongoing pipeline of new work required to grow their subscriber bases.

Most of the Group's operations are in the United States, where revenues were up 80% at $61.2 million. The balance of work was performed in Europe which grew by 67% to $9.2 million. The split in geographical production illustrates the international launches of US based streaming services.

In FY22 we experienced greater customer concentration with the revenue contribution from our largest client increasing to 78% of sales as a consequence of their international expansion being ahead of their US competitors (FY21: 72%). The second largest customer accounted for 6%, up from 4% last year. These two contracts are expected to continue long-term due to the close relationship and technology integration achieved by ZOO.

We report two revenue segments: media production and software solutions.

The media production segment has two revenue streams: localisation and media services. Media localisation revenues increased by 108% in the year to $42.2 million, as the industry came out of the global pandemic and production of new titles returned to normal levels. As other US streaming services launch their international services and our expanded dubbing service gains traction, we expect strong future growth in revenues.

Media services revenues increased by 51% as we launched new services including mastering and continued to support further international launches by our biggest customer.

Software solutions, the segment that has been a reducing proportion of our business, decreased by 1% in the year to $1.8 million. We believe this segment has another two years before it will reduce significantly.

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 two key reporting segments. This shows that overall gross profit increased to $22.1 million in FY22 from $13.6 million in FY21, an increase of 63%.

Media localisation contribution grew in the year from $2.9 million to $9.2 million an increase of 217% driven by the revenue growth in both subtitling and dubbing. The growth in contribution of this stream was higher than that of the revenue as the significant revenue growth contributed to a higher utilisation of our staff. The contribution percentage of 22% still reflects our investment in people to expand capacity and will trend upwards in future years.

Media services contribution grew to $15.3 million up 35% on last year. The contribution from this revenue stream of 58% was lower than the previous year's margin of 65%, and this is due to the mix of services favouring activities that require a high level of translation services that have a slightly lower gross margin.

Software solution segment contribution held steady at 93% in the year.

Overall gross profit increased by 62% to $22.1 million compared to $13.6 million in FY21. This represents a gross profit margin of 31%, down from 35% last year. The deterioration is due to a higher proportion of revenues coming from dubbing and metadata services with a lower gross margin than the mainstream media services that were the dominant revenue stream in FY21.

Other operating expenses

Operational fixed costs, which are defined as operating expenses less share-based payments, depreciation and amortisation, have increased by 50% in the year as we invested heavily in people and IT to support our growth plans. Overall, operating expenses increased to $19.2 million, including share-based payments, depreciation and amortisation and property costs of $1.0 million under IFRS 16. The 49% increase in operating expenses is explained by the above, higher depreciation and amortisation costs, due to the expansion of office space and a provision for an onerous lease and the increase in R&D.

Finance costs

The main component of the Group's finance costs relates to the conversion into equity of 7.5% convertible loan note stock as they matured in the year. This gave rise to a final non-cash charge relating to the revaluation of the loan stock on maturity which totalled $1.6 million. Interest on the principal in the year was $0.2 million, down from $0.3 million in FY21. The other component of finance costs is non-cash items, relating to the Right Of Use asset totalling $0.2 million calculated for IFRS16 purposes.

Despite the non-cash accounting entries, above, the profit before tax for the year ended March 2022 was $1.1 million compared to a loss of $3.6 million for FY21.

As a result of the increase in revenues and a slight leveraging of our costs, the operating profit of $3.1 million is significantly better than the profit last year of $1.0 million. On the Company's preferred measure of profitability, being EBITDA before share-based payments, the profit was $8.3 million, up from $4.5 million in FY21, an increase of 84%.

The Group has reviewed the recent profitability of its US subsidiary and the expected growth in profits over the next 2 years and has concluded that it is appropriate to include a deferred tax asset of $1.3 million in this years results to reflect the probable utilization of unused tax losses in the US subsidiary.

New equity raise

In April 2021 we completed a 10% placing of new equity raising a gross $10.1 million. This money has been 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 ($10.1 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 6 April 2021.

Statement of financial position

Non-current assets more than doubled in the period which is explained by three strategic investments. Firstly, we invested in new premises in Sheffield to accommodate the significant increase in headcount in the past two years and also to provide expansion for the next ten years. This investment included $2.1 million in leasehold improvements and $8.0 million increase in the ROU asset. Secondly, we invested $2.3 million in computer equipment to expand our production capacity and to support the uplift in staff. Thirdly, we invested $4.3 million in international companies to expand our reach in key geographical locations. This involved acquiring 100% of Vista India, 35% of Vista USA, 51% of Whatsub Pro in South Korea and 20% of ARES in Turkey. In addition the deferred tax asset has been increased to reflect the probability of utilising tax losses in the US over the next two years.

The capitalisation of research and development costs increased by 31% to $1.7 million as we accelerated the product roadmap to support customer requirements and upgrade our internal production systems. This also increased the depreciation charge resulting in the balance sheet asset increasing by only 1% to $2.6 million.

Trade and other receivables have increased 211% compared to last year to $26.0 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. The increase still only represents 88 debtor days and the majority of the balance has been received in quarter one of FY23. Contract assets which represents work in progress on customer projects increased 67% to $3.6 million reflecting the increased activity in quarter four.

Current borrowings have decreased from $9.5m to $1.3 million (excluding lease liabilities). This is due to the conversion of the 7.5% convertible loan stock in September 2021 into equity which eliminated the loan liability and also eliminated the embedded derivative.

Current liabilities have grown significantly in the period due to the high level of sales in quarter four which has resulted in both trade payables and accruals increasing to support the cost of sales figure. In addition, the year-end bonus accrual has increased to $1.7 million (FY21: 0.8 million).

Cash and cash equivalents of $6.0 million at year end (FY21: $2.9 million) were up 107% as a result of the proceeds from the fundraise not having been completely invested in the capacity increasing projects.

Non-current liabilities, increased significantly in the year due to the increase in the "right to use" liability as our property leases reflected the long-term commitments arranged in the year in both Sheffield and Los Angeles. The lease in Sheffield runs for 10 years and the new lease in Los Angeles for 6 years. Non-current leases increased from $1.8 million to $8.0 million as at 31 March 2022.

Consolidated statement of cash flows and going concern

Net cash generated from operating activities was $5.2 million, down from $6.8 million in FY21. The drop of $1.6 million is attributable to the increase in trade receivables compared to last year only being partly offset by the increase in trade payables and the increase in the operating profit. The inflow from operating activities was more than offset by a $6.4 million increase in investing activities, which included an additional $2.1 million spent on property, plant and machinery and the investment in international expansion of $3.9 million. These outflows were offset by the equity fundraise of $9.6 million closed in April 2021.

Going forward the business remains confident that it has sufficient headroom to trade for the foreseeable future, as the recent completion of a $5 million invoice discounting facility from HSBC gives us the working capital headroom for the next phase of our expansion. This is further validated by the strong start to FY23, with record orders which we expect to deliver another operating profit for FY23 and has been stress 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 87% 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.

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 expanding its human resources department from three to seven in the past 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 has extended the working from home policy during the last 12 months to embed the flexibility afforded by hybrid working. This includes policies, health and safety considerations and ensuring hybrid working is a key part of the culture allowing for fair assessment of all staff irrespective of their working circumstances.
- The Board reviewed the Company's financial facilities and working capital position approving a working capital facility with our bankers, HSBC of $5 million. This allows the business to continue to grow rapidly organically.
- To address the need to support our customers on a global basis the Board approved three strategic investments in the year that support our aim to be a global media localisation partner to the major US media corporations.

Political uncertainty

The political climates in the UK and US are currently challenging due to the uncertainty surrounding the post COVID19 economic environment. Although the terrible situation in the Ukraine is having a major impact on the world economy, the current impact on ZOO is negligible. 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 and the USA.

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. To further enhance our credentials and to support our future growth we appointed Nathalie Schwarz as an independent Non-Executive Director on the 13 January 2022. Nathalie has taken over the role of chair of the Remuneration Committee and is member of the Audit Committee. I am now assisted by Mickey Kalifa and Nathalie Schwarz giving the group three independent non-executive directors.

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 2022. 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 with 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, Los Angeles, Dubai and Mumbai 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 operated a hybrid working model allowing staff to working from home delivering uninterrupted service and maintaining the same high standards of quality and security as well attending the office when required without any interruption in productivity.

- **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 have adopted 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 revenue stream 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 21	Stifel Technology conference	SG, PB	Participated in a virtual investor conference
May 21	Retail investor webinar	SG, PB	Gave a virtual presentation to wealth managers and PCBs
May 21	Retail investor calls	SG	Calls with retail investors
May 21	Institutional investor calls	SG, PB	Calls with institutional investors
May 21	Investor newsletter	-	Investor e-newsletter including CEO video distributed to subscribers
Jul 21	Preliminary results roadshow and media meetings	SG, PB	Institutional investors, analysts and PCBs via Zoom calls
Jul 21	Retail investor meeting	SG, PB	Open invitation to retail investors; virtual presentation and Q&A; recording made and published via website
Jul 21	Interactive Investor interview	SG	Video interview with Interactive Investor which was subsequently published
Aug 21	Investor newsletter	-	Investor e-newsletter including CEO video distributed to subscribers
Sep 21	Analyst meetings	SG, PB	Meeting with equities analyst at Singer Capital Markets and Peel Hunt
Sep 21	AGM	SG, PB, GD, GW, MK	Actively encouraged all shareholders and prospective investors to attend a meeting held in person in London and live streamed; event made available on website subsequently
Oct 21	Broker sales team meetings	SG, PB	Presented to the sales teams at multiple broking firms
Oct 21	Ad hoc institutional investor meetings	SG, PB	Met with institutional shareholders on request
Oct 21	Ad hoc retail investor meetings	SG	Met with significant retail investors
Nov 21	Interim results roadshow and media meetings	SG, PB	Institutional investors, analysts and PCBs via Zoom calls
Nov 21	Retail investor meeting	SG, PB	Open invitation to retail investors; virtual presentation and Q&A; recording made and published via website
Nov 21	Proactive Investor interview	SG	Video interview with Proactive Investor which was subsequently published
Nov 21	Retail investor presentation	SG	Presentation to retail investors in York
Dec 21	Broker sales team meetings	SG, PB	Presented to the sales teams at multiple broking firms
Dec 21	Ad hoc institutional investor meetings	SG	Met with institutional shareholders on request
Dec 21	Investor newsletter	-	Investor e-newsletter including CEO video distributed to subscribers
Feb 22	Retail investor webinar	SG, PB	Gave a virtual presentation to wealth managers and PCBs
Feb 22	Broker sales team meetings	SG, PB	Presented to the sales teams at multiple broking firms

Date	Description	Participants	Comments
Feb 22	Investor newsletter	-	Investor e-newsletter including CEO video distributed to subscribers
Mar 22	Analyst meetings	SG, PB	Met with analysts in person
Mar 22	Ad hoc institutional investor meetings	SG, PB	Met with institutional shareholders on request

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

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 is compared to the group's Investor Relations strategy to ensure adherence.

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.
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.

Stakeholder	Reason for engagement	How we engage
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.
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, EGA, DPP 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 seek 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 FY2022. 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 FY22 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 FY23, 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.

ZOO Digital is growing and globalising and as we do, we are committed to ensuring that we're building a responsible future-focused business.

Sitting at the very heart of our business model are our cloud-based software platforms which give our customers an energy and infrastructure efficient way of managing their dubbing services without the need for purpose-built studios. In addition, our unique approach to fulfilling these services remotely also reduces the time and emissions for voice actors and dubbing directors who would otherwise need to travel to local studios to work – helping significantly reduce Scope 2 and Scope 3 Greenhouse Gas emissions for us and our customers.

Building on this core strength, we have been considering other ways that our Group can improve its impact on the environment and people. We appointed external consultants to help us build a deeper understanding of the environmental, social and governance ("ESG") impacts of our business and are now developing a strategic framework for sustainability at ZOO.

During the review, we reached several conclusions that will inform our future sustainability strategy:

- The need to articulate a clear purpose to supplement our existing Vision and Mission. We recognise that great people are key to our growth plans and that we need to attract, retain, and develop talented individuals. Having an inspiring purpose that transcends our business goals, and explains our wider impact in society, will help reinforce the culture and behaviours that will help us deliver our vision and mission.
- We have identified sixteen material topics that ZOO will focus on, measure and improve in the future, in the areas of Environment, Social and Governance.
- These sixteen material topics have been mapped to our three core value pillars as reproduced below to highlight the alignment of the material topics with ZOO's culture and the areas where we can make the most difference.
- We are now identifying the workstreams and measurement criteria for the next two years to ensure we codify our strategy and have the appropriate governance, goals, and targets in place to deliver against it.

Three Delivery Pillars and the 16 ESG Focus Areas

Think smarter	***Make it easier***	***Be better***
We enrich the lives of our people and enhance their skills through access to industry-leading learning & education opportunities. [7] [16] Diversity is critical to our success as a global business. We want to learn from those around us and inspire the next generation of talent to enter the digital media industry whatever their background, gender, sexual preference, cultural identity or ethnicity. [4] [7]	We work to make it easier and more efficient for customers & freelancers to use our localisation services. [12] Our unique technology platform means our customers can localise their content more cost- effectively, without having to travel. [11] We relentlessly innovate to meet the future needs of the entertainment industry. [10] [14] Our flexible workplace approach enables collaboration and allows our people to work in a way that best suits them. [3] [5] [6] [15]	Disruption favours the brave. We are always looking for a way to do things better. [13] We are daydream believers, making access to entertainment easier for all and donating our time and resources to charity partners working towards the same goal. [8] [9] We are determined to minimise our impact on the planet. [1] [2]

Environmental

1. Reducing carbon footprint
2. Zero Waste and recycling

Social

3. Health, Safety & Wellbeing of workforce and freelancers
4. Diversity, Equity & Inclusion
5. Employee empowerment, training & upskilling
6. Human Rights
7. Growing new talent
8. Contributing to global accessibility in entertainment

Governance

9. Charitable support
10. Innovation and R&D
11. Bespoke client solutions
12. Tech driven operational and economical efficiencies
13. Ethics, Compliance & Transparency
14. Data privacy and cyber security
15. Supply chain engagement
16. Industry & academic partnerships

Over the past 12 months we have consulted internally to update our purpose, mission and values and have landed on a purpose statement which the staff can buy into and is appropriate for our industry, "Enriching lives through access to entertainment." This will form the basis of an ongoing project to reinforce the message and put the purpose at the heart of our activities.

New Social Responsibility Committee

We have set up an internal team headed by a main Board member called the Social Responsibility Committee, which is responsible for formulating ESG policy, initiatives, and measurement of effectiveness of all ESG programmes. This committee meets at least once a month and, working with our human resources team, has already prepared the statement of purpose and the 16 material topics. It has identified three major industry charities that support our purpose and mission, and joint initiatives will commence in the coming year.

The Social Responsibility Committee has also recognised the need to support local communities and this has led to the company-wide initiative known as "ZOOgooders," which was recently approved by the main Board and allows all staff to spend two fully paid days a year to support a charity or local community project.

Board-level commitment to diversity, equity and inclusion

Our commitment to sustainability from the Board also includes a focus on diversity, equity and inclusion (DE&I). We recently commissioned a comprehensive survey into DE&I across the ZOO workforce, which will give us a benchmark from which to measure future improvements.

This year we also launched ZOO Academy the goal of which is to bring more diverse talent into the industry. We will also soon be launching an innovative apprenticeship scheme to encourage more young people to become software engineers.

Supporting home working

Our human resources team has been very busy supporting enhanced health and safety procedures in our upgraded offices – offering support to our working from home initiative and implementing an e-learning platform that is available to all staff to assist in building their work and life skills.

The introduction of a formal ESG strategy means we can codify and measure how we are improving our impact on these critical topics. We are excited about developing and executing our ESG strategy over the coming months and years.

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 six directors of which three are executive and three 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 may 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**
Dr. Stuart Green	11	11	–	–	2	2
Gordon Doran	11	11	–	–	–	–
Phillip Blundell	11	11	2	2	–	–
Non-executive Directors						
Gillian Wilmot	11	11	2	2	2	2
Mickey Kalifa	11	10	2	2	2	2
Nathalie Schwarz	3	3	0	0	1	1

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 six 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 until Summer 2022 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 Brighter Beauty Group, Non-Executive Chairman of JISP.com trading as Bubbles Online Services Ltd., Director of Board Mentoring Ltd, Non-Executive Chairman of Xpediator plc.

Time commitment: two to three days per month.

Mickey Kalifa, Independent Non-Executive Director

Term of office: Joined as Non-Executive Director on 13 January 2022; Chair of the Remuneration Committee from Summer 2022 and member of the Audit 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 digital agency Dept in in January 2022 having previously held the role of CFO with M&C Saatchi plc, an LSE listed business, since March 2019. 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 Dept Holding B.V.

Time commitment: one to two days per month.

Nathalie Schwarz, Independent Non-Executive Director

Term of office: Joined as Non-Executive Director on 13 January 2022; Chair of the Remuneration Committee from Summer 2022 and member of the Audit Committee.

Background and suitability for the role: Nathalie brings 20 years of board-level international experience from her roles in both publicly listed and privately owned companies. She has particular expertise in the media and digital technology sector with a career spanning broadcasting (television and radio), mobile and digital interactive platforms and information/data services. This includes as Group Commercial and Development Director at Channel 4 Television Corporation, overseeing the negotiation of its commercial partnership with UKTV. She also served as Group Strategy and Development Director at Capital Radio plc as the FTSE 250 company completed an £800 million merger to create the largest commercial radio analogue and digital group.

A qualified corporate finance lawyer, Nathalie began her career at leading global law firm Clifford Chance and has since served as Chair of Boards, Remuneration Committees and Nominations Committees. Her non-executive experience includes roles at Wilmington plc, Matomy Media plc, BigHand, Optionis and Amiad Water Systems plc.

Current external appointments: Vice Chair of the International Trade Association for the Broadcast and Media Industry (IABM)

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 22 years as a main board director of AIM-quoted companies.

Current external appointments: 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 13 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 2022. 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 FY22 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 its 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 and from 13th January 2022, Nathalie Schwarz. 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.
- 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

Advisers

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DLA Piper UK LLP
1 St Paul's Place
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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 2022.

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 27.

The audited financial statements for the year ended 31 March 2022 are set out on pages 57 to 98. 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. (2021:nil)

Going concern

The directors have prepared trading and cash flow forecasts for the group for the period to 31 March 2024 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 HSBC Bank which provides invoice financing of up to $5.0 million against US clients invoices raised by ZOO Digital Production LLC. This facility was arranged on the 1 July and runs until 30 June 2023. In the UK there is an overdraft facility with a limit of £250,000 ($345,000) in place with HSBC.

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
Nathalie Schwarz	Non-Executive Director appointed 13 January 2022

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 2022 are disclosed in the Directors' Remuneration report. In accordance with the company's Articles of Association, Nathalie Schwarz and Stuart Green retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' indemnities

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

Financial risk management

The financial risk management is included in the Strategic Report and in note 31.

Substantial shareholdings

At 6 April 2022, 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
Canaccord Genuity Group Inc	**14.61%**	12,903,972
Dr S A Green*	**12.80%**	11,308,972
Herald Investment Trust plc	**12.28%**	11,291,978
Invesco Ltd	**8.06%**	7,119,184
Stonehage Fleming IM Limited LLC	**4.68%**	4,130,489

*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 6th July 2022

Phillip Blundell
Director and Secretary

Remuneration Committee report

I am pleased to present the remuneration committee report for FY2022, which sets out the remuneration earned and paid to Directors in the year ended March 2022.

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 46 to 48 provides details of the amounts earned in respect of the year ended 31 March 2022 and how Directors' Remuneration Policy has operated and will be subject to an advisory shareholder vote at the 2022 AGM.

Review of the year ended 31 March 2022.

As described earlier in the annual report, the Company has exceeded its financial goals for the year, achieving revenue growth of 78% and EBITDA growth of 84%. As a result of this performance the Executive Directors achieved an annual cash bonus of 175% of their on-target earnings which is between 91% and 99% of their base salary.

In the period 1,000,000 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 150,000 share options, Gordon Doran was awarded 150,000 share options, both grants were at the prevailing market price on the date of grant of 130.0p. 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 FY2023

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 2023:

- The committee determined it was appropriate to increase the base salaries of the 3 Executive Directors by a range of 8% - 18% to reflect market rates for similar companies, recognising that there is high inflation and the average companywide increase of 8%.
- After reviewing the annual cash bonus provision, the committee felt it appropriate to leave the on-target earnings percentage at an average of 54% of base salary. This mirrors similar schemes at comparable companies.
- The committee has agreed to review the broader remuneration policy and a report will be produced in due course.

On behalf of the Board

Gillian Wilmot
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 2022 the Remuneration Committee consisted of all non-executive directors, with Nathalie Schwarz joining on 13 January 2022, and was chaired by Gillian Wilmot. After a brief handover the chair will be assumed by Nathalie Schwarz during summer 2022.

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, Mickey Kalifa and Nathalie Schwarz are paid as employees for their board services.

Directors' remuneration

Directors' remuneration for the year to 31 March 2022 is:

	Salary $000	Bonus $000	Benefits $000	Sub total $000	Pension $000	2022 Total $000	2021 Total $000
Dr Stuart A Green	310	296	-	606	9	615	473
Gordon Doran	350	350	26	726	-	726	449
Phillip Blundell	246	210	-	456	-	456	323
Gillian Wilmot	74	-	-	74	-	74	103
Mickey Kalifa	48	-	-	48	2	50	34
Nathalie Schwarz*	10	-	-	10	-	10	-
	1,038	856	26	1,920	11	1,931	1,382

* Nathalie Schwarz was appointed on 13 January 2022

Of the above, the following directors were remunerated in pound sterling for the year to 31 March 2022. The pound sterling amounts are shown below:

	Salary £000	Bonus £000	Sub total £000	Pension £000	2022 Total £000	2021 Total £000
Dr Stuart A Green	226	226	452	6	458	355
Phillip Blundell	180	163	343	-	343	244
Gillian Wilmot	60	-	60	-	60	75
Mickey Kalifa	35	-	35	1	36	26
Nathalie Schwarz	8	-	8	-	8	-
	509	389	898	7	905	452

Gordon Doran is remunerated in US dollars.

Two directors (2021: 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:	**2022**	2021
	$000	$000
Emoluments	**726**	473

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 2021	Granted during the year	Exercised during the year	Sur-rend-ered during the year	31 March 2022	Exercise price ($)	Exercise price (£)	Date from which exer-cise-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	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
Gordon Doran	-	150,000	-	-	**150,000**	$1.76	1.30****	Jan-23	Jan-32
Phillip Blundell	-	150,000	-	-	**150,000**	$1.76	1.30****	Jan-23	Jan-32
	3,965,000	**300,000**	**-**	**-**	**4,265,000**				

* 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 which was achieved in FY22.

**** The share options granted in the year and FY21 have a vesting condition relating to the profitability of the group.

The exercise of share options granted prior to 31 March 2021 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 $88,000 (2021: $138,000).

The market price of the ordinary shares at 31 March 2022 was 158 cents (120.5p) and the range during the year was 209 cents (151p) (high) to 126 cents (96.4p) (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
Nathalie Schwarz	13 January 2022	3 months

Directors' interests

The directors who held office at 31 March 2022 had the following interests, including any interests of a "connected person", in the 1p ordinary shares of ZOO Digital Group plc:

	2022	2021
Name of director	**Beneficial**	**Beneficial**
Gillian Wilmot	**31,517**	31,517
Dr Stuart A Green	**11,308,972**	11,535,997
Phillip Blundell	**80,000**	75,000
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.

On the 22 September 2021, Mrs Sara Green, the wife of Stuart Green, the CEO and Director of ZOO, converted the loan stock she held, amounting to the principal sum of £614,500 into 1,280,208 New Ordinary Shares at a price of 48.0 pence per Ordinary share.

On the 3 December 2021, Dr. Stuart Green, Chief Executive, sold 1,500,000 Ordinary Shares of 1 penny each in the Company ("Ordinary Shares") at a price of 123.0 pence per Ordinary Share, bringing his total holding to 11,308,972.

On 8 April 2022 Phillip Blundell purchased 5,000 ordinary shares at 118.0 pence per share bringing his total holding to 80,000.

No other transactions have taken place with directors.

No changes (other than noted above) took place in the interests of directors between 31 March 2021 and 30 June 2022.

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 2022 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards 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 2022 and of the group's profit for the year then ended;

the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 our results 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.

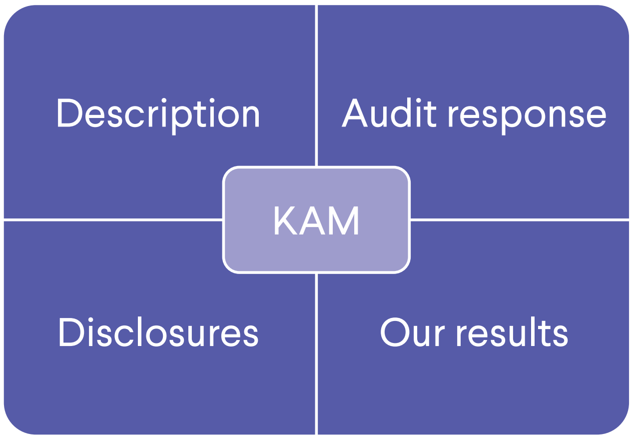
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

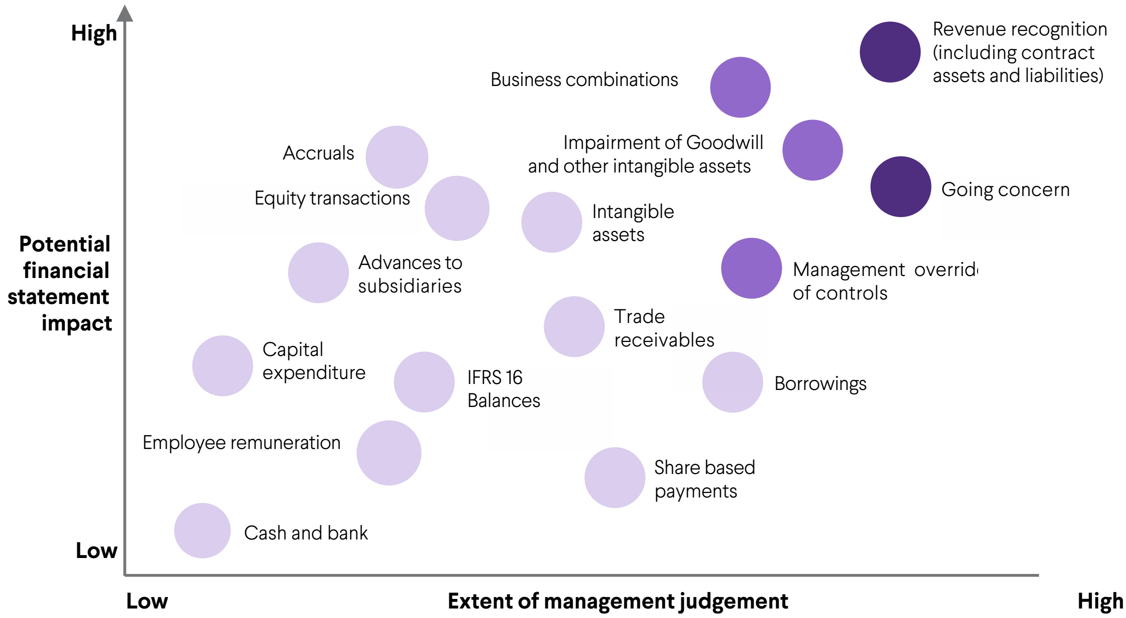
Overview of our audit approach
Overall materiality: Group: $470,000, which represents 0.75% of the group's expected revenue at the planning stage. Parent company: $188,000, which represents 1% of the parent company's total asset balance at planning, capped at component materiality.
Key audit matters for the group 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 2021 included no key audit matters that have not been reported as key audit matters in our current year's report. We did not identify any key audit matters relating to the audit of the financial statements of the parent company in addition to those above, identified for the group.
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 100% profit before tax was subjected to full scope procedures with 94% 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		**Significant risk**		**Other risk**

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 and error. 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 2022 was $70,403,000 (2021: $39,525,000). 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 contracts which are open at the year end. There is a significant risk that management may record revenue fictitiously or in advance of the criteria for revenue recognition being satisfied. Revenue recognition is susceptible to management bias which heightens this risk.	• In responding to the key audit matter, we performed the following audit procedures: • walking through the process and controls around the recording of revenue to understand the design and implementation of controls; • assessing whether the revenue recognition policy is in accordance with IFRS 15 'Revenue from Contracts with Customers' by comparing policies to IFRS 15 requirements, assessing the disclosures made and agreeing a sample of revenue recorded in the period to supporting documentation and assessing adherence to the policy adopted; • testing the operating effectiveness of the relevant controls surrounding revenue recognition for the group's main revenue stream by observing the relevant control log; • selected a sample of contract revenue to determine whether the contracts have been 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; and • Analytically reviewing sales, including trend and ratio analysis comparing results to prior year.

<table>
<tr><th>Key Audit Matter – Group</th><th>How our scope addressed the matter – Group</th></tr>
<tr><td>Relevant disclosures in the Annual Report and Accounts 2021
Financial statements: Note 2, Accounting Policies
Financial statements: Note 5, Revenue
Financial statements: Note 27, Contracts with customers
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.</td><td>Our results
Based on the work we have undertaken we have not identified any material misstatements in revenue recognition.</td></tr>
<tr><td>Going Concern
We have identified a key audit matter related to going concern as one of the most significant assessed risks of material misstatement due to error as a result of the judgement required to conclude whether a material uncertainty related to going concern exists.
The current economic climate for the UK and US remains uncertain following significant events across the world, both ongoing and in the recent past. 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.
The group is also managing its cash flow levels to ensure it has sufficient cash to meet obligations while managing working capital challenges aligned with the growth of the group.
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.</td><td>In responding to the key audit matter, we performed the following audit procedures:
walking through the process and controls around the going concern assessment and budget process to understand the design and implementation of controls;
obtaining management’s forecasts covering the period to March 2024, including their assessment of the 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 the future cash balance and any significant cash inflows which are included within these forecasts;
corroborating post year end events which support the going concern assumption to relevant documentation and evaluated of their application in the forecasts for accuracy;
performing sensitivity analysis on the forecasts, including obtaining management’s reverse stress test, to determine the reduction in revenue that would lead to elimination of the headroom in their original cash flow forecasts;
evaluating the performance of post year end trading against forecast performance in both the United Kingdom and the United States; and
assessing the adequacy of the going concern disclosures included within the financial statements.</td></tr>
<tr><td>Relevant disclosures in the Annual Report and Accounts 2021
Financial statements: Note 2, accounting policies</td><td>Our results
We have nothing to report in addition to that stated in the ‘Conclusions relating to going concern’ section of our report.</td></tr>
</table>

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

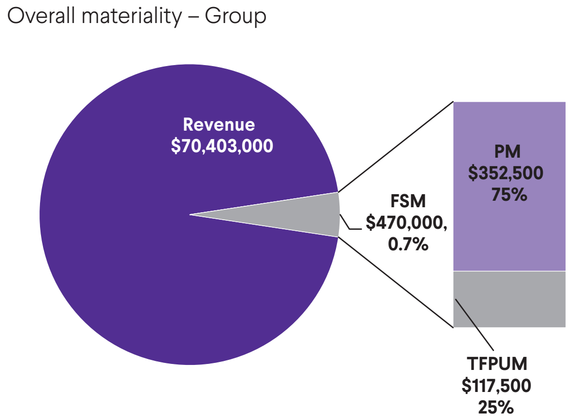
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

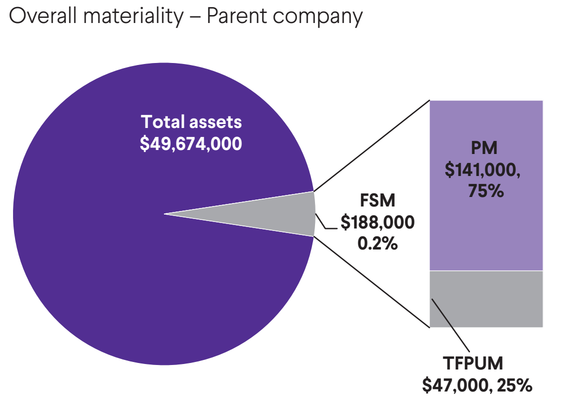
Materiality was determined as follows:

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	$470,000 which is 0.75% of Group expected revenue for the year at the planning stage.	$188,000 which is 1% of the total assets of the parent entity, capped at component materiality.
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. We reassessed the materiality determined at planning based on the year end final performance to consider whether the materiality determined remained appropriate based on all relevant benchmarks. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the improvement in the performance of the group during the year which has led to the group's financial position also strengthening.	In determining materiality, we made the following significant judgements: • Total assets is considered the most appropriate performance measure to the stakeholder of the parent company based on there being no trade through the parent company and the parent company acts as a holding company and therefore balance sheet benchmarks are most relevant. . • The percentage of 1% was selected based on the risk profile of the entity as a component within a listed entity. We reassessed the materiality determined at planning based on the year end final position to consider whether the materiality determined remained appropriate based on all relevant benchmarks. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 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	$352,500 which is 75% of financial statement materiality.	$141,000 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

Materiality measure	Group	Parent company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	$23,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$9,400 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.





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 seven components within the group of which three 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 subsidiaries.

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 one of the subsidiary undertaking 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 all the other entities within the Group (ZOO Digital Inc, ZOO Employee Share Trust Limited, Vista India Digitek Private Limited and Vista Tanweer Studios Private Limited).

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 100% of total profit before tax. This approach was consistent with the prior year; and of the group's total asset balance 6% was subject to analytical 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 group'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.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the Group and parent company operate; and
  - understanding of the legal and regulatory frameworks applicable to the Group and the parent company.

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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
6 July 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2022

	Note	**2022** $000	2021 $000
Revenue	5	**70,403**	39,525
Cost of sales		**(48,296)**	(25,882)
Gross Profit		**22,107**	13,643
Other operating income	6	**204**	188
Other operating expenses	8	**(19,165)**	(12,869)
Operating profit		**3,146**	962
Analysed as:			
EBITDA before share based payments		**8,326**	4,534
Share based payments	8	**(513)**	(649)
Depreciation (net of grant) and impairment	8	**(3,008)**	(1,702)
Amortisation	8	**(1,659)**	(1,221)
		3,146	962
Exchange loss on borrowings	7	**(5)**	(359)
Fair value movement on embedded derivative	7	**(1,567)**	(3,474)
Finance cost	7	**(519)**	(700)
Total finance costs		**(2,091)**	(4,533)
Profit/(loss) before taxation		**1,055**	(3,571)
Tax credit	11	**1,573**	408
Profit/(loss) and total comprehensive income for the year attributable to equity holders of the parent		**2,628**	(3,163)

Profit/(loss) per share	13		
basic		**3.10 cents**	(4.24) cents
diluted		**2.80 cents**	(4.24) cents

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Note	**2022 $000**	2021 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**13,317**	4,362
Intangible assets	16	**9,514**	6,812
Equity accounted investments	18	**4,154**	-
Deferred income tax assets	19	**1,846**	486
		28,831	**11,660**
Current assets			
Trade and other receivables	20	**25,992**	8,063
Contract assets	27	**3,647**	2,178
Cash and cash equivalents	22	**5,962**	2,949
		35,601	13,190
Total assets		**64,432**	**24,850**
LIABILITIES			
Current liabilities			
Trade and other payables	26	**(27,638)**	(9,955)
Contract liabilities	27	**(774)**	(813)
Borrowings	25	**(1,313)**	(5,032)
Separable embedded derivative	25	**-**	(4,452)
		(29,725)	**(20,252)**
Non-current liabilities			
Borrowings	25	**(7,830)**	(1,759)
Other payables	26	**(619)**	-
		(8,449)	(1,759)
Total liabilities		**(38,174)**	(22,011)
Net assets		**26,258**	**2,839**
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	24	**1,174**	1,010
Share premium reserve	24	**55,665**	41,003
Foreign exchange translation reserve	24	**(992)**	(997)
Convertible loan note reserve	24	**5,471**	42
Share option reserve	24	**2,619**	2,085
Capital redemption reserve	24	**6,753**	6,753
Interest in own shares	24	**(49)**	(46)
Other reserves	24	**12,320**	12,320
Accumulated losses	24	**(56,703)**	(59,331)
Attributable to equity holders		**26,258**	**2,839**

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 98 were approved and authorised for issue by the board of directors on 6 July 2022 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 2022

	Note	2022 $000	Restated 2021 $000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**4,336**	444
Intangible assets	16	**2,281**	2,281
Investments in associated undertakings	18	**4,052**	-
Investment in subsidiary undertakings	29	**12,700**	9,700
Amounts due from subsidiary undertakings	20	**26,095**	18,100
		49,494	**30,525**
Current assets			
Trade and other receivables	20	**480**	455
Cash and cash equivalents	22	**30**	89
		510	**544**
Total assets		**49,974**	**31,069**
LIABILITIES			
Current liabilities			
Trade and other payables	26	**(9,314)**	(5,658)
Borrowings	25	**(9,795)**	(13,343)
Separable embedded derivative	25	**-**	(4,452)
		(19,109)	(23,453)
Non-current liabilities			
Borrowings	25	**(2,527)**	-
Other payables	26	**(600)**	-
		(3,127)	-
Total liabilities		**(22,236)**	**(23,453)**
Net assets		**27,738**	**7,616**
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	24	**1,174**	1,010
Share premium reserve	24	**55,665**	41,003
Foreign exchange translation reserve	24	**(13)**	(13)
Convertible loan note reserve	24	**5,471**	42
Share option reserve	24	**2,619**	2,085
Capital redemption reserve	24	**6,753**	6,753
Interest in own shares	24	**(4)**	(4)
Other reserves	24	**10,596**	10,596
Accumulated losses	24	**(54,523)**	(53,856)
Attributable to equity holders		**27,738**	**7,616**

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 $667,000 (2021: loss of $4,625,000).

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 98 were approved and authorised for issue by the board of directors on 6 July 2022 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 2022

	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 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	-	-	-	-	-	-	-	(3,163)	-	(3,163)
Balance at 31 March 2021	**1,010**	**41,003**	**(997)**	**42**	**2,085**	**6,753**	**12,320**	**(59,331)**	(46)	2,839
Issue of Share Capital	164	**14,662**	**-**	**5,429**	-	-	-	-	-	20,255
Share options exercised	-	-	-	-	21	-	-	-	-	21
Share based payments	**-**	**-**	**-**	**-**	**513**	**-**	**-**	**-**	**-**	**513**
Transactions with owners	**164**	**14,662**	**-**	**5,429**	**534**	**-**	**-**	**-**	**-**	**20,789**
Foreign exchange translation adjustment	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**(3)**	**2**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,628**	**-**	**2,628**
Total comprehensive income for the year	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**2,628**	**(3)**	**2,630**
Balance at 31 March 2022	**1,174**	**55,665**	**(992)**	**5,471**	**2,619**	**6,753**	**12,320**	**(58,018)**	**(49)**	**26,258**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Ordinary shares	Share premium reserve	Foreign exchange translation reserve	Convertible loan note reserve	Share option reserve	Capital redemption reserve	Other reserves	Accumulat-ed losses	Interest in own shares	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2020 as previously stated	1,010	41,003	(13)	42	1,375	6,753	10,596	(52,138)	(4)	8,624
Impact of correction of errors	–	–	–	–	–	–	–	2,907	–	2,907
Restated balance at 1 April 2020	1,010	41,003	(13)	42	1,375	6,753	10,596	(49,231)	(4)	11,531
Share options exercised	-	-	-	-	61	-	-	-	-	61
Share based payments	-	-	-	-	649	-	-	-	-	649
Transactions with owners	-	-	-	-	710	-	-	-	-	710
Loss for the year	–	–	–	–	–	–	–	(4,941)	–	(4,941)
Impact of correction of errors	–	–	–	–	–	–	–	316	–	316
Total comprehensive income for the year	–	–	–	–	–	–	–	(4,625)	–	(4,625)
Restated balance at 31 March 2021	**1,010**	**41,003**	**(13)**	**42**	**2,085**	**6,753**	**10,596**	**(53,856)**	**(4)**	**7,616**
Issue of share capital	164	14,662	–	5,429	–	-	-	-	-	**20,255**
Share options exercised	–	–	–	-	21	-	-	-	-	**21**
Share based payments	–	–	–	-	513	-	-	-	-	**513**
Transactions with owners	164	14,6629	–	**5,429**	534	-	-	-	-	**20,789**
Loss for the year	–	–	–	–	–	–	–	(667)	–	(667)
Total comprehensive income for the year	–	–	–	–	–	–	–	(667)	–	(667)
Balance at 31 March 2022	**1,174**	**55,665**	**(13)**	**5,471**	**2,619**	**6,753**	**10,596**	**(54,523)**	**(4)**	**27,738**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Operating profit for the year		**3,146**	962
Depreciation and impairment	14	**3,022**	1,715
Amortisation and impairment	16	**1,659**	1,221
Share based payments		**513**	649
Changes in working capital:			
Increases in trade and other receivables		**(18,453)**	(918)
Increases in trade and other payables		**15,337**	2,719
Cash flow from operations		**5,224**	6,348
Tax received		**258**	408
Net cash inflow from operating activities		**5,482**	6,756
Investing activities			
Purchase of intangible assets	16	**(58)**	(67)
Capitalised development costs	16	**(1,675)**	(1,274)
Purchase of Investments	18	**(953)**	-
Acquisition of subsidiaries	17	**(3,000)**	-
Purchase of property, plant and equipment	14, 19	**(4,377)**	(2,290)
Net cash outflow from investing activities		**(10,063)**	(3,631)
Cash flows from financing activities			
Repayment of borrowings		**(531)**	(982)
Proceeds from borrowings		**-**	1,043
Proceeds from fund raise		**10,107**	-
Repayment of principal under lease liabilities		**(1,268)**	(1,102)
Finance cost		**(348)**	(414)
Share options exercised		**21**	61
Share issue costs		**(551)**	-
Issue of share capital		**164**	-
Net cash inflow/(outflow) from financing		**7,594**	**(1,394)**
Net increase/(decrease) in cash and cash equivalents		**3,013**	1,731
Cash and cash equivalents at the beginning of the year		**2,949**	1,218
Cash and cash equivalents at the end of the year	22	**5,962**	2,949

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	2022 $000	Restated 2021 $000
Cash flows from operating activities			
Operating profit/(loss) for the year		**1,073**	(817)
Depreciation	14	**1,096**	313
Amortisation & impairment	16	**-**	1
Share based payments		**513**	649
Changes in working capital:			
Trade and other receivables		**(8,020)**	(4,461)
Trade and other payables		**2,422**	5,002
Cash flow from operations		**(2,916)**	687
Tax received/(paid)		-	-
Net cash flow from operating activities		**(2,916)**	687
Investing Activities			
Purchase of investments	18	**(1,162)**	-
Acquisition of subsidiaries	17	**(3,000)**	-
Purchase of property, plant and equipment	14	**(2,284)**	(241)
Net cash flow from investing activities		**(6,446)**	(241)
Cash flows from financing activities			
Proceeds from fund raise		**10,107**	-
Repayment of borrowings		**(44)**	(64)
Repayment of principal under lease liabilities		**(181)**	(121)
Finance cost		**(213)**	(258)
Share issue costs		**(551)**	-
Share options exercised		**21**	61
Issue of share capital		**164**	-
Net cash flow from financing		**9,303**	(382)
Net (decrease)/increase in cash and cash equivalents		**(59)**	64
Cash and cash equivalents at the beginning of the year		**89**	25
Cash and cash equivalents at the end of the year	22	**30**	89

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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 Floor 2 Castle House, Angel Street, 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 UK adopted 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 2024 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 HSBC Bank which provides invoice financing of up to $5m against US clients invoices raised by ZOO Digital Production LLC. This facility is in place until 1 July 2023.

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 2021

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 2022 but not yet effective and have not yet been adopted early by the Group

At the date of authorisation of these financial statements, there are no new, but not yet effective, standard, amendments to existing standards, or interpretations that have been published by the IASB that will have a material impact on these 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.

The Group applies the acquisition method when accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and equity interests issued the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

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 2022 was 0.762 (2021: 0.726).

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.

2.6.1 Joint ventures and associates

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of the profits or losses is recognised in the Consolidated Statement of Comprehensive Income. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that are long-term and may not be settled in the foreseeable future. Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures and associates are consistent with those of the Group.

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 non-current 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.

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 transaction price 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". 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 short-term 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.

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 scheme rules.

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.

ZEST holds shares for employees only. Its statement of financial position is consolidated within the Group.

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

A contract asset must be recognised if the Group recorded revenue for fulfilment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the Group fulfilled a contractual performance obligation and thus recognised revenue.

2.12.1 Sales of services

Service revenue is recognised in accordance with the transfer of control 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.Performance obligations within each contract are separated to identify distinct elements to which transaction prices are allocated. 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.

The revenue stream forms the Media Production segment.

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 series of distinct goods and services that are all substantially the same and have the same pattern of transfer to the customer, 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. As the licence is identified as the dominant element of the contract, these contracts have been accounted for as a single performance obligation over the term of the licence as a result of the customer having a right to access the licence. This revenue stream forms the Software Solutions revenue stream.

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 inborrowings.

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.

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 31)

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.

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.

Allocation of acquisition price of Vista investment

The methodology for the split of the investment of $6m into the three entities was that the two service businesses were worth 1 times their combined revenues and the balance represents the negotiated price with the Vendors for the 35% of future profits of the US entity, its customer relationships, the ongoing participation of the founders and the Indian brand value.

Accounting for IFRS 16 – new leases

The group obtained a professional valuation from Mazars Quantitative Solutions (MQS) to determine the discount rate implicit in the lease. This rate was used to ascertain the fair value of the new leases. Management have estimated the most likely term varies from 4 to 10 years.

Share based payments

The group obtained a professional valuation from Mazars Quantitive Solutions (MQS) to determine the fair value of the share options granted in the year. This was used to calculate the amounts recognised through the statement of financial position for the year to 31 March 2022.

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.

Intercompany non-current asset classification

The amounts owed by subsidiary undertakings as non-current assets because the Group is still in an investment phase and does not expect or require it's subsidiaries to repay its debts to the Group in the next 12 months.

4. Segmental reporting

Operating segments

At 31 March 2022, the group is organised on a worldwide basis into two main operating segments:

- Segment 1 – Media Production – being localisation and media services
- Segment 2 - Software solutions

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 media production segment generates revenue which is reported as "Localisation" and "Media Services". Both types of revenue are interdependent and are generated by the same processes, people and assets, accordingly are considered to represent one segment.

Note that the new acquisitions are not included in the Operational Segments for 2022 as they have not been included in the statement of comprehensive income based on materiality.

The segment results are as follows:

	Media Production							
	Localisation		Media services		Software solutions		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Total revenue	**49,573**	23,699	**26,425**	17,466	**1,792**	1,798	**77,790**	42,963
Inter-segment revenue	(7,387)	(3,438)	**-**	-	**-**	-	**(7,387)**	(3,438)
Revenue	**42,186**	20,261	**26,425**	17,466	**1,792**	1,798	**70,403**	39,525
Segment contribution	**9,173**	2,946	**15,330**	11,365	**1,660**	1,693	**26,163**	16,004
Unallocated cost of sales							**(4,056)**	(2,361)
Gross profit							**22,107**	13,643
Unallocated corporate expense							**(18,961)**	(12,681)
Operating Profit							**3,146**	962
Finance cost							**(2,091)**	(4,533)
Profit/(loss) before taxation							**1,055**	(3,571)
Tax on profit							**1,573**	408
Profit/(loss) for the year							**2,628**	**(3,163)**

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	
	2022	2021	**2022**	2021	**2022**	2021
	$000	$000	**$000**	$000	**$000**	$000
United Kingdom (domicile)	**9,179**	5,492	**31,476**	12,168	**26,083**	4,479
US	**61,224**	34,033	**32,956**	12,682	**2,748**	7,181
	70,403	39,525	**64,432**	24,850	**28,831**	11,660

At 31 March 2022, contract assets amounted to $3.6m (2021: $2.2m) and contract liabilities amounted to $0.8m (2021: $0.8m). Revenue for the year ended 31 March 2022 includes $0.5m (2021: $0.7m) 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:

	2022	2021
	$000	$000
Service revenue	68,611	37,727
Licence revenue	1,792	1,798
	70,403	39,525

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

	For the year ended 31 March 2022		
	Service	Licensing	**Total**
	$'000	$'000	**$'000**
United Kingdom	3,937	49	**3,986**
USA	62,838	1,735	**64,573**
Europe	764	-	**764**
Other countries	1,072	8	**1,080**
	68,611	1,792	**70,403**

	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

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

	For the year ended 31 March 2022		
	Service	Licensing	**Total**
	$'000	$'000	**$'000**
Services transferred over time	68,611	1,792	**70,403**

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

Major clients

The group has two major customers contributing 78% and 6% (2021: 72% and 4%) of the group's revenue respectively. The debtor receivable balance as at 31 March 2022 for the two largest clients was $18m. The revenues are as follows:

	2022	2021
	$000	$000
Largest two clients	**58,905**	30,077
Other clients	**11,498**	9,448
	70,403	39,525

6. Other operating income

	2022	2021
	$'000	$'000
Grant Funding (Sheffield City Council and Innovate UK)	**204**	188
Other operating income	**204**	188

7. Finance costs

	2022	2021
	$'000	$'000
Interest on borrowings	**288**	452
Interest on lease liabilities	**231**	248
	519	700
Fair value movement on embedded derivative	**1,567**	3,474
Exchange loss on borrowings	**5**	359
Finance costs	**2,091**	4,533

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.

8. Operating profit/loss

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

	2022	2021
	$000	$000
Other exchange (gains)/losses	**(98)**	96
Staff costs (indirect)	**9,973**	7,025
Capitalised staff costs	**(1,675)**	(1,274)
Share based payment	**513**	649
Depreciation	**2,411**	1,715
Impairment re Citygate right of use asset	**611**	-
Grant release re tangible fixed assets	**(14)**	(13)
Amortisation of other intangible assets	**1,659**	1,221
Research and non-capitalised development costs	**278**	320
Auditor's remuneration	**129**	91
Other expenses	**5,378**	3,039
Other operating expenses	**19,165**	12,869

9. Auditor's remuneration

	2022	2021
	$000	$000
Fees payable to the company's auditor for the audit of the company's financial statements	**104**	69
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	**7**	4
	129	91

10. Employees including directors

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

	Group		Company	
	2022	2021	**2022**	2021
	No.	No.	**No.**	No.
Product design and service delivery	**320**	225	**110**	62
Sales and marketing	**10**	9	**6**	5
Administration	**23**	16	**14**	10
	353	250	**130**	77

Their aggregate remuneration comprised:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$000	**$'000**	$000
Wages and salaries	**24,462**	16,926	**3,560**	2,011
Social security costs	**2,257**	1,177	**226**	144
Other pension costs	**259**	200	**130**	95
Share based payments	**513**	649	**371**	574
	27,491	18,952	**4,287**	2,824

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

Compensation of key management personnel (including directors)

	Group		Company	
	2022	2021	**2022**	2021
	$000	$'000	**$000**	$'000
Short-term employee benefits	**2,452**	1,739	**1,196**	924
Cost of defined benefit scheme pensions	**11**	9	**11**	9
Share based payments	**120**	211	**88**	167
	2,583	1,959	**1,295**	1,100

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

Directors' remuneration for the year to 31 March 2022 is:

	Salary	Bonus	Benefits	Pension	2022 Total	2021 Total
	$000	**$000**	**$000**	**$000**	**$000**	$000
Dr Stuart A Green	**310**	**296**	**-**	**9**	**615**	473
Gordon Doran	**350**	**350**	**26**	**-**	**726**	449
Phillip Blundell	**246**	**210**	**-**	**-**	**456**	323
Mickey Kalifa	**48**	**-**	**-**	**2**	**50**	34
Gillian Wilmot	**74**	**-**	**-**	**-**	**74**	103
Nathalie Schwartz*	**10**	**-**	**-**	**-**	**10**	-
	1,038	**856**	**26**	**11**	**1,931**	1,382

*appointed 13 January 2022

Two directors (2021: 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:	2022	2021
	$000	$000
Emoluments	**726**	473

11. Income tax

	2022	2021
	$000	$000
Current tax:		
UK corporation tax		
- Research and development tax credit	**(410)**	(408)
US tax	**152**	-
Total current tax	**(258)**	(408)
Total deferred tax	**(1,315)**	-
Tax credited	**(1,573)**	(408)

Corporation tax is calculated at 19% (2021: 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:

	2022 $000	2021 $000
Profit/(loss) before tax	**1,055**	(3,571)
Tax calculated at standard rate of corporation tax of 19% (2021: 19%)	**200**	(678)
Research and development tax credit	**(410)**	(408)
US tax	**152**	-
Deferred tax asset initially recognised	**(1,315)**	-
(Deducted from)/accumulation of unrecognised losses brought forward	**(200)**	678
Tax credited	**(1,573)**	(408)

Tax losses carried forward

The group has tax losses carried forward of approximately $38.1m (2021: $45.7m), of which $2.6m (2021: $3.4m) has been recognised at a rate of 25% (UK) and 30% (US) as a deferred tax asset for the year. The balance of tax losses remain unrecognised at the balance sheet date due to the uncertainty in the timing of future profits.

12. Dividends

There were no dividends paid or proposed.

13. Profit/(loss) per share

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

	Basic and Diluted 2022 $000	2021 $000
Profit/(loss) for the financial year	**2,628**	(3,163)

Weighted average number of shares for basic & diluted (loss)/profit per share	2022 Number of shares	2021 Number of shares
Basic	**85,037,636**	74,597,495
Effect of dilutive potential ordinary shares:		
Convertible loan note	**-**	-
Share options	**8,585,215**	-
Diluted	**93,622,851**	74,597,495

	2022 Cents	2021 Cents
Basic	**3.10**	(4.24)
Diluted	**2.80**	(4.24)

The convertible debt has not been included in the 2021 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 property improvements	Computer hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000	$000
Cost					
Opening cost at 1 April 2020	661	4,284	3,180	150	8,275
Additions – Right of use assets	-	154	-	-	154
Additions - owned	182	22	2,045	41	2,290
Opening cost at 1 April 2021	843	4,460	5,225	191	10,719
Additions – Right of use assets	-	8,495	-	-	8,495
Additions - owned	94	2,110	2,001	172	4,377
On Vista acquisition	-	-	97	-	97
Disposals – Right of use assets	-	(3,034)	-	-	(3,034)
Closing cost at 31 March 2022	**937**	**12,031**	**7,323**	**363**	**20,654**
Accumulated depreciation					
Opening balance at 1 April 2020	523	1,293	2,714	112	4,642
Depreciation	105	1,013	582	15	1,715
Opening balance at 1 April 2021	628	2,306	3,296	127	6,357
Depreciation	149	1,097	1,126	39	2,411
Impairment	-	611	-	-	611
On disposal	-	(2,042)	-	-	(2,042)
Closing balance at 31 March 2022	**777**	**1,972**	**4,422**	**166**	**7,337**
Opening carrying value at 1 April 2020	138	2,991	466	38	3,633
Opening carrying value at 1 April 2021	215	2,154	1,929	64	4,362
Closing carrying value at 31 March 2022	**160**	**10,059**	**2,901**	**197**	**13,317**

Included in the net carrying amount of Leasehold Improvements are right-of-use assets of $7,959,000 (2021: $2,006,000)

The disposal of leasehold improvements relate to the right of use asset of the US office. This lease was re-negotiated and renewed for 6 years.

Company	Leasehold improvements	Computer & Production hardware	Office equipment, fixtures & fittings	Total
	$000	$000	$000	$000
Cost				
Opening cost at 1 April 2020	615	414	76	1,105
Additions - owned	6	235	-	241
Opening cost at 1 April 2021	621	649	76	1,346
Additions – Right of use assets	2,704	-	-	2,704
Additions - owned	1,593	589	102	2,284
Closing cost at 31 March 2022	**4,918**	**1,238**	**178**	**6,334**
Accumulated depreciation				
Opening balance at 1 April 2020	309	209	71	589
Depreciation	174	136	3	313
Opening balance at 1 April 2021	483	345	74	902
Depreciation	850	237	9	1,096
Closing balance at 31 March 2022	**1,333**	**582**	**83**	**1,998**
Opening carrying value at 1 April 2020	306	205	5	516
Opening carrying value at 1 April 2021	138	304	2	444
Closing carrying value at 31 March 2022	**3,585**	**656**	**95**	**4,336**

Included in the net carrying amount of leasehold improvements are right-of-use assets of $2,041,000 (2021: $91,000)

15. Leases

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

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Current	**1,313**	1,506	**94**	116
Non-current	**7,830**	1,759	**2,527**	-
	9,143	**3,265**	**2,621**	**116**

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. 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:

accounts

Right-of-use-asset	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
Office building	6	2-10 years	4.7 years	-	-	-	-
IT equipment	-	-	-	-	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 31 March 2022 were as follows:

31 March 2022	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	After 5 years $'000	Total $'000
Lease payments	1,868	1,760	1,665	**1,637**	**1,600**	**2,732**	**11,262**
Finance charges	(555)	(458)	(382)	(284)	(197)	(243)	**(2,119)**
Net present values	1,313	1,302	1,283	1,353	1,403	2,489	**9,143**
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**

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. (2021: $12,000).

At 31 March 2022 the total commitment was $20,000. (2021: $26,000).

Total cash outflow for leases for the year ended 31 March 2022 was $1.9 million (2021 $1.6 million).

Group

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

At 31 March 2022	Production equipment $000	Leasehold improvements $000	Computer hardware $000	Office equipment, fixtures & fittings $000	Total $000
Cost - capitalised leases	298	9,547	2,815	26	12,686
Accumulated depreciation	(215)	(1587)	(2,377)	(26)	(4,205)
Net book value	**83**	**7,959**	**438**	**-**	**8,480**

At 31 March 2021	Production equipment $000	Leasehold improvements $000	Computer hardware $000	Office equipment, fixtures & fittings $000	Total $000
Cost - capitalised leases	298	4,086	2,815	26	7,225

Accumulated depreciation	(159)	(2,080)	(2,066)	(26)	(4331)
Net book value	**139**	**2,006**	**749**	**-**	**2,894**

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 2022	**Leasehold Improvements**	**Computer hardware**	**Total**
	$000	**$000**	**$000**
Cost - capitalised leases	3,229	20	3,249
Accumulated depreciation	(1,189)	(20)	(1,209)
Net book value	**2,041**	**-**	**2,041**

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**

The Group has relocated the head office premises in the year from Citygate, Sheffield to Castle House, Sheffield. The Group was unsuccessful in actioning a break clause in the Citygate lease. Legal advice was sought to challenge the rejection by the landlord of the Citygate building of our intention to break, but the conclusion was that we had no grounds. As a result the balance of the lease has been impaired and charged to the statement of comprehensive income for the year to 31 March 2022. This amounts to $600,000 and the term left to run is four years.

The Group is actively engaged in looking for a tenant for the Citygate building and is following more than one line of enquiry.

16. Intangible assets

Group	Goodwill	Development costs	Patents and trademarks	Computer software	Total
	$000	$000	$000	$000	$000
Cost					
Opening cost at 1 April 2020	16,610	12,309	693	798	30,410
Additions	-	1,274	46	21	1,341
Opening cost at 1 April 2021	16,610	13,583	739	819	31,751
Additions	-	1,675	54	4	1,733
On Vista acquisition	2,616	-	-	12	2,628
Closing cost at 31 March 2022	**19,226**	**15,258**	**793**	**835**	**36,112**
Accumulated amortisation					
Opening balance at 1 April 2020	12,620	9,974	517	607	23,718
Amortisation	-	1,116	38	67	1,221
Opening balance at 1 April 2021	12,620	11,090	555	674	24,939
Amortisation	-	1,550	37	72	1,659
Closing balance at 31 March 2022	**12,620**	**12,640**	**592**	**746**	**26,598**
Opening carrying value at 1 April 2021	3,990	2,493	184	145	6,812
Closing carrying value at 31 March 2022	**6,606**	**2,618**	**201**	**89**	**9,514**

The Vista acquisition relates to two entities acquired by the Group in March 2022 (see note 17) The two subsidiaries are classified as one CGU because they source customers together for media localisation services and are interdependent in their need for technical media services. It is our intention to merge the two businesses in the next 12 months. The Board is satisfied that the Goodwill arising on the acquisition is accurately recorded and requires no impairment after conducting a review of its future financial performance under the ownership of ZOO and the substantial opportunity for growth in the Indian media localisation market. The two entities will sit within the media production segment.

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 (2021: nil).

No intangible assets were impaired during the year (2021: nil).

Company	Goodwill	Computer software	Total
	$000	**$000**	**$000**
Cost			
Opening cost at 1 April 2021	10,960	14	10,974
Closing cost at 31 March 2022	**10,960**	**14**	**10,974**
Accumulated amortisation/ impairment			
Opening balance at 1 April 2021	8,679	14	8,693
Amortisation	–	–	-
Closing balance at 31 March 2022	**8,679**	**14**	**8,693**
Opening carrying value at 1 April 2020	2,281	1	2,282
Opening carrying value at 1 April 2021	2,281	-	2,281
Closing carrying value at 31 March 2022	**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 8% (2021: 10%). The carrying amount of goodwill is allocated as follows:

Software solutions		Media production		Vista India		Group	
2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
2,281	2,281	**1,709**	1,709	**2,616**	-	**6,606**	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.

With the acquisition in March 2022 of the two Vista subsidiaries, they have been classified as one CGU and have been tested for impairment under the same Discount and Growth rates as above. Management has based its forecasts from current products and services and estimates of future clients requirements and market trends. A “cautious” assumption was used when assessing any potential impairment.

If sector growth assumption rates were applied at 3% and a discount rate of 10% was applied, the Vista segment would require no impairment.

If sector growth assumption rates were applied at 0% and a discount rate of 10% was applied, the Vista segment would require no impairment.

If sector growth assumption rates were applied at 0% and a discount rate of 15% was applied, the Vista segment would require no impairment.

17. Acquisitions

On 20 March 2022, the Group acquired 100% of two Indian registered companies, Vista India Digitek Private Limited and Vista Tanweer Studios Private Limited, which are now subsidiaries of the group. We also acquired 35% of Vista India Digital Media Inc. a US business, which is now an associate of the group. ZOO Digital Limited acquired a 1% holding of Vista India Digitek Private Limited in the above transaction.

ZOO’s strategy is to become the leading provider of localisation services to the global entertainment industry through innovation and superior customer service. The five pillars of this strategy are innovation, scale, affiliates, customer partnerships and talent.

As our key Hollywood customers grow internationally it is vital that we also become more global. This can be partly accommodated by signing up more affiliates, however having local offices is becoming more of a priority.

The value to ZOO based on the original model presented to the Board is as follows

- Vista India Digital Media Inc. $3.0 million
- Vista India Digitek Private Limited $1.5 million
- Vista Tanweer Studios Private Limited $1.5 million

The total consideration for the transaction was $6 million (that being $3.1 million in cash, $1.9 million in deferred cash and the remaining $1 million in shares in the Group) and the consideration was split across the three businesses in a non-commercial arrangement to comply with Indian legal requirements.

The methodology for the split was that the two service businesses were worth 1 times their combined revenues and the balance represents the negotiated price with the Vendors for the 35% of future profits of the US entity, its customer relationships, the ongoing participation of the founders and the Indian brand value.

The Company is required to allocate the Vista India purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values is recorded as goodwill. The Company has 12 months from the purchase date to determine the fair value amounts and hence the current amounts are provisional.

The following table summarises our initial allocation of the acquisition of Vista India Digitek Private Limited and Vista Tanweer Studio Private Limited.

	Vista IDPL	Vista Tanweer	Total
	$000	$000	$000
Non-current assets	26	142	168
Trade and other payables	1,126	115	1,241
Trade and other liabilities	(932)	(74)	(1,006)
Non current liabilities	(19)	-	(19)
Total net assets	201	183	384
Consideration – cash paid	1,500	1,500	3,000
Goodwill	1,299	1,317	2,616

18. Investments

Parent company – shares in group undertakings

	$000
Cost	
At 1 April 2021	**11,797**
Additions (note 17)	**3,000**
At 31 March 2022	**14,797**
Amounts written off	
At 1 April 2021 and 31 March 2022	**(2,097)**
Carrying amount	
At 31 March 2022	**12,700**
At 31 March 2021	**9,700**

Investments in joint ventures and associates

Group

	2022			2021		
	Joint ventures $000	Associates $000	Total $000	Joint ventures $000	Associates $000	Total $000
At 1 April 2021	–	–	–	–	–	–
Additions	906	3,248	4,154	–	–	–
Share of profits for the year	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–
At 31 March 2022	906	3,248	4,154	–	–	–

Company

	2022			2021		
	Joint ventures $000	Associates $000	Total $000	Joint ventures $000	Associates $000	Total $000
At 1 April 2021	–	–	–	–	–	–
Additions	906	3,146	4,052	–	–	–
Share of profits for the year	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–
At 31 March 2022	906	3,146	4,052	–	–	–

On 20 March 2022, the Group acquired 100% of two Indian registered companies, Vista India Digitek Private Limited and Vista Tanweer Studios Private Limited, which are now subsidiaries of the Group. We also acquired 35% of Vista India Digital Media Inc. a US business, which is now an associate of the Group.

On 20 October 2021, the Company invested £200,000 ($318,000) for new shares in Studyo Ares Filmcilik ve Yapimcilik Ticaret A.S ("Ares Media"), a company incorporated in Turkey, which resulted in the Company obtaining a 20% equity stake in that Company. The voting rights attaching to the stake will result in the investment being classified as a joint venture for accounting purposes.

On 28 February 2022, the Company invested $588,000 for new shares in Whatsub Pro Inc, a company incorporated in South Korea, which resulted in the Company obtaining a 51% equity stake in that Company. The voting rights attaching to the stake will result in the investment being classified as a joint venture for accounting purposes.

Name	Address of registered office	Class of share held	Proportion of nominal value held
Ares Media	Kireçburnu Mah. Arabayolu Cad. No: 136 Sarıyer, Istanbul	Ordinary Shares	20%
Whatsub Pro	B1, 78, Seongmisan-ro Mapo-gu Seoul South Korea	Ordinary Shares	51%
Vista India DM Inc	2600 West Olive Ave, Suite 500,Burbank. CA 915	Ordinary Shares	35%

The accounting date for Ares Media, Whatsub Pro and Vista India DM Inc is 31 December.

The investments are not considered material in the context of the Group as the consideration of any of the three investments represents less than 5% of Group sales.

The share of profit for the year for all joint ventures and associates, all of which were acquired close to the year end, is trivial and therefore has not been included in these "financial statements".

The acquisition of Ares Media, Whatsub Pro and Vista India DM Inc have been made for strategic reasons and therefore the value of the underlying assets and liabilities of these at acquisition and year end are immaterial. As a result, the investment value would materially be associated with Goodwill.

19. Deferred income tax

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Deferred tax assets comprise:				
Vista India Digitek	**2**	-	**-**	-
Vista Tanweer	**43**	-	**-**	-
Fixed asset timing differences	**(832)**	-	**-**	-
Unused tax losses	**2,633**	486	**-**	-
As at 31 March 2022	**1,846**	486	**-**	-

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

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
At 31 March 2021	**486**	486	**-**	**-**
On Vista acquisition	**45**	-	**-**	**-**
Charged to the statement of comprehensive income	**1,315**	-	**-**	**-**
At 31 March 2022	**1,846**	486	**-**	**-**

Tax losses carried forward

The group has tax losses carried forward of approximately $38.1m (2021: $45.7m), of which $2.6m (2021: $3.4m) has been recognised at a rate of 25% (UK) and 30% (US) 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. Any deferred tax assets on share based payments will not be recognised due to the uncertainly of the ability to offset future profits.

20. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Trade receivables	**20,910**	7,101	**16**	-
Less: allowance for impairment of trade receivables	**(29)**	(29)	**-**	-
Trade receivables - net	**20,881**	7,072	**16**	-
Amounts owed by subsidiary undertakings	**-**	-	**26,152**	18,160
Other debtors	**371**	312	**46**	82
Prepayments	**4,740**	679	**361**	313
	25,992	8,063	**26,575**	18,555
Less non-current portion: amounts owed by subsidiary undertakings	**-**	-	**(26,095)**	(18,100)
Current portion	**25,992**	8,063	**480**	455

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

The amounts owed by subsidiary undertakings are shown in as non-current assets because the Group is still in an investment phase and does not expect or require its subsidiaries to repay its debts to the Group in the next 12 months.

As of 31 March 2022, trade receivables of ($283,000) (2021: $467,000) were overdue. The ageing analysis of these trade receivables is as follows:

	Group	
	2022	2021
	$000	$000
Less than 3 months	**354**	553
3 to 6 months	**(10)**	149
7 to 12 months	**(277)**	(132)
Over 12 months	**(350)**	(103)
	(283)	467

There were no trade receivables outstanding in the company at 31 March 2022 that were overdue. (31 March 2021: nil)

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 (2021: $29,000) has been recorded accordingly.

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

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Pound sterling	**541**	855	**201**	327
US Dollar	**25,111**	8,256	**26,374**	18,228
Hong Kong dollar	**157**	17	**-**	-
Japanese Yen	**377**	47	**-**	-
UAE dirham	**168**	–	**-**	-
Euro	**2,340**	1,066	**-**	-
	28,694	10,241	**26,575**	18,555

Allowance for impairment of trade receivables:

	Group	
	2022	2021
	$000	$000
At 1 April 2021	**29**	11
Allowance for receivables impairment	**-**	18
Receivables written off in the year	**-**	-
At 31 March 2022	**29**	29

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.

21. Note 21 – Not Used

22. Notes to the cash flow statement

22.1 Significant non-cash transactions

During the year the group acquired property, plant and equipment and computer software with a cost of $12,969,000 (2021: $2,290,000) of which $8,495,000 (2021: $1,043,000) was acquired by the means of a lease.

22.2 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	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Cash on hand and balances with banks	**5,962**	2,949	**30**	89

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

23. 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 2021	4,110	528	4,452	2,153	11,243
Cash-flows					
- Repayment	(464)	(67)	-	(948)	(1,479)
- Proceeds	-	-	-	-	-
Non-cash					
- Fair value	-	-	971	-	971
- Converted	(3,526)	-	(5,423)	-	(8,949)
- Additions				8,495	8,495
- Reclassification	(120)	(461)	-	(557)	(1,138)
31 March 2022	**-**	**-**	**-**	**9,143**	**9,143**

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 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
- Converted	-	-	-	-	-
- Reclassification	-	-	-	154	154
31 March 2021	**4,110**	**528**	**4,452**	**2,153**	**11,243**

24. Share capital and reserves for Group and Company

Called up share capital

	2022 $000	2021 $000
Allotted, called-up and fully paid		
88,335,079 (2021: 74,837,271) ordinary shares of 1p each	**1,174**	1,010

Reconciliation of the number of ordinary shares outstanding:		
Opening balance	**74,837,271**	74,547,271
Shares issued	**28,022**	-
Vista Acquisition	**636,100**	-
Conversion of loan note	**5,336,459**	-
Fundraise	**7,454,727**	-
Share options exercised	**42,500**	290,000
Closing balance	**88,335,079**	74,837,271

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 converted 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.

25. Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Non-current				
Lease liabilities	**7,830**	1,759	**2,527**	-
	7,830	1,759	**2,527**	-
Current				
7.5% Unsecured convertible loan note stock	**-**	3,526	**-**	3,526
Amounts owed to subsidiary undertakings	**-**	-	**9,701**	9,701
Lease liabilities	**1,313**	1,506	**94**	2,196
Borrowings	**1,313**	5,032	**9,795**	13,343
Separable embedded derivative	**-**	4,452	**-**	4,452
Total borrowings	**9,143**	11,243	**12,322**	17,795

The group has recently signed with HSBC Bank US to provide an invoice financing facility of up to $5.0 million against US client invoices raised by ZOO Digital Production LLC. The facility is in place until the renew date of 30 June 2023

The UK banking partner, HSBC, continues to provide an overdraft facility of £250,000. The principal outstanding at 31 March 2022 was nil (2021: nil). This line of funding has been secured as a floating charge over the assets of the UK companies and automatically renews on an annual basis.

In September and November 2021, the 7.5% unsecured convertible loan stock was redeemed by the issue of 5,336,459 new ordinary shares in ZOO Digital Group plc at a conversion price of 48p. This means that both convertible loan notes under CLN1, have been redeemed in full and the Group is free of any outstanding liability and future interest payments.

Lease liabilities

Lease liabilities are payable as follows:

At 31 March 2022 Group only	Future minimum lease payments	Interest	Present value of minimum lease payments
	$000	$000	$000
Less than one year	1,868	(555)	1,313
Between one and five years	9,394	(1,564)	7,830
	11,262	(2,119)	9,143

The lease periods range from between 1 and 10 years, with options to purchase the asset at the end of the term if applicable. Finance lease liabilities are secured against the leased assets.

26. Trade and other payables

	Group		Company	
				Restated
	2022	2021	**2022**	2021
Current	**$000**	$000	**$000**	$000
Trade creditors	**12,379**	3,809	**543**	372
Amounts owed to subsidiary undertaking	**-**	-	**4,423**	3,477
Social security and other taxes	**654**	399	**358**	300
Deferred consideration	**1,300**	-	**1,300**	-
Accrued expenses	**13,305**	5,747	**2,690**	1,509
	27,638	9,955	**9,314**	5,658
Non Current	**$000**	$000	**$000**	$000
Other payables	**19**	-	**-**	-
Deferred consideration	**600**	-	**600**	-
	619	-	**600**	-

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

27. Contracts with customers

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

	Group	
	2022	2021
	$000	$000
Current contract assets	**3,647**	2,178
Current contract liabilities	**(774)**	(813)

	Group 2022 $000
Contract liabilities as at 31 March 2021	813
New contract liabilities	1,523
Revenue recognised in the year:	
— That was included in the contract liability balance as at 31 March 2021	(543)
— Relating to new contract liabilities in the year	(1,019)
Contract liabilities as at 31 March 2022	774

Of the existing contracts that were unsatisfied or partially unsatisfied at 31 March 2022, revenue is expected to be recognised in the financial year to 31 March 2023.

28. Commitments for Group and Company

Capital commitments

The group had no capital commitments at the 31 March 2022.

Operating commitments

For FY21 & FY22 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.

29. 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
Vista India Digitek Private Limited	India	Media production	1333 ordinary shares	100
Vista Tanweer Studios Private Limited	India	Media production	266,667 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

Key management personnel

The details of key management remuneration is disclosed in note 10.

Related party transactions

	Company	
	2022	2021
	$000	$000
Interest paid on loans:		
Sara Green	**37**	60

The gross interest payable to Sara Green at 31 March 2022 is nil (2021: $36,000).

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. This was converted to equity in the year to 31 March 2022.

In the 10 days since the acquisition of Vista India Digitek Private Limited and Vista Tanweer Studios Private Limited and 31 March 2022 there have been no related party transactions. The details of the acquisitions can be found in note 18. $70,000 was owed by the Group at 31 March 2022 to Vista India Digitek Private Limited for localisation work.

30. 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:

	2022		2021	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
	No.	**$**	No.	$
ZOO Digital Group plc EMI scheme				
Outstanding at the beginning of the year	**2,855,145**	**0.58**	2,240,318	0.50
Granted during the year	**1,305,000**	**1.76**	1,119,827	0.89
Exercised during the year	**(37,500)**	**0.36**	(255,000)	0.21
Surrendered during the year	**(11,500)**	**-**	(250,000)	-
Outstanding at the end of the year	**4,111,145**	**0.96**	2,855,145	0.58
Exercisable at the end of the year	**2,134,249**	**0.49**	1,827,818	0.46

The underlying weighted average exercise price for the shares under option at 31 March 2022 was 35p (2021:33p).

ZOO Digital Group plc Unapproved				
Outstanding at the beginning of the year	**5,238,673**	**0.37**	4,478,500	0.28
Granted during the year	**1,575,000**	**1.76**	795,173	0.89
Exercised during the year	**(5,000)**	**1.33**	(35,000)	0.22
Surrendered during the year	**(43,000)**	**-**	-	-
Outstanding at the end of the year	**6,765,673**	**0.69**	5,238,673	0.37
Exercisable at the end of the year	**4,653,570**	**0.31**	4,274,001	0.25

The underlying weighted average exercise price for the shares under option at 31 March 2022 was 19p (2021:18p).

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

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

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 10,876,818 outstanding options (2021: 8,093,818 options), 6,787,819 were exercisable (2021: 6,101,819).

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	47,500	**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	5,000	**17 Sep 2025**	**0.23**	0.1500
ZOO Digital Group plc EMI scheme	1,164,651	**2 Aug 2027**	**0.20**	0.1525
ZOO Digital Group plc EMI scheme	260,000	**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 EMI scheme	1,305,000	**25 Jan 2032**	**1.76**	1.30
ZOO Digital Group plc Unapproved	190,000	**11 Jul 2022**	**0.23**	0.1500
ZOO Digital Group plc Unapproved	45,000	**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	138,500	**17 Sept 2025**	**0.23**	0.1500
ZOO Digital Group plc Unapproved	3,282,000	**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	160,000	**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
ZOO Digital Group plc Unapproved	1,575,000	**25 Jan 2032**	**1.76**	1.30
Outstanding at the end of the year	**10,876,818**			

For the year ended 31 March 2022 the Group has obtained advice regarding the valuation of the stock options from Mazars Quantitive Solutions (MQS).

The valuation of the stock options was based on MQS proprietary Python pricing library. All market data was sourced from external provider (Bloomberg). The following features have been accounted for:

- Dilution factor due to issue of new stocks if stock options are exercised
- We ignore the vesting conditions and assume that 36% of the options will be exercised within two years from the end of the vesting period and the rest of the options will be exercised on the expiration date.

In previous years, 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:

	May 2020
Expected volatility (%)	83
Risk-free interest rate (%)	0.55
Expected life of option (years)	5
Expected dividends	none

Volatility has been estimated by taking the historical volatility in the company's share price over a three year period up to the date of grant of the 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:	**2022**	2021
	$000	$000
Total expense recognised from share option transactions	**513**	710

Share based payment reserve appears in the statement of financial position under:	**2022**	2021
	$000	$000
Share option reserve	**2,619**	2,085

31. 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**	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Financial Assets subsequently measured at amortised cost				
Trade and other receivables excluding pre-payments and VAT (note 20)	**24,497**	9,471	**16**	-
Amounts owed by subsidiary undertakings (note 20)	**-**	-	**26,152**	18,160
Cash and cash equivalents	**5,962**	2,949	**30**	89
Total	**30,459**	12,420	**26,198**	18,249

	Group		**Company**	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Financial liabilities subsequently measured at amortised cost				
Lease liabilities (note 25)	**9,143**	1,112	**2,621**	44
Amounts owed to subsidiary undertakings (note 25)	**-**	-	**9,701**	9,701
7.5% Unsecured convertible loan stock (note 25)	**-**	3,526	**-**	3,526
Other	**-**	-	**-**	-
Trade and other payables excluding payroll taxes (note 26)	**27,758**	10,369	**8,956**	8,581
Total	**36,901**	15,007	**22,278**	21,852

	Group		**Company**	
	2022	2021	**2022**	2021
	$000	$000	**$000**	$000
Financial liabilities at fair value through profit or loss (level 2)				
Separable embedded derivative (note 25)	**-**	4,452	**-**	4,452
Total	**-**	4,452	**-**	4,452

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 2022 there was similar volatility in the pound sterling/US dollar rate as in the previous year with the rate peaking at 0.767225 and falling to a low of 0.70385, with an average rate of 0.7326. If the US dollar had remained at its highest level throughout the full year the group would have shown a post-tax profit of $10.3m (2021: Profit $5.3m), if US dollar had been at its lowest level throughout the full year the group would have shown a post-tax profit of $11m (2020: Profit 6.11m) and if the US dollar had remained at the average rate throughout the year the group would have shown a post-tax profit of $10.7m (2020: $5.7m).

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 2022 was 0.762 (2021: 0.726).

Interest rate risk

The group has a facility with HSBC Bank which provides invoice financing of up to $5m against US clients' invoices raised by ZOO Digital Production LLC. This facility is in place until 1 July 2023. Interest is payable on a monthly basis at an interest rate linked to LIBOR. 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 a facility with HSBC Bank which provides invoice financing of up to $5m against US clients' invoices raised by ZOO Digital Production LLC. This facility is in place until 1 July 2023.

The group has a £250,000 overdraft facility in place from HSBC for the UK companies. There was no overdrawn balance at the year end 31 March 2022.

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 2022	**$000**	**$000**	**$000**	**$000**
Borrowings	**-**	**-**	**-**	**-**
Lease liabilities	**1,313**	**1,302**	**4,039**	**2,489**
Trade and other payables	**28,412**	**-**	**-**	**-**

	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	-	-	-
Lease liabilities	528	-	504	-
Trade and other payables	10,768	-	-	-

Company

At 31 March 2022	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	**-**	**-**	**-**	**-**
Lease liabilities	**94**	**204**	**933**	**1,390**
Trade and other payables	**9,314**	**-**	**-**	**-**

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	-	-	-
Lease liabilities	44	-	-	-
Trade and other payables	8,881	-	-	-

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.

32. 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.

	2022 $000	2021 $000
Total borrowings	**9,143**	11,243
Less cash and cash equivalents	**(5,962)**	(2,949)
Net debt	**3,181**	8,294
Total equity	**26,258**	2,839
Total capital	**29,439**	11,133
Gearing ratio	**11%**	76%
Adjusted Gearing ratio *	**7%**	66%

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

33. Post Balance Sheets Events

On 1 July to Group signed a $5m funding facility with HSBC secured against the US client invoices. The facility is in place until 30 June 2023.

34. Correction of errors

During 2022, the Group identified a historic provision against intercompany balances which was no longer required as the intercompany receivable had reduced in value since the provision was made. As a consequence, provisions for expected credit losses have been overstated and the related intercompany balance understated. The errors have been corrected by restating each of the affected financial line items for prior periods. The error impacts the company only financial statements as all related balances are eliminated on consolidation in the current and prior periods.

The correction of this error increases the opening reserves at as 1 April 2020 by $2,907,000. In the year ended 31 March 2021, the loss for the year is reduced by $316,000 and the intercompany payables decreased by $3,223,000.

There is no impact on the consolidated financial statements of the Group, or the basic or diluted earnings per share, or the total operating, investing or financing cashflows of the Group for the years ended 31 March 2021 or 31 March 2020.

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