ZOO Digital Group plc
Unaudited Interim Results
for the six months ended
30 September 2019

Chairman and Chief Executive's Statement

Overview

In the first half of FY2020 our focus has been on securing primary vendor status with a major global media content provider. We are pleased with the progression of this relationship – our first major strategic customer for our cloud-based dubbing service – which we expect will bring better quality and visibility to our future revenues. Our work with this partner has enhanced our reputation in the market and is helping in our goal to become the leading next generation media localisation business.

The financial results for the first half of the year are in line with expectations. Revenue fell by 4% to $14.2 million (H1 FY19: $14.9 million) due to an anticipated decline in legacy services: despite DVD/Blu-ray sales falling by 75%, excluding these revenues we achieved a 7% growth. Digital packaging revenues for OTT platform launches tripled in the period. This delivered a substantial increase in our gross profit from 33% to 41% and a more than doubling of EBITDA before IFRS 16 adjustments to $1.2 million (H1 FY19: $0.5 million).

We have continued to invest in our cloud-based platforms, enhancing their functionality to make both subtitling and dubbing more efficient and scalable, and building on the early successes of our localisation management platform, ZOOstudio and the ZOO Localisation Ecosystem. We have developed further modules to track the full range of localisation services which have been instrumental in the decision by one of our customers to adopt the platform to manage its OTT localisation operations.

This focus on innovation is gaining traction as more owners of media content are placing orders to assess our cloud-based dubbing service. We have signed up more in-territory partners to our ZOO-Enabled Dubbing Studio (ZEDS) programme, delivering on our promise to offer more flexibility, capacity and languages to our customers that require dubbing services. Further enhancing our localisation capacity, we opened a post-production studio in London during the period, offering voice capture facilities, training services and audio mixing, key for some of our customers who require final mixing of localisation services in-territory. Already this has led to significant orders from one global media content provider. Our freelancer network has grown from 5,400 people this time last year to 7,100 today, further evidence of our ability to scale the business, and we continue to monitor the quality and capacity of our network to ensure that this scalability can happen seamlessly.

The market dynamics continue to favour ZOO, with major US content owners Disney, NBC Universal and Warner Media confirming the launches of their own direct-to-consumer OTT services in the next six months. This, coupled with Netflix, Apple and Amazon announcing significant increases in their budgets for original content, demonstrates a growing market for exactly the type of services offered by ZOO. This is a long-term opportunity as our technology-based approach to media localisation is still in its adoption phase and we need to ensure that our proposition is fully understood by the market, while demonstrating that our approach is reliable, scalable and of sufficient quality to meet the market's increasingly high standards.

Operations

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

Growth in global consumer video markets is creating greater demand for professional localisation services to adapt content for international audiences. According to recent research from MESA Europe, the EMEA market for media localisation is expected to reach $2.3 billion in 2019, up from $2.0 billion a year earlier. This creates opportunity for providers like ZOO that deliver the breadth of services needed to repurpose content produced in one language into tens of other languages.

In recent months the industry has seen significant shifts in the competitive landscape for media localisation. The largest incumbents in the market, established during the DVD era, operate capital intensive bricks-and-mortar businesses and have been slow to innovate. In contrast, ZOO's approach is built on proprietary technology designed specifically to address efficiently the scale and diversity of customer requirements for OTT distribution. Consequently, the Board believes that ZOO is well placed to capture market share as leading buyers seek new relationships with vendors that are better placed to meet their evolving requirements for quality, scalability, language coverage and turnaround time.

The Board has considered the consequence that Brexit may have on the business and does not anticipate any significant impact on its operations as a result of the UK leaving the European Union.

The Group continues to make good progress in the execution of its differentiated strategy that is characterised by four pillars: innovation, scalability, collaboration and building long-term client partnerships.

Innovation

ZOO's localisation services are delivered using proprietary cloud computing technology that affords significant benefit to the company and its customers, delivering competitive advantage. Following a period of investment in our platforms that commenced with our first software-enabled localisation service in 2006, the Company launched its Localisation Ecosystem during the period. This offers a complete end-to-end approach to media localisation by bringing together all of the workflows, components, service providers and creative talent into a single environment. We were pleased to receive recognition for excellence in localisation for a global TV product at the 2019 Broadcast Tech Awards for our work on the Netflix series "The Bletchley Circle: San Francisco".

The ecosystem is built up of interconnected, cloud-based ordering, production and management platforms supporting and encapsulating every aspect of media localisation. Each platform manages an element of content localisation and digital packaging, and seamlessly interconnects with the rest of the ecosystem to deliver clear benefits for ZOO's localisation services.

Our R&D resource has been focused primarily on continuing the development of a key component of the ZOO Localisation Ecosystem: ZOOstudio. This is our overarching localisation management platform that offers a single, centralised system for scenario planning, ordering, tracking and managing all of the components required to create a localised content package.

Uniquely in the media localisation industry, ZOO has adopted a collaborative approach through our Localisation Ecosystem. For the first time, content owners can place all of their orders and manage their multiple localisation service providers through a single vendor-agnostic system – with the ability to assign a vendor on an order-by-order basis.

ZOOstudio is making excellent progress in the market, having received during the period a Product of the Year award at the National Association of Broadcasters (NAB) Show 2019. ZOOstudio has recently been adopted by a major media company to manage the production of all OTT deliverables required for a forthcoming launch of its direct-to-consumer service. Consequently, ZOO's Localisation Ecosystem will be employed to adapt original content using both subtitling and dubbing into multiple languages covering the Americas, Europe and Asia. We expect that this will cement a long-term strategic partnership with a leading industry player that represents a significant endorsement of ZOO's services and technologies.

We have also continued to invest in ZOOdubs, our cloud platform that enables the delivery of dubbing services. Here the focus has been on further enhancements and features to strengthen our competitive advantage in areas that are seen as being the greatest vulnerabilities amongst traditional dubbing studios, namely security, reliable audio quality and scalable capacity across multiple languages, particularly those in emerging markets.

Scalability

ZOO's strategy enables capital-efficient scalability of operations through access to a network of qualified and experienced specialists in media localisation, including screen translators, script adapters, voice artists, dubbing directors and audio mixing engineers. Our on-going rigorous programme of search, qualification, selection and on-boarding has increased the number of participants to 7,100, up from 5,400 in the prior year period.

With several emerging regions and countries being targeted by OTT services due to their rapidly expanding audience of internet-connected consumers, ZOO is taking steps to progress its geographical expansion in strategic locations. Over the coming period, we expect to commence a process to establish points of presence in locations that will provide us with the means to accelerate the deployment of our Localisation Ecosystem and so further strengthen our competitive advantage.

Collaboration

ZOO adopts a collaborative approach wherever possible to provide scalability and extend its geographical reach without incurring significant capital investment. In the prior period we launched our ZOO-Enabled Dubbing Studio (ZEDS) programme to further enhance our service offering and respond to customer challenges in dubbing content for OTT distribution.

ZEDS partners are highly reputable independent dubbing studios in key territories. Experienced, trusted and carefully selected, ZEDS are home to some of the creative talent content owners want. ZOO is training each one to use ZOOdubs to record and manage the dubbing process.

A key benefit of our dubbing service is that our platforms support multi-location recording for each language, enabling significant capacity and scalability while ensuring security, consistency and high quality. ZOO's unique approach means that we can work with any studio with the right credentials. It enables greater coverage with a wider and more diversified talent pool than relying solely on owner-operated studios.

We have continued to develop relationships with ZEDS across 22 languages as we build the largest collaborative network of studios in the industry, unified through the use of our cloud platforms.

Building long-term client partnerships

It is our goal to be selected as a preferred vendor of localisation and digital packaging services for all of the leading content producers and global OTT service providers, thereby enabling a significant repeating revenue opportunity with each of them.

In the past year a number of major media companies have initiated a process to select partners for localisation. As previously noted, ZOO has been successful in one of these exercises, having been selected as one of three vendors to support the localisation of content for a forthcoming major OTT service launch. Other exercises have been either delayed or aborted due, in part, to the evolving nature of the go-to-market strategies of the associated companies. Based on feedback received, we believe that ZOO is well placed to be chosen in these selection processes when they eventually complete or resume. During the coming period, we expect to be operating as a vendor for additional top tier OTT services.

Board Changes

On 19 June we announced the appointment of Gillian Wilmot to the Board as Non-Executive Chairman with effect from 1 July 2019. Gillian, who also chairs the Remuneration Committee and acts as a member of the Audit Committee, replaced Roger Jeynes who stepped down from the Board on 1 July 2019 after serving a nine-year tenure. We are very grateful to Roger for the experience and wisdom he has brought to the Company during a key period in its growth.

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.

Outlook

Our first half has been marked by securing the role of a primary vendor for a major media company. At the end of the period there were a significant number of projects in the order book from this customer to deliver an end-to-end localisation and digital packaging service across multiple new titles into several languages. We believe that this relationship will result in improved visibility and a reliable source of orders for the periods ahead, including meeting full year market expectations.

The endorsement of our Localisation Ecosystem through the adoption of ZOOstudio by a major media customer provides further confidence that our proposition meets the demanding requirements of the industry. We expect that this arrangement will not only result in a long-term strategic relationship with this customer but will also raise visibility and awareness of ZOO and our differentiated services and encourage similar arrangements with other leading industry players.

The industry changes and new OTT service introductions that are expected in the next six months provide a backdrop of enlarged opportunity for media localisation providers in general, and for ZOO in particular due to the differentiated features of our proposition. We expect that during our second half we will be working on projects for further major providers of OTT services that may provide sources of repeatable revenue for several years to come.

Gillian Wilmot
Chairman

Dr Stuart A Green
Chief Executive Officer

Financial Results

Revenues of $14.2 million were 4% below the same period last year (H1 FY19: $14.9 million). This is explained by the decline of a legacy offering – a previously flagged major client curtailed the publishing of DVD and Blu-ray box sets as it prepared for the launch of its OTT service. The impact on our revenues was a drop of $1.4 million.

Sales excluding these legacy DVD/Blu-ray services increased from $13.0 million to $13.8 million, an increase of 7%, driven by strong digital packaging sales to support OTT distribution and a recovery in subtitling sales offsetting the exceptionally high level of dubbing revenues last year that were not repeated in this period. Dubbing orders already received for delivery in the second half of the year are expected to more than compensate for the H1 shortfall.

Gross profit is significantly ahead of last year at $5.8 million (H1 FY19: $4.9 million). The gross profit margin increased from 33% to 41% as a result of the favourable sales mix with high margin digital packaging and subtitling replacing currently lower dubbing margins. In addition, we maintained our direct staff cost at the same rate as last year, which gives us capacity to support the anticipated increase in revenues in the second half of the year.

Operating expenses have increased marginally to $5.5 million (H1 FY19: $5.3 million) which is due to the higher property costs as we grew our facilities, both in Los Angeles and London, to support the expansion in digital packaging and dubbing services required to achieve our full year revenue targets. We continued to invest in product development, spending roughly $0.6 million in the period and capitalising a further $0.4 million, the latter figure being similar to the same period last year.

As a consequence of the increase in gross profit and the $0.6 million positive impact of adopting IFRS 16, the business achieved EBITDA of $1.8 million (H1 FY19: $0.5 million). The business achieved an operating profit of $0.4 million, compared to an operating loss of $0.3 million for the same period last year, again driven by the improved gross profit.

The cash balance at 30 September was $0.6 million (H1 FY19: $0.9 million) and is down from $1.8 million at 31 March 2019. The cash outflow of $1.2 million includes investment in new products of $0.4 million, reduction in trade creditors of $1.5 million and financing costs of $0.9 million offset by operating cashflow of $1.6 million. The second half of the financial year is expected to show a return to a positive cash flow.

The Group has no short-term debt and no borrowings other than its unsecured convertible loan note of £2.6 million ($3.0 million), maturing in October 2020 with a conversion price of 48p, and lease commitments of $4.4 million (post IFRS 16 reclassification). Should they be required, the Group has unused credit facilities. With regard to the convertible loan notes, as the current share price is above the conversion price, a non-cash provision of $2.0 million was created in the March 2019 financial statements reflecting the embedded derivative and is also shown in non-current liabilities at 30 September.

New IFRS implementation

The Company has adopted IFRS 16 – Leases for the financial year ending 31 March 2020, and it has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures.

IFRS 16 introduces a single lessee accounting model, whereby the Group now recognises a lease liability and a right of use asset at 1 April 2019 for leases previously classified as operating leases. Within the income statement, operating lease charges, which previously were included in administrative expenses, have been replaced by depreciation and interest expenses.

The adoption of IFRS 16 resulted in a right of use asset of $4.2 million, with a corresponding liability of $4.2 million, being recognised as at 1 April 2019 which was depreciated to a value of $3.7 million as at 30 September 2019.

In order to see how the impact of IFRS 16 has affected Adjusted EBITDA*, a reconciliation is presented below:

	6 months ended 30 September 2019	6 months ended 30 September 2018
	$'000	$'000
Adjusted EBITDA* – consistent with 2018 presentation and accounting policy	**1,205**	491
changes due to new accounting policy – IFRS 16	**605**	-
Adjusted EBITDA* – consistent with 2019 presentation and accounting policy	**1,810**	491

* before share based charges.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the six months ended 30 September 2019

	6 months to 30 Sep 2019 $000	6 months to 30 Sep 2018 $000	Year ended 31 Mar 2019 $000
Revenue	**14,242**	14,895	28,818
Cost of sales	**(8,452)**	(9,949)	(19,624)
Gross Profit	**5,790**	4,946	9,194
Other operating income	**115**	47	157
Operating expenses	**(5,461)**	(5,292)	(10,671)
Operating profit/(loss)	**444**	(299)	(1,320)
Analysed as			
EBITDA before share-based payments	**1,810**	491	409
Share based payments	**(142)**	(81)	(286)
Depreciation	**(755)**	(258)	(539)
Amortisation and impairment	**(469)**	(451)	(904)
	444	(299)	(1,320)
Exchange gain on borrowings	**297**	332	275
Fair value movement on embedded derivative	**-**	-	2,701
Finance cost	**(367)**	(192)	(392)
Total finance cost	**(70)**	140	2,584
Profit/(loss) before taxation	**374**	(159)	1,264
Tax on profit/(loss)	**(13)**	(66)	368
Profit/(loss) and total comprehensive income for the period attributable to equity holders of the parent	**361**	(225)	1,632
Profit/(loss) per ordinary share			
- basic	**0.48 cents**	(0.30) cents	2.19 cents
- diluted	**0.45 cents**	(0.30) cents	2.02 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
as at 30 September 2019

	As at 30 Sep 2019 $000	As at 30 Sep 2018 $000	As at 31 Mar 2019 $000
ASSETS			
Non-current assets			
Property, plant and equipment	**4,463**	1,186	944
Intangible assets	**6,585**	6,518	6,624
Deferred income tax assets	**486**	486	486
	11,534	8,190	8,054
Current assets			
Trade and other receivables	**8,227**	8,077	8,103
Cash and cash equivalents	**607**	910	1,828
	8,834	8,987	9,931
Total assets	**20,368**	17,177	17,985
LIABILITIES			
Current liabilities			
Trade and other payables	**(5,729)**	(5,697)	(7,189)
Borrowings	**(1,364)**	(240)	(248)
	(7,093)	(5,937)	(7,437)
Non-current liabilities			
Borrowings	**(6,107)**	(3,957)	(3,899)
Separable embedded derivative	**(1,965)**	(4,666)	(1,965)
	(8,072)	(8,623)	(5,864)
Total liabilities	**(15,165)**	(14,560)	(13,301)
Net assets	**5,203**	2,617	4,684
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	**1,011**	1,016	1,010
Share premium reserve	**41,018**	41,103	41,003
Other reserves	**12,320**	12,320	12,320
Share option reserve	**1,227**	769	1,085
Capital redemption reserve	**6,753**	6,753	6,753
Convertible loan note reserve	**42**	42	42
Foreign exchange translation reserve	**(992)**	(992)	(992)
Accumulated losses	**(56,123)**	(58,341)	(56,484)
	5,256	2,670	4,737
Interest in own shares	**(53)**	(53)	(53)
Attributable to equity holders	**5,203**	2,617	4,684

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended 30 September 2019

	Ordinary shares	Share premium reserve	Foreign exchange translation reserve	Convertible loan note reserve	Share option reserve	Capital redemption reserve	Other reserves	Accumu-lated losses	Interest in own shares	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2018	1,010	41,003	(992)	42	688	6,753	12,320	(58,116)	(53)	2,655
Issue of share capital	6	100								106
Share-based payments					81					81
Transactions with owners	6	100	-	-	81	-	-	-	-	187
Loss for the period								(225)		(225)
Total comprehensive income for the period	-	-	-	-	-	-	-	(225)	-	(225)
Balance at 30 September 2018	1,016	41,103	(992)	42	769	6,753	12,320	(58,341)	(53)	2,617
Share-based payments					316					316
Issue of share capital	(6)	(100)								(106)
Transactions with owners	(6)	(100)	-	-	316	-	-	-	-	210
Profit for the period								1,857		1,857
Total comprehensive income for the period	-	-	-	-	-	-	-	1,857	-	1,857
Balance at 31 March 2019	1,010	41,003	(992)	42	1,085	6,753	12,320	(56,484)	(53)	4,684
Share-based payments					142					142
Issue of share capital	1	15								16
Transactions with owners	1	15	-	-	142	-	-	-	-	158
Profit for the period								361		361
Total comprehensive income for the period	-	-	-	-	-	-	-	361	-	361
Balance at 30 September 2019	1,011	41,018	(992)	42	1,227	6,753	12,320	(56,123)	(53)	5,203

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 September 2019

	6 months to 30 Sep 2019 $000	6 months to 30 Sep 2018 $000	Year ended 31 Mar 2019 $000
Cash flows from operating activities			
Operating profit/(loss) for the period	**444**	(299)	(1,320)
Depreciation	**755**	258	553
Amortisation and impairment	**469**	451	904
Share based payments	**142**	81	397
Changes in working capital:			
Increases in trade and other receivables	**(124)**	(665)	(691)
(Decreases)/increases in trade and other payables	**(1,460)**	(409)	1,082
Cash flow from operations	**226**	(583)	925
Tax (paid)/received	**(13)**	(66)	368
Net cash flow from operating activities	**213**	(649)	1,293
Investing Activities			
Purchase of intangible assets	**(430)**	(428)	(987)
Purchase of property, plant and equipment	**(123)**	(555)	(310)
Net cash flow from investing activities	**(553)**	(983)	(1,297)
Cash flows from financing activities			
Repayment of borrowings	**(532)**	(172)	(228)
Proceeds from borrowings	**-**	354	-
Finance cost	**(365)**	(155)	(349)
Issue of Share Capital (net of costs of issue)	**16**	106	-
Net cash flow from financing	**(881)**	133	(577)
Net (decrease)/increase in cash and cash equivalents	**(1,221)**	(1,499)	(581)
Cash and cash equivalents at the beginning of the period	**1,828**	2,409	2,409
Cash and cash equivalents at the end of the period	**607**	910	1,828

NOTES

General information

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

The Company is a public limited company which is listed on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of the registered office is 7th Floor, City Gate, 8 St Mary's Gate, Sheffield. The registered number of the Company is 3858881.

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

The interim accounts were approved by the board of directors on 1 November 2019.

This consolidated interim financial information has not been audited.

Basis of preparation

The consolidated financial statements of ZOO Digital Group plc and its subsidiary undertakings for the period ended 31 March 2020 will be prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The policies applied are consistent with those set out in the annual report for the year ended 31 March 2019, and have been consistently applied, unless stated otherwise.

This condensed consolidated financial information is for the six months ended 30 September 2019. It has been prepared with regard to the requirements of IFRS. It does not constitute statutory accounts as defined in S343 of the Companies Act 2006. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2019 which contained an unqualified audit report and have been filed with the Registrar of Companies. They did not contain statements under s498 of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 April 2019 and will be adopted in the 2020 financial statements. The only standard impacting the Group that will be adopted in the annual financial statements for the year ended 31 March 2020, and which have given rise to a change in the Group's accounting policies is:

- IFRS 16 leases

Details of the impact of this standard is given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to have a material impact on the Group.

IFRS 16 Leases

The Group has adopted IFRS 16 on a modified retrospective basis. As disclosed in the Financial Review, upon transition, a lease liability has been recognised based on future lease payments discounted at an appropriate borrowing rate. Additionally, a right of use asset has been recognised along with a related lease liability. Within the income statement, the operating lease charge ($605k) has been replaced by depreciation ($496k) and interest expense ($182k). This has resulted in a decrease in operating expenses and an increase in finance costs.

	6 months ended 30 September 2019	6 months ended 30 September 2018
	$'000	$'000
Non-current assets		
Property, plant and equipment – consistent with 2018 presentation and accounting policy	**808**	1,186
Changes due to new accounting policy – IFRS 16 – Right of use asset	**3,655**	-
Property, plant and equipment – consistent with 2019 presentation and accounting policy	**4,463**	1,186
Current liabilities		
Borrowings – consistent with 2018 presentation and accounting policy	**246**	240
Changes due to new accounting policy – IFRS 16 – Short term leases	**1,118**	-
Borrowings – consistent with 2019 presentation and accounting policy	**1,364**	240
Non-current liabilities		
Borrowings – consistent with 2018 presentation and accounting policy	**3,497**	3,957
Changes due to new accounting policy – IFRS 16 – Long term leases	**2,610**	-
Adjusted EBITDA* – consistent with 2019 presentation and accounting policy	**6,107**	3,957

The adjustments above reflect the impact of IFRS 16 on the property leases for the Los Angeles, London and Sheffield offices. All new leases will be treated accordingly. A discount rate of 8.25% has been applied.

Basis of Consolidation

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting regularly reviewed by the group's chief operating decision maker to make decisions about resource allocation to the segments and to assess their performance.

	Localisation		**Digital Packaging**		**Software Licensing**		**Total**	
	FY20 H1	FY19 H1	**FY20 H1**	FY19 H1	**FY20 H1**	FY19 H1	**FY20 H1**	FY19 H1
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Revenue	**9,057**	11,039	**4,166**	2,888	**1,019**	968	**14,242**	14,895
Segment contribution	**2,798**	2,926	**2,751**	1,767	**974**	904	**6,523**	5,597
Unallocated cost of sales							**(733)**	(651)
Gross profit							**5,790**	4,946
	31%	*27%*	*66%*	*61%*	*96%*	*93%*	*41%*	*33%*

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

- assets and liabilities for each entity are translated at the closing rate at the period 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.

Earnings per share

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

Weighted average number of shares for basic & diluted profit per share	**30 Sep 2019**	30 Sep 2018	31 Mar 2019
	No. of shares	No. of shares	No. of shares
Basic	**74,512,271**	74,462,725	74,356,016
Diluted	**81,084,168**	86,720,202	80,725,841

Where the Group has recorded a loss, diluted earnings per share is equal to basic earnings per share.

Further Copies

Copies of the Interim Report for the six months ended 30 September 2019 will be available, free of charge, for a period of one month from the registered office of the Company at 7th Floor, City Gate, 8 St Mary's Gate, Sheffield, S1 4LW or from the Group's website: www.zoodigital.com.

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Dr S A Green
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