ZOO
Digital Group plc

Report and Financial Statements

31 March ***2005***

ZOO Digital Group plc

ZOO Digital Group plc is a **multi-award winning** and expanding technology and games publishing company, which has developed a unique technology for creating highly interactive DVD titles.

Double victory for ZOOtech at the Sheffield Business Awards!

The 2004 Sheffield Business Awards saw ZOO win both the 'Innovation Award' and the trophy for 'Overall Winner' after the judges and award sponsor Yorkshire Forward deemed the company as a model of the best of Sheffield Industry.

Contents

Period in brief

Financial highlights

- Group turnover increased by 149% to £12.67 million (12 months to 31 December 2003: £5.09 million).
- ZOO Digital Publishing achieves maiden profit showing EBITDA of £498,000.
- Group loss before interest, tax, depreciation and amortisation of £1.59 million (12 months to 31 December 2003: LBITDA £955,000) reflecting investment in readying the pioneering DVD-EXTRA software for roll-out internationally.
- Net current assets of £3.21 million as at 31 March 2005 (31 December 2003: £5.77 million).
- Successful post year-end fundraising of £3.16 million gross.

ZOOtech Limited

- First product DVD-EXTRA STUDIO launched April 2004.
- Commercial teams established and generation of revenues commenced.
- 59 patents filed in 25 patent 'families' in the UK, USA and under the International Patent Convention and core patent 'Authoring of complex audio visual product' granted in the UK and New Zealand.
- Product taken up by companies in each of the 5 market segments identified as targets.
- Research and development continues to exploit commercial opportunities around patent portfolio. Latest version of DVD-EXTRA STUDIO including linear authoring features released in April 2005.

ZOO Digital Publishing Limited

- Strong turnover increase from £5.09 million to £12.29 million and move into profit.
- Games portfolio and publishing pipeline strengthened.
- Expansion of interactive DVD titles into 8 territories.

Company information

Directors	M John Barnes (Non-Executive Chairman) Ian C Stewart (Chief Executive Officer) Robert G Deri (Chief Financial Officer) Andrew Scrivener (Chief Operating Officer) Dr Stuart A Green (Chief Technical Officer) Dr Christopher H B Honeyborne (Non-Executive Director)
Company Secretary	Robert G Deri
Registered Office	20 Furnival Street, Sheffield, S1 4QT
Website Address	www.zoodigitalgroup.com
Nominated Adviser	Noble & Company Limited 76 George Street Edinburgh EH2 3BV
Nominated Broker	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
Auditors	PKF (UK) LLP Knowle House 4 Norfolk Park Road Sheffield S2 3QE
Solicitors to the Company	DLA Piper Rudnick Gray Cary UK LLP Princes Exchange Princes Square Leeds LS1 4BY
Bankers	Bank of Scotland 2nd Floor The Portergate 257 Ecclesall Road Sheffield S11 8NX
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Introduction

We are pleased to report another period of growth and significant progress for this fifteen-month financial period with both of our business units, DVD-technology and entertainment publishing, performing well. It is particularly satisfying to see momentum building behind the DVD-EXTRA technology through the number of licence agreements across a wide range of applications, which we expect to generate good revenues in the new financial year. We are seeking to become the world leader in production tools for interactive DVDs and the significant technological and commercial developments this year have brought that ambition closer than ever.

The support of existing and new shareholders was welcomed in an oversubscribed fundraising completed in June 2005 which raised £3 million (net of expenses) to allow for the further development of the business. The funds raised will allow the Group to accelerate and exploit the DVD-EXTRA technology now that the software and business model have been proven. It is important not to over-stretch our resources so we will continue to concentrate on markets and regions where the highest penetration and growth of our technology can be achieved.

Financial Review

The Company has for the second consecutive year dramatically increased turnover. For the fifteen month period to 31 March 2005 turnover was £12.67 million (12 months to 31 December 2003: £5.09 million) primarily reflecting fast growth in the publishing business. In line with market expectations the loss before interest, tax, depreciation and amortisation was £1.59 million, which largely resulted from the running costs of ZOOtech Limited, the establishment of the commercial team and the continued research and development on DVD-EXTRA.

ZOO Digital Publishing Limited increased its turnover in the financial period to £12.29 million (12 months to 31 December 2003: £5.09 million) and ZOOtech's turnover was £452,000 (12 months to 31 December 2003: £nil) following the launch of DVD-EXTRA STUDIO during the year.

As at 31st March 2005 the Group had net current assets of £3.21 million (31 December 2003: £5.77 million) with a bank overdraft of £729,000. The Group has a bank overdraft facility of £2.5 million to fund working capital requirements with Bank of Scotland and is in the final stages of negotiation for a 5-year term loan of £1 million.

ZOOtech Ltd ("ZOOtech")

ZOOtech focuses on research and development and licensing of DVD-EXTRA, the Group's original development software capable of creating complex interactive content for standard DVD players. The division has made excellent progress this year in developing its core products and more importantly turning these products into a commercial reality through a number of license deals which the Group expects to result in good revenues falling into the current financial year.

Following successful completion of the "Early Adoptor" programme, DVD-EXTRA STUDIO was launched in April 2004 and a commercial team was established headed by managing director Cees Zwaard during the year. ZOOtech Inc was established in the United States with Gordon Doran appointed President and ZOOtech SARL established in France to exploit the European market.

It has become clear to ZOO that DVD-EXTRA has applications across many market segments. In the initial phase since the launch of DVD-EXTRA STUDIO we have focused on entertainment and multimedia, education, corporate and marketing uses, film and video uses and cost and process improvement in DVD production. It is especially pleasing to have made significant progress in each segment and to have established our royalty based pricing model. In total over 50 agreements have been signed to date mostly on a royalty stream model basis and the Directors expect DVD-EXTRA to be used to develop approximately 150 DVD titles by the end of the current financial year. The agreements range from using DVD-EXTRA for quiz shows, education and reference products, marketing and corporate products and interactive DVD games to the creation of a variety of content and bonus material for the film industry, including a number of prominent Hollywood studios.

We identified some time ago the interest in Hollywood for use of our technology in providing significant time and cost savings in the DVD production process and have been working with a number of studios for a number of months on this. A number of titles have now been produced and market tested using our "Menu Regionalisation" module which dramatically reduces the cost and time of producing popular film titles in numerous language variations. Although this process has taken longer than originally anticipated, documentation and a financial framework have now been agreed with one major studio which the Directors expect will produce turnover of approximately $1 million for the current financial year. These deals show an increasingly international element to licence agreements and underline our unique position in the market as a provider of globally appealing entertainment products.

The latest edition of DVD-EXTRA STUDIO (version 1.6) was released in April 2005 and provides an advanced development tool capable of delivering a 'one-stop-shop' for the creation of interactive DVD content. A developer can now undertake an entire project using one software application that offers further cost and time saving benefits. New functionality also means that developers can create engaging features on DVDs in a manner not seen previously.

"Interactive DVD" as a market and genre has developed over the last twelve months and has become more established and recognised as a category in its own right. The market, driven by ZOOtech's technology, now has strong support from leading publishers such as Universal Video, VCI and Contender Entertainment Group.

ZOOtech has now filed for 59 patents in 25 patent "families" in the UK, USA and under the International Patent Treaty. Significantly, the core patent "Authoring of Complex Audiovisual Products" has already been granted in the UK and New Zealand. Patent protection insurance has been taken out and ZOOtech will continue to invest in its intellectual property with a patent development programme having been established.

ZOO Digital Publishing Ltd ("ZDP")

ZDP focuses on the publishing and distribution of interactive entertainment products across multiple platforms, such as interactive DVD, PS2, Xbox, GBA, PC and mobile phones. The division has been equally active and has seen a large increase in turnover this year from £5.09 million in the 12 months to 31 December 2003 to £12.29 million for the financial period to 31 March 2005. ZDP has significantly moved into profit with earnings before interest, tax, depreciation and amortisation of £498,000. We believe that ZDP is well positioned to deliver further growth and improved profitability over the coming financial year.

Interactive DVD

On Interactive DVD ZDP substantially increased its output with 'Who Wants To Be A Millionaire?' published in a number of territories, "Football Quizz: Votre Defi", "Manchester United – The Official Interactive DVD" and "Guinness World Records" and is scheduled to further increase its output of titles over the coming year. Interactive DVD Games are clearly gaining mass-market appeal and Universal Pictures will publish another enhanced version of 'Who Wants To Be A Millionaire?' in the UK, France and Australia for Christmas 2005 as well as a number of other titles that include "Telly Addicts" and "Interactive Championship Challenge".

Agreements have also been signed to publish 'Who Wants To Be A Millionaire?' in Germany, with T-online and in Russia with Noviy Disk. Negotiations are in final stages with a film studio to produce a DVD game for release at the same time as the movie in early 2006 and discussions are already taking place in a number of territories with regard to product line-up for 2006 and 2007 giving confidence with regard to the continued growth of the interactive DVD market. ZDP has been largely responsible for creating this new product category and will continue to pioneer production of some of the most complex DVD Games in the market. Its relationships with major publishers including Universal Pictures, VCI, T-Online and Noviy Disk and its experience in creating interactive DVDs will ensure that ZDP captures a significant slice of this growing market.

Games Publishing

In games publishing ZDP improved the quality and depth of its portfolio of games over the financial year and has a strong pipeline of products in place for the year ahead with around 25 releases scheduled for the second half of the year. Our distribution base across Europe and Australia has been strengthened and in April 2005 ZDP secured the rights to publish a portfolio of twenty-two games from Destination Software Inc over the next two years across a range of platforms including the recently released Nintendo DS handheld games console and the more established GameBoy Advance ("GBA") device. These games will start shipping from June 2005. The Directors believe that ZDP is well positioned to deliver continued growth in 2005/2006.

The development project for Konami "Crimelife" is progressing on schedule for release in September 2005 and we expect the title will be published in Europe and North America.

People

The quality of our people, their skills and the will to succeed has been crucial in the growth of both of our businesses. The businesses have grown significantly from 46 employees in 2003 to a total of 124 as at 31st March 2005. We moved offices during 2004 to accommodate our growth and now occupy a stand-alone building in Sheffield city centre with some 13,000 square feet. The Group generally experiences low staff turnover and a significant proportion of our employees are incentivised through share options. We will continue to use these mechanisms to ensure that rewards are linked to the success of the Group and are introducing an Inland Revenue approved Share Incentive Plan for the benefit of all staff in July 2005.

ZOOtech won two major awards at the 2004 Sheffield Business Awards sponsored by Yorkshire Forward. The judges deemed the company as a model of the best of Sheffield Industry and an award was presented to ZOOtech for innovation in DVD development and exploitation of opportunities that DVD-EXTRA brings to non-traditional DVD-Video markets such as education, corporate training, advertising, gaming and music. ZDP also received an award from the DVD Association (DVDA) with the French language version of "Who Wants To Be A Millionaire?" DVD Game (Qui Veut Gagner Des Millions?) earning the prestigious DVD Excellence: Navigation Design and Implementation Award. Credit for such achievements and the progression of the business is due to the effort of every member of the team and we would like to thank all of them for their effort and support on behalf of the Directors.

Prospects

The Board remains confident about the prospects for the Group moving forward. We look forward to an exciting year and continued development of our businesses. ZOOtech is now earning revenues through recently signed and prospective new licence agreements and in addition, DVD-EXTRA is becoming an industry standard around the world against a background of rapid acceptance and increasing popularity of the Interactive DVD and DVD Games genres. We are actively looking at expanding into Japan and the Far East via collaboration and will expand our presence in the US in line with the growth in demand. ZOO Digital Publishing continues to perform well, has moved into profit and will grow year on year due to its high quality games portfolio and innovative approach to new and existing games platforms.

John Barnes, Chairman

Ian Stewart, CEO

ZOO Digital Group plc

28 June 2005

The directors present their report on the affairs of the group, together with the financial statements and auditors' report, for the period ended 31 March 2005.

Principal activities

The principal activity of the group for the period under review is the research and development of interactive DVD technology and the publishing of games and entertainment products for digital platforms.

Business review

A review of the development of the business together with an indication of future developments is included in the Chairman and Chief Executive's statement set out on pages 3 to 6.

Results and dividends

The audited financial statements for the period ended 31 March 2005 are set out on pages 14 to 42. The directors do not recommend the payment of a dividend for the period.

Directors

The directors who served during the year were as follows:

Name	**Position**
M John Barnes	Non-Executive Chairman
Ian C Stewart	Chief Executive Officer
Robert G Deri	Chief Financial Officer
Andrew Scrivener	Chief Operating Officer
Dr Stuart A Green	Chief Technical Officer
Dr Christopher H B Honeyborne	Non-Executive Director

Details of the interests in the shares of the company at the beginning (or subsequent date of appointment) and end of the financial year of those directors who held office at 31 March 2005 are disclosed in note 5. In accordance with the company's Articles of Association John Barnes and Robert Deri retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

John Barnes – Non-Executive Chairman (aged 56)

John has 34 years experience in Europe and the USA in consumer orientated businesses. John is Non-Executive Chairman of La Tasca Group PLC, a Non-Executive Director of Hardy and Hanson's PLC, a Non-Executive Director of Interior Services Group Plc, a Non-Executive Director of Caffe Nero PLC and a Non-Executive Director of Arena Leisure Plc. John is also co-author of the best selling marketing book "Marketing Judo".

Ian Stewart – Chief Executive Officer (aged 51)

Ian founded Gremlin Interactive Limited, a developer and publisher of computer games for consumers, in 1984. He grew that company through organic growth and strategic acquisition until July 1997 when it floated on the London Stock Exchange as Gremlin Group plc. Infogrames SA acquired Gremlin Group plc for £25 million in May 1999 and Ian founded The ZOO Media Corporation Limited in October 1999.

Robert Deri – Chief Financial Officer and Company Secretary (aged 42)

Robert was appointed in May 2001 and previously worked for Grattan plc as Group Finance Director. Prior to that, he held senior positions at BT Mobile, Colorvision plc and The Burton Group plc. Robert qualified as a Chartered Accountant with KPMG in 1987.

Andrew Scrivener – Chief Operating Officer (aged 46)

Andrew was the Managing Director of The ZOO Media Corporation Limited. He was previously Technical Director at Sears plc and was responsible for retail design, surveying, engineering and procurement across 15 brands in European and Middle Eastern territories.

Dr Stuart A Green – Chief Technical Officer (aged 39)

Stuart brings more than 15 years of experience of team building and executive management in the software industry to his role as CTO, where he is responsible for determining the technology strategy and expanding the core intellectual property of the company. Previously he founded Kazoo3D plc and prior to that was co-founder of LightWork Design Limited where he served as Technical Director with responsibility for implementing LightWork Design Limited's technical development strategy. Stuart received a Ph.D. in Computer Science from the University of Bristol in 1989 for his research into computer systems for advanced computer graphics. He has one issued and almost 60 patents pending in the fields of image processing and DVD authoring.

Dr Christopher H B Honeyborne – Non-Executive Director (aged 64)

Dr Honeyborne spent 24 years in banking, gaining experience in a variety of roles with Lazard Brothers, Banque Paribas Group and Bank of N.T. Butterfield & Son. Since then, Dr Honeyborne has held a number of high-profile non-executive directorships, including Yorkshire Water plc and Gremlin Group plc and is now a Director of Bede plc, Birse Group plc, Rensburg AIM VCT plc, LB Icon AB and of a number of unquoted companies.

Supplier payment policy

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 March 2005 were equivalent to 42 days' (2003: 41 days) purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year the group made no charitable or political donations.

Substantial shareholdings

On 31 May 2005, the company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the company:

Name of holder	Number	Percentage held
Mr I C Stewart	59,323,155	21.2%
ISIS Asset Management	21,574,020	7.7%
Herald Investment Trust plc	20,000,000	7.1%
Artemis AIM VCT plc	10,850,000	3.9%
Dr S A Green	9,641,500	3.4%
Mr W Newell	9,380,500	3.3%
Ms S Scrivener	9,267,208	3.3%

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation
The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. All full-time employees, following the successful completion of their probation become entitled to share options in the company.

Auditors
On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

By Order of the Board

Robert Deri
Director and Secretary

20 Furnival Street
Sheffield
South Yorkshire
S1 4QT

28 June 2005

Statement of Directors' responsibilities

Financial statements
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 group will continue in business.

Other matters
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

To the members of ZOO Digital Group plc

We have audited the financial statements of ZOO Digital Group plc for the period ended 31 March 2005 which comprise the Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Company information, Chairman and Chief Executive's statement, Directors' report and Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 March 2005 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP
Registered Auditors

Sheffield, UK

28 June 2005

Consolidated profit and loss account

For the period ended 31 March 2005

	Notes	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Turnover		12,669	5,093
Cost of sales		(7,611)	(4,091)
Gross profit		5,058	1,002
Other operating income		260	222
Other operating expenses	3		
- other		(6,907)	(2,179)
Loss before interest, tax, depreciation and amortisation		(1,589)	(955)
- depreciation		(155)	(112)
- amortisation of goodwill		(593)	(451)
		(7,655)	(2,742)
Operating loss		(2,337)	(1,518)
Investment income	2	57	(20)
Loss on ordinary activities before taxation	3	(2,280)	(1,538)
Tax on loss on ordinary activities	6	53	84
Retained loss for the financial year	20	(2,227)	(1,454)
Loss per share			
Basic	9	(0.80p)	(0.75p)
Diluted	9	(0.80p)	(0.75p)

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 March 2005

	Notes	31 March 2005 £'000	31 December 2003 £'000
Fixed assets			
Intangible assets	10	3,351	3,343
Tangible assets	11	377	127
		3,728	3,470
Current assets			
Stock	13	903	394
Debtors	14	5,937	3,107
Cash at bank and in hand		-	5,451
		6,840	8,952
Creditors: Amounts falling due within one year	15	(3,630)	(3,185)
Net current assets		3,210	5,767
Total assets less current liabilities		6,938	9,237
Creditors: Amounts falling due after more than one year	16	-	-
Net assets		6,938	9,237
Capital and reserves			
Called-up share capital	19	559	558
Share premium account	20	18,719	18,691
Other reserves	20	8,598	8,598
Profit and loss account	20	(20,609)	(18,382)
Shareholders' funds (all equity)	21	7,267	9,465
Interest in own shares	22	(329)	(228)
		6,938	9,237

The financial statements of pages 14 to 42 were approved by the Board of Directors on 28 June 2005 and signed on its behalf by:

Ian C Stewart

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

For the period ended 31 March 2005

	Note	31 March 2005 £'000	31 December 2003 £'000
Fixed assets			
Intangible assets	10	1,947	2,409
Tangible assets	11	180	123
Investments	12	7,947	7,947
		10,074	10,479
Current assets			
Stock	13	-	-
Debtors	14	5,722	2,213
Cash at bank and in hand		23	5,302
		5,745	7,515
Creditors: Amounts falling due within one year	15	(487)	(2,170)
Net current assets		5,258	5,345
Total assets less current liabilities		15,332	15,824
Creditors: Amounts falling due after more than one year	16	(6,785)	(6,785)
		8,547	9,039
Capital and reserves			
Called-up share capital	19	559	558
Share premium account	20	18,719	18,691
Other reserves	20	7,394	7,394
Profit and loss account	20	(17,796)	(17,376)
Shareholders' funds (all equity)		8,876	9,267
Interest in own shares	22	(329)	(228)
		8,547	9,039

The financial statements on pages 14 to 42 were approved by the board of directors on 28 June 2005 and signed on its behalf by:

Ian C Stewart

The accompanying notes are an integral part of this balance sheet.

Consolidated Cash Flow Statement

31 March 2005

	Notes	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Net cash outflow from operating activities	23	(4,302)	(2,070)
Returns on investments and servicing of finance	24	57	(20)
Tax refund		-	84
Capital expenditure and financial investment	25	(1,107)	(67)
Cash outflow before financing		(5,352)	(2,073)
Financing	26	(828)	6,218
(Decrease)/increase in cash in the year		(6,180)	4,145

Reconciliation of net cash flow to movement in net (debt)/funds (Note 27)

	Notes	2005 £'000	2003 £'000
(Decrease)/increase in cash in year		(6,180)	4,145
Cash outflow from decrease in debt and lease financing		858	755
Change in net (debt)/funds resulting from cash flows		(5,322)	4,900
Net (debt)/funds at 1 January 2004		4,593	(307)
Net (debt)/funds at 31 March 2005	27	(729)	4,593

The accompanying notes are an integral part of this consolidated cash flow statement.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of preparation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings, which are drawn up to 31 March 2005. In accordance with the exemption given under Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

Intangible assets – 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 capitalized and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment. Following a provision for impairment the original cost less the impairment provision is written off over the remaining useful economic life of the asset.

Intangible assets – patent costs

Patent costs are stated at cost, net of amortisation and any provision for impairment. Amortisation is charged on a straight line basis over the useful economic life of the assets, which is 10 years.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all such fixed assets at rates calculated to write off the cost of each asset less estimated residual value, on a straight-line basis, over its expected useful life, as follows:

Leasehold improvements	5 years
Computers	between 2 and 3 years
Office equipment, fixtures and fittings	between 2 and 5 years
Motor vehicles	4 years

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares, cost is measured by reference to the market value of the shares on the date of the transaction.

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred. Development costs that relate to clearly defined projects which are technically feasible and commercially viable, are capitalised and amortised on a straight line basis over 3 years provided that recoverability can be assessed with reasonable certainty.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

As required by FRS 19 “Deferred Tax”, full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised.

Turnover

Turnover represents royalty income and other sales at invoice value less trade discounts allowed and excluding VAT.

Royalties receivable on products released prior to the period-end are credited to the profit and loss account when due.

Guaranteed royalties falling due under contracts for products under development at the period-end are credited to the profit and loss account to the extent that the company’s contractual obligations have been fulfilled and attributable product development costs incurred are charged in the same period.

Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account 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 balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.
The results of overseas operations are translated at the weighted average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Finance and operating leases

Assets acquired under finance leases or hire purchase agreements are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the capital element of rental obligations is charged to the liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

Product development expenditure is carried forward to the extent that it is considered to be recoverable. The amount carried forward is written off on release over the expected sales life of each product.

Government grants

Government grants in respect of capital expenditure are treated as deferred credits, a proportion of which is transferred to revenue annually over the life of the asset. Government grants in respect of revenue expenditure are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

1 Segment information

Divisional:

	Holding Company £'000	Games Distribution £'000	DVD Technology £'000	Total £'000
Turnover				
31 March 2005	1	12,286	382	12,669
Operating profit/(loss)				
31 March 2005	(640)	436	(2,133)	(2,337)
Net assets				
31 March 2005	8,182	835	(2,079)	6,938

Comparative figures have not been presented as this information is not readily available, as the group did not adopt its current structure until 1 January 2004.

Geographical:

	United Kingdom £'000	Europe £'000	Other £'000	Total £'000
Turnover				
31 March 2005	7,618	4,489	562	12,669
31 December 2003	3,242	1,545	306	5,093
Net assets				
31 March 2005	6,938	-	-	6,938
31 December 2003	9,237	-	-	9,237
Operating profit/(loss)				
31 March 2005	(4,019)	1,679	3	(2,337)
31 December 2003	(1,890)	311	61	(1,518)

The turnover for the period is generated entirely from the UK.

2 Investment income

	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Other interest receivable and similar income		
Bank interest	99	38
	99	38
Interest payable and similar charges		
Finance leases and hire purchase contracts	(1)	(5)
Bank interest	(26)	-
Other loans	(15)	(53)
	57	(20)

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Depreciation and amounts written off tangible fixed assets		
- owned by the company	143	82
- held under finance leases	12	30
Amortisation of goodwill	593	451
Operating lease rentals		
- plant and machinery	5	-
- property rent	169	28
Auditors' remuneration for audit services	26	20
Research and development	1,046	830
Exchange losses	22	29
Government grants	(260)	(222)

3 Loss on ordinary activities before taxation (continued)

Other operating expenses comprise:		
- other expenses	6,907	2,179
- depreciation	155	112
- amortisation of goodwill	593	451
Other operating expenses	7,655	2,742

Amounts payable to PKF and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £3,000 (2003: £6,500).

4 Staff costs

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

	Fifteen months ended 31 March 2005 Number	Year ended 31 December 2003 Number
Product design	84	30
Sales and marketing	10	6
Administration	16	9
	110	45
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	4,174	1,348
Social security costs	412	144
Other pension costs (see note 29)	80	44
	4,666	1,536

5 Directors' remuneration, interests and transactions

Aggregate remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Emoluments	480	353
Money purchase pension contributions	20	16
	500	369

The highest paid director received emoluments and benefits as follows:

	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Emoluments	115	83
Money purchase pension contributions	5	4
	120	87

£16,000 (2003: £13,000) was paid to Brockhill Limited under agreements to provide the group with the services of Dr Christopher H B Honeyborne.

The four executive directors are members of money purchase pension schemes.

5 Directors' remuneration, interests and transactions (continued)

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 January 2004	Granted	Exercised /lapsed	31 March 2005	Exercise Price	Date from which exercisable	Expiry date
Ian C Stewart	-	1,250,000	-	1,250,000	10.5p	April 2007	April 2014
Robert G Deri	3,252,823	-	-	3,252,823	7.75p	*	
Robert G Deri	2,252,823	-	-	2,252,823	2.5p	December 2003	August 2013
Robert G Deri	1,000,000	-	-	1,000,000	Nil	December 2003	August 2013
Robert G Deri		1,250,000	-	1,250,000	10.5p	April 2007	April 2014
Andrew Scrivener		1,250,000	-	1,250,000	10.5p	April 2007	April 2014
Dr Stuart A Green		1,250,000	-	1,250,000	10.5p	April 2007	April 2014
M John Barnes	200,000	-	-	200,000	7.75p	*	
M John Barnes		250,000	-	250,000	11.0p	April 2007	July 2014
Dr Christopher H B Honeyborne	20,000	-	-	20,000	85p	September 2001	March 2010
Dr Christopher H B Honeyborne	200,000	-	-	200,000	7.75p	*	
Dr Christopher H B Honeyborne		250,000	-	250,000	11.0p	April 2007	July 2014
Total	6,925,646	5,500,000	-	12,425,646			

***** These share options are exercisable on 19 July 2002 over 40% of the shares under option, on 19 July 2003 over a further 30% of the shares under option and in full on, or after, 19 July 2004, lapsing no later than 20 July 2011.

The market price of the ordinary shares at 31 March 2005 was 11.75p and the range during the period was 8.0p to 15.25p.

5 Directors' remuneration, interests and transactions (continued)

Directors' interests

The directors who held office at 31 March 2005 had the following interests, including family interests, in the 0.2p ordinary shares of ZOO Digital Group plc:

	31 March 2005	1 January 2004
Name of director	Beneficial	Beneficial
Ian C Stewart	59,323,155	59,323,155
Robert G Deri	132,000	132,000
Andrew Scrivener	9,267,208	9,267,208
Dr Stuart A Green	9,641,500	9,641,500
M John Barnes	660,000	660,000
Dr Christopher H B Honeyborne	100,000	-

Dr Stuart A Green has options to acquire 5,250,000 ordinary shares from fellow shareholders, at 50p per share and has an interest in a further 50,000 ordinary shares held by LightWork Design Limited.

No changes took place in the interests of directors between 31 March 2005 and 31 May 2005.

Directors' transactions

No other transactions have taken place with directors aside from those disclosed in this note 5, note 15 or note 30.

6 Tax on loss on ordinary activities

a) **Analysis of credit in the period**

	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
UK corporation tax		
Current tax on income for the period	(53)	-
Adjustments in respect of prior periods	-	(84)
	(53)	(84)

b) **Factors affecting tax credit for year**

The tax assessed for the year can be reconciled to the standard rate of corporation tax in the UK as follows:

	Fifteen months ended 31 March 2005 £'000	Year ended 31 December 2003 £'000
Loss on ordinary activities before tax	(2,280)	(1,538)
Loss on ordinary activities multiplied by standard rate of corporation tax of 30%	(684)	(461)
Capital allowances in excess of depreciation	(34)	(19)
Disallowable items	167	107
Losses carried forward	533	373
Adjustments in respect of prior periods	-	(84)
Research and development tax relief	(35)	-
Current tax credit for the year	(53)	(84)

c) **Future factors affecting the tax charge**

The group has tax losses carried forward of £7,450,000 (2003: £5,878,000).

7 Loss attributable to ZOO Digital Group plc

The loss for the year dealt with in the financial statements of the parent company, ZOO Digital Group plc, was £420,000 (2003: £1,757,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

8 Dividends

There were no dividends paid or proposed.

9 Loss per share

The calculations of loss per share are based on the following losses and numbers of shares.

	Basic and Diluted	
	2005 £'000	2003 £'000
Loss for the financial year	2,227	1,454

	2005 Number of shares	2003 Number of shares
Weighted average number of shares for basic and diluted loss per share	279,333,785	193,574,949

No adjustment has been made for ‘in the money’ share options as this would decrease the loss per share, which is not dilutive. No adjustment has been made for ‘out of the money’ share options based on the assumption that shareholders would not exercise these options.

10 Intangible fixed assets

	Goodwill	Development costs	Patents	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 1 January 2004	10,237	-	45	10,282
Additions	186	327	88	601
At 31 March 2005	10,423	327	133	10,883
Amortisation				
At 1 January 2004	6,936	-	3	6,939
Charge for the period	581	-	12	593
At 31 March 2005	7,517	-	15	7,532
Net book value				
At 31 March 2005	2,906	327	118	3,351
At 31 December 2003	3,301	-	42	3,343

On 27 February 2004 the group acquired the goodwill, intellectual property and customer contracts of Hothouse Creations Limited.

10 Intangible fixed assets (continued)

Company	Goodwill £'000	Development costs £'000	Patents £'000	Total £'000
Cost				
At 1 January 2004	7,667	-	45	7,712
Additions	-	-	-	-
Transferred to group companies	-	-	(45)	(45)
At 31 March 2005	7,667	-	-	7,667
Amortisation				
At 1 January 2004	5,300	-	3	5,303
Charge for the period	420	-	-	420
Transferred to group companies	-	-	(3)	(3)
At 31 March 2005	5,720	-	-	5,720
Net book value				
At 31 March 2005	1,947	-	-	1,947
At 31 December 2003	2,367	-	42	2,409

11 Tangible fixed assets

Group	Leasehold improvements £'000	Computers £'000	Office equipment, fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2004	12	497	183	11	703
Additions	-	221	193	-	414
Disposals	-	-	(21)	(11)	(32)
At 31 March 2005	12	718	355	-	1,085
Depreciation					
At 1 January 2004	8	417	143	8	576
Charge for the period	1	112	41	1	155
Eliminated on disposal	-	-	(14)	(9)	(23)
At 31 March 2005	9	529	170	-	708
Net book value					
At 31 March 2005	**3**	**189**	**185**	**-**	**377**
At 31 December 2003	4	80	40	3	127

The net book value of assets held under finance leases and hire purchase contracts comprised

At 31 March 2005	-	-	-	-	-
At 31 December 2003	-	11	1	-	12

11 Tangible fixed assets (continued)

Company	Leasehold improvements £'000	Computers £'000	Office equipment, fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2004	12	495	181	-	688
Additions	-	42	148	-	190
Transferred to group companies	-	(259)	-	-	(259)
Disposals	-	-	(21)	-	(21)
At 31 March 2005	12	278	308	-	598
Depreciation					
At 1 January 2004	8	415	142	-	565
Charge for the year	1	20	34	-	55
Transferred to group companies	-	(188)	-	-	(188)
Disposal	-	-	(14)	-	(14)
At 31 March 2005	9	247	162	-	418
Net book value					
At 31 March 2005	**3**	**31**	**146**	-	**180**
At 31 December 2003	4	80	39	-	123

12 Fixed asset investments

	Company	
	31 March 2005 £'000	31 December 2003 £'000
Subsidiary undertakings	7,947	7,947

The parent company has investments in the following subsidiary undertakings:

Subsidiary undertakings	*Country of incorporation*	*Principal activity*	*Holding*	*%*
ZOO Digital Publishing Limited	UK	Game publishing	100 ordinary shares	100
The ZOO Media Corporation Limited	UK	Dormant	95,714 ordinary shares	100
ZOOtech Inc. (formerly Kazoo3D Inc.)	USA	Sale and distribution technology products	10,000 shares of common stock	100
ZOO Employee Share Trust Limited	UK	Employee Share Scheme	2 ordinary shares	100
ZOOtech Limited (formerly Kazoo3D Limited)	UK	Technology development	2 ordinary shares	100
ZOOtech SARL	France	Sale and distribution technology products	€5,000 of share capital	100

Subsidiary undertakings

	Company £'000
Cost	
At 1 January 2004 and 31 March 2005	9,414
Amount written off	
At 1 January 2004 and 31 March 2005	1,467
Net book value	
At 31 December 2003 and 31 March 2005	7,947

13 Stock

	Group		Company	
	31 March 2005 £'000	31 December 2003 £'000	31 March 2005 £'000	31 December 2003 £'000
Products in the course of development	191	42	-	-
Finished goods and goods for re-sale	712	352	-	-
	903	394	-	-

14 Debtors

Amounts falling due within one year:

	Group		Company	
	31 March 2005 £'000	31 December 2003 £'000	31 March 2005 £'000	31 December 2003 £'000
Trade debtors	3,756	2,036	37	28
Amounts owed by subsidiary undertakings	-	-	5,548	1,434
VAT	29	32	19	32
Other debtors	1,096	342	-	22
Prepayments and accrued income	1,056	697	118	697
	5,937	3,107	5,722	2,213

15 Creditors: Amounts falling due within one year

	Group		Company	
	31 March 2005 £'000	31 December 2003 £'000	31 March 2005 £'000	31 December 2003 £'000
Bank overdraft	729	-	-	-
Trade creditors	932	790	175	382
Other taxation and social security	264	195	245	43
Director's loan	-	857	-	857
Accruals and deferred income	1,696	1,330	58	875
Accrued pension contributions	9	13	9	13
	3,630	3,185	487	2,170

The bank overdraft is secured on the assets of the Group.

The Director's loan, advanced by Ian Stewart, was been repaid during the period.

The total interest accrued to Ian Stewart in the period on the above loan was £14,598 (2003 £50,045).

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	31 March 2005 £'000	31 December 2003 £'000	31 March 2005 £'000	31 December 2003 £'000
Amounts owed to subsidiary undertakings	-	-	6,785	6,785
	-	-	6,785	6,785

17 Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, comprise cash and liquid resources, a bank overdraft, and various items, such as trade debtors, trade creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The directors do not consider that there is any material difference between the book value and the fair value of the Group's bank overdraft. At 31 March 2005 the Group had committed undrawn bank overdraft facilities of £1,771,000. The bank overdraft facilities are subject to annual review.

17 Derivatives and other financial instruments (continued)

The Group also enters into derivatives transactions (principally forward foreign currency contracts). The purpose of such transactions is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk.

Interest is charged on the Group's bank overdraft on a variable basis at a rate of 1.75% above the bank base rate.

18 Provisions for liabilities and charges

No provision has been made for deferred tax assets as the period over which they are likely to be recovered is uncertain.

The amounts unprovided at the year-end are as follows:

	Group		Company	
	31 March 2005 £'000	31 December 2003 £'000	31 March 2005 £'000	31 December 2003 £'000
Deferred tax asset:				
- Accelerated capital allowances	66	103	64	101
- Short term timing differences	4	-	-	-
- Tax losses carried forward	2,235	1,763	1,789	1,763
	2,305	1,866	1,853	1,864

19 Called-up share capital

	31 March 2005 £'000	31 December 2003 £'000
Authorised		
400,000,000 (2003: 400,000,000) ordinary shares of 0.2p each	800	800
Allotted, called-up and fully-paid		
279,800,328 (2003: 279,030,328) ordinary shares of 0.2p each	559	558

During the year 770,000 ordinary shares of 0.2p each were issued to employees under share option schemes for consideration of £29,958.

Options have been granted under the following option schemes to subscribe for ordinary shares of the company. As at 31 March 2005 the following options were outstanding:

Scheme name	Number of shares under option	Subscription price per share	Exercise period expires
Kazoo3D plc employee share option scheme*	160,100	50p	March 2010
Kazoo3D plc unapproved employee share option scheme*	81,900	50-85p	March 2010
Kazoo3D plc cross-over share option scheme*	1,041,000	50p	March 2010
ZOO Digital Group plc roll-over share option scheme	3,052,600	0.01199p	December 2010
ZOO Digital Group plc Enterprise Management Incentive Scheme*	14,225,560	Nil – 13.5p	July 2011 – October 2014
ZOO Digital Group plc Unapproved Employee Share Option Scheme*	9,115,336	Nil – 10.5p	July 2011 – May 2014
	27,676,496		

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

20 Reserves

Group	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	18,691	8,598	(18,382)	8,907
Issue of shares	28	-	-	28
Retained loss for the period	-	-	(2,227)	(2,227)
At 31 March 2005	18,719	8,598	(20,609)	6,708
Company				
At 1 January 2004	18,691	7,394	(17,376)	8,709
Issue of shares	28	-	-	28
Retained loss for the period	-	-	(420)	(420)
At 31 March 2005	18,719	7,394	(17,796)	8,317

Other reserves comprise the merger reserve arising on the acquisition of The ZOO Media Corporation Limited and market value of options granted in connection with that acquisition.

21 Reconciliation of movements in group shareholders' funds

	31 March 2005 £'000	31 December 2003 £'000
Loss for the financial year	(2,227)	(1,454)
New shares issued	29	6,973
Net (deduction from)/increase to shareholders' funds	(2,198)	5,519
Opening shareholders' funds	9,465	3,946
Closing shareholders' funds	7,267	9,465
Interest in own shares	(329)	(228)
	6,938	9,237

22 Interest in own shares

	Group and Company £'000
Cost	
At 31 December 2003	228
Addition	101
At 31 March 2005	329

The company operates The ZOO Employee Share Trust Limited (the Trust) for the benefit of the employees of the group. The directors of the Trust purchase the company's shares in the open market. During the period the company had an interest in 4,430,665 (2003: 3,587,665) of its ordinary 0.2p shares with a nominal value of £8,861 (2003: £7,175) and a market value of £520,603 (2003: £421,551). These represent 1.6% (2003: 1.3%) of the issued ordinary shares. The company has given financial assistance to the Trust, as permitted by Section 153(4)(b) of the Companies Act 1985, of £172,000 (2003: £71,000).

The shares are not allocated to specific employees and will be distributed in the future at the discretion of the directors.

23 Reconciliation of operating loss to operating cash flows

	31 March 2005 £'000	31 December 2003 £'000
Operating loss	(2,337)	(1,518)
Depreciation charges	155	112
Increase in stock	(509)	(31)
Increase in debtors	(2,777)	(1,672)
Increase in creditors	573	588
Goodwill amortisation	593	451
Net cash outflow from operating activities	(4,302)	(2,070)

24 Returns on investment and servicing of finance

	31 March 2005 £'000	31 December 2003 £'000
Interest received	99	38
Interest paid	(41)	(53)
Finance lease interest paid	(1)	(5)
Net cash inflow/(outflow)	57	(20)

25 Capital expenditure and financial investment

	31 March 2005 £'000	31 December 2003 £'000
Purchase of intangible fixed assets	(601)	(38)
Purchase of tangible fixed assets	(414)	(29)
Receipts from sales of fixed assets	9	-
Purchase of own shares	(101)	-
Net cash outflow	(1,107)	(67)

26 Financing

	31 March 2005 £'000	31 December 2003 £'000
Capital element of finance lease rentals	-	(5)
Repayment of director's loan	(857)	(500)
Repayment of loan notes	-	(250)
Issue of share capital	29	6,973
Net cash (outflow)/inflow	(828)	6,218

27 Analysis of changes in net debt

	At 1 January 2004 £'000	Cash flows £'000	Non cash movements £'000	At 31 March 2005 £'000
Bank overdraft	-	(729)	-	(729)
Cash at bank and in hand	5,451	(5,451)	-	-
	5,451	(6,180)	-	(729)
Debt due within one year	(857)	857	-	-
Finance leases	(1)	1	-	-
	4,593	(5,322)	-	(729)

28 Financial commitments

Commitments under non-cancellable operating leases are as follows:

	Land and Buildings		Other	
	31 March 2005	31 December 2003	31 March 2005	31 December 2003
	£'000	£'000	£'000	£'000
Group				
Expiry date				
- within one year	-	-	-	-
- between two and five years	200	28	4	-
	200	28	4	-

	Land and Buildings	
	31 March 2005 £'000	31 December 2003 £'000
Company		
Expiry date		
- within one year	-	-
- between two and five years	160	28
	160	28

Included in commitments expiring between two and five years is an amount of £200,000 (2003: £28,000) due within the next year in respect of a lease for land and buildings. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

29 Pension arrangements

The company makes payment of contributions into certain employees' personal pension schemes for which the pension cost charge for the period amounted to £80,000 (2003: £44,000).

30 Related party transactions

During the year the group purchased goods and services in the ordinary course of business from LightWork Design Limited, of which Dr Stuart A Green is a director, at a cost of £87,500 (2003: £70,000). Sales of licences were also made to LightWork Design Limited in the normal course of business amounting to £87,500 (2003: £70,000). At 31 March 2005 the balance owed to LightWork Design Limited was £nil (2003: £nil).

Shareholders Notes

Shareholders Notes


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