

ZOO Digital Group



Interim Results for the 6 months to 30 September 2009

November 09



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Changed Reporting Currency to USD

- Historic results translated in accordance with IFRS
- Previously reported Sterling results converted into USD at the average rate during the relevant periods
- Restated profits and losses are affected by the translation of the Convertible Unsecured Loan Stock (CULS)
- Due to the variation in the \$/£ exchange rate since April 2008 we recognised an exchange gain in the six months to 30 September 2008 and a loss for the current period
 - These gains/losses are caused by the translation of assets and liabilities
 - They have no immediate cash impact



Financial Highlights

- Revenue increased by 31% to \$8.1m (2008: \$6.2m)
- Gross margin lower due to the sales mix in period
 - Focus remains on high margin technology licensing
- Excluding exchange differences on inter-company balances and a convertible loan note, PBT was \$0.4m (2008: \$0.5m loss)
- Cash generated from operating activities \$0.7m (2008: nil)
- Cash balance of \$0.5m
- Supplemented by an additional bank working capital facility of £0.5m

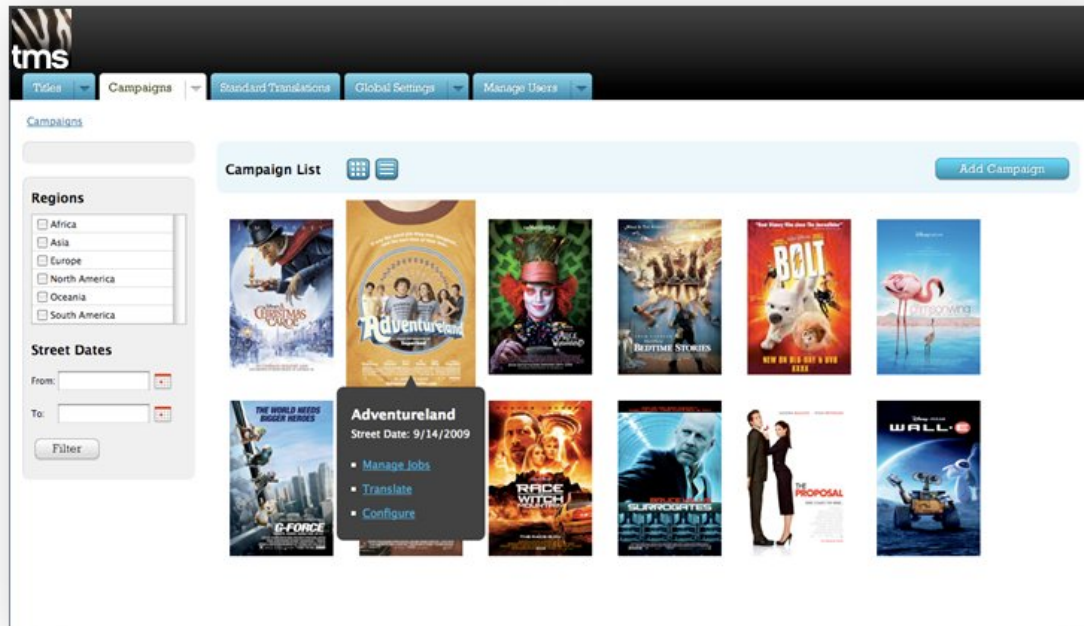


The ZOO Proposition

- We provide software and value-added services to support our customers' studio operations
 - Based on first-hand experience we analyse processes and workflows
 - We use this knowledge to design, build and deploy new workflow automation systems
 - These systems provide time and cost benefits for our customers
 - Each new system generates high margin, recurring revenues and opportunities to offer additional value-added services



Translation Management System



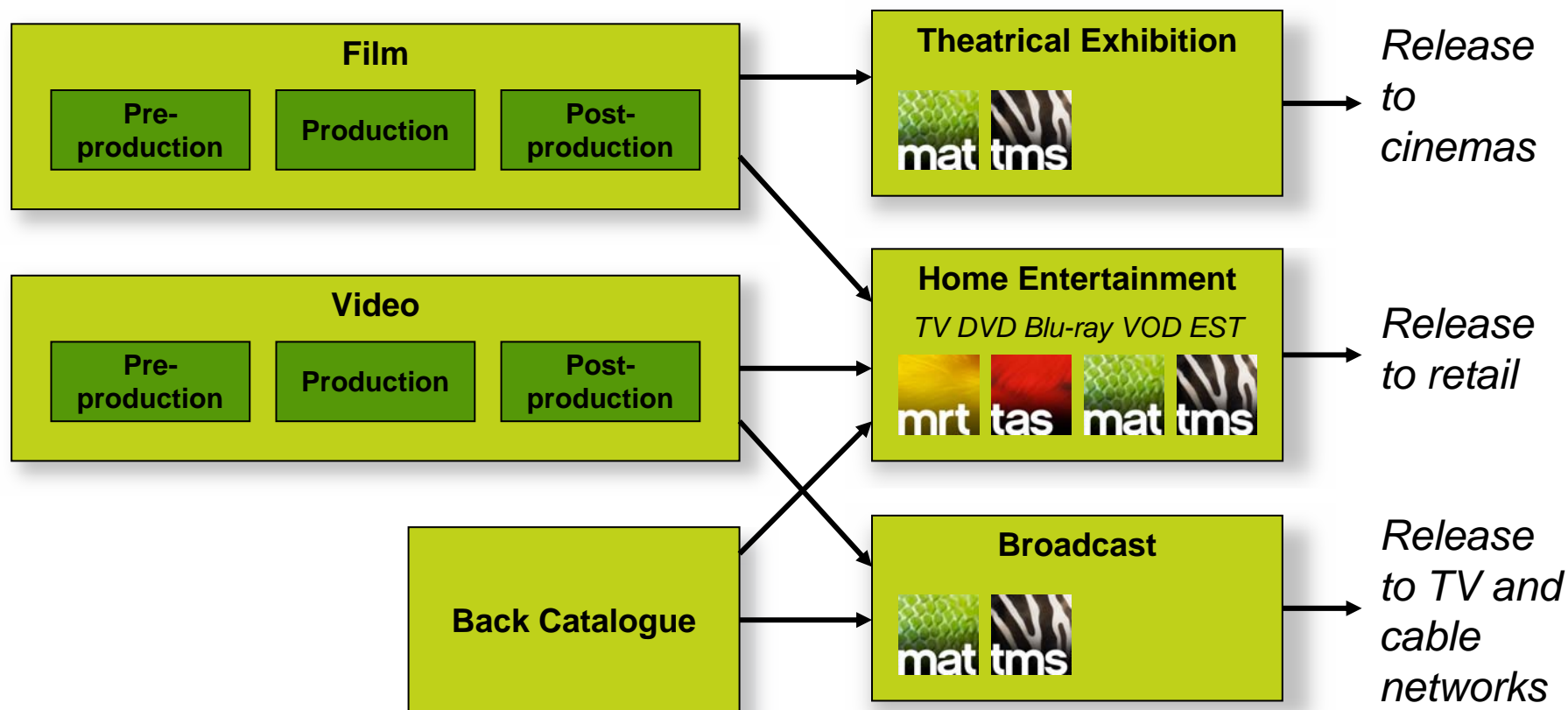
- An online collaboration system for development, review and approval of artwork
- Designed to support the complex workflow of studio operations
- Benefits are significant cost savings and improved brand consistency and control
- Integrated with ZOO's desktop software suite
- Licensed on a Software as a Service basis



Grant Funding for Video Restoration

- “Commercialising Motion Picture Archives” project
- Secured funding of £350k from the Technology Strategy Board
- Partnering with the British Film Institute
- Work will focus on automated restoration and conversion to multiple formats of film and video materials
- This is an area where there is a significant annual worldwide spend

ZOO's Role in the Studio Workflow





Case Study – a Major Hollywood Studio

- Regionalising digital assets since 2007 – giving annual savings of around \$3m
- Creating DVDs since 2008 – giving annual savings of around \$4m
- Regionalizing theatrical marketing campaigns since 2009 – reducing time to market by half
- Recently begun regionalizing TV content with further significant annual savings expected
- Overall current annual savings estimated to be around \$10m



Positioned for Growth

- New recurring revenue streams from broader product offering to existing customers
- Focusing on other key studios to secure new high value customers
- Expanding web-based proposition into new studio areas
- New technologies will offer improved economies for multi-platform video production



Summary and Outlook

- Our time and cost-saving solutions continue to be well received by our customers
- Web-based software enables growth of recurring revenues
- Increased pressures on studios to publish on more platforms at lower cost makes ZOO's proposition attractive
- We note the natural seasonality in the industry
- We have good revenue visibility based on our customers' marketing schedules
- We look forward to the full year results with confidence

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Appendix

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Statement of Comprehensive Income

Unaudited



	6 months to 30 Sep 2009	6 months to 30 Sep 2008	Year ended 31 Mar 2009
	\$000	\$000	\$000
Revenue	8,117	6,210	11,336
Cost of Sales	(2,383)	(898)	(2,085)
Gross Profit	5,734	5,312	9,251
Other operating income	131	17	136
Exchange gain on intercompany transactions	-	601	2,293
Exceptional items	-	-	52
Other operating expenses	(5,218)	(5,497)	(10,768)
Total operating expenses	(5,218)	(4,896)	(8,423)
Operating Profit	647	433	964
Finance income	1	9	15
Exchange loss on borrowings	(615)	-	-
Other finance cost	(265)	(329)	(599)
Total finance cost	(880)	(329)	(599)
(Loss)/Profit before taxation	(232)	113	380
Tax on loss	(1)	(1)	(36)
(Loss)/Profit for the period	(233)	112	344
Profit/(loss) before exchange differences on Intercompany transactions and borrowings (see notes)	382	(489)	(1,949)
Other Comprehensive Income			
Exchange difference on the change of presentation currency and on the translation of foreign operations	-	(635)	(2,231)
Other Comprehensive Income net of tax	-	(635)	(2,231)
Total Comprehensive Income	(233)	(523)	(1,887)
Comprehensive Income attributable to equity holders of the parent	(233)	(523)	(1,887)
(Loss)/Profit per ordinary share			
- basic	(1.09 cents)	0.63 cents	1.76 cents
-diluted	(1.09 cents)	0.4 cents	1.15 cents

Statement of Financial Position

Unaudited



	As at 30 Sep 2009 \$000	As at 30 Sep 2008 \$000	As at 31 Mar 2009 \$000
ASSETS			
Non-Current Assets			
Property, plant and equipment	627	1,078	755
Intangible assets	7,713	7,912	6,871
	8,340	8,990	7,626
Current Assets			
Inventories	-	97	-
Trade receivables and other receivables	3,543	2,727	2,076
Cash and cash equivalents	450	428	1,414
	3,993	3,252	3,490
Total Assets	12,333	12,242	11,116
LIABILITIES			
Current Liabilities			
Trade payables and other payables	(4,492)	(3,170)	(3,519)
Borrowings	(193)	(528)	(523)
	(4,685)	(3,698)	(4,042)
Non-Current Liabilities			
Borrowings	(5,472)	(5,834)	(4,726)
	(5,472)	(5,834)	(4,726)
Total Liabilities	(10,157)	(9,532)	(8,768)
Net Assets	2,176	2,710	2,348
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	4,573	4,783	4,573
Share premium account	32,899	40,997	32,899
Other reserves	12,293	15,306	12,293
Share option reserve	232	18	110
Warrant reserve	46	16	38
Convertible loan note reserve	380	474	380
Foreign exchange translation	(992)	(215)	(992)
Profit and loss account	(47,183)	(58,665)	(46,950)
	2,248	2,714	2,351
Interest in own shares	(72)	(4)	(3)
Attributable to equity holders	2,176	2,710	2,348

Statement of Cash Flows

Unaudited



	6 months to 30 Sep 2009	6 months to 30 Sep 2008	Year ended 31 Mar 2009
	\$000	\$000	\$000
Cash flows from operating activities			
Operating Profit for the period	647	433	964
Finance income	-	9	15
Depreciation	219	223	427
Amortisation and impairment	51	60	883
Share based payments	130	(12)	123
Disposal of own shares	(69)		
Disposal of property, plant and equipment	-		6
Exchange (gain)/loss	108	(695)	(2,449)
Changes in working capital:			
Inventories	-		291
Trade and other receivables	(1,467)	(417)	(52)
Trade and other payables	1,050	219	1,099
Cash flow from operations	669	(180)	1,307
Tax received	-	171	132
Net cash flow from operating activities	669	(9)	1,439
Investing Activities			
Purchase of intangible assets	(893)	(250)	(1,044)
Purchase of property, plant and equipment	(91)	(52)	(148)
Net cash flow from investing activities	(984)	(302)	(1,192)
Cash flows from financing activities			
Repayment of borrowings	(378)	(252)	(541)
Proceeds from borrowings	-	-	116
Finance cost	(271)	(250)	(436)
Share and convertible loan issues	-	-	(31)
Issue of Share Capital	-	-	896
Net cash flow from financing	(649)	(502)	4
Net (decrease)/increase in cash and cash equivalents	(964)	(813)	251
Cash and cash equivalents at the beginning of the period	1,414	1,340	1,340
Exchange (loss)/gain on cash and cash equivalents	-	(99)	(177)
Cash and cash equivalents at the end of the period	450	428	1,414

The Board



Dr. Christopher Honeyborne, Chairman – Spent 24 years in banking with Lazard Brothers, Banque Paribas Group and Bank of N.T. Butterfield & Son; currently Chairman of Dyson Group plc and non-executive director of Matica plc; previous Non-Executive Directorships include Yorkshire Water plc, Gremlin Group plc, Kunick plc, Birse Group plc and BWD Aim VCT plc



Dr. Stuart Green, CEO – Previously CTO of ZOO Digital Group, CEO of Kazoo3D plc, Technical Director of LightWork Design Limited. Stuart has many years experience in team building and executive management in the software industry. He has more than 20 patents granted in the fields of image processing and digital media production.



Helen Gilder, Group Finance Director – Joined ZOO as Group Financial Controller in 2000 and became Group Finance Director in 2006. Previously Helen was Finance Director within a highly acquisitive listed technical group of companies. Qualified ACA in 1991.



Gordon Doran, Commercial Director – Held senior positions in sales and marketing roles for a variety of UK and US companies in the software industry since the early 1990s. Most recently COO for Mediostream Inc. – a consumer DVD software developer; joined ZOO in 2005 to establish a North American division where he now operates in the role of President.



Ian Stewart, Non Executive Director – Founded Gremlin Interactive Limited in 1984 and took it to flotation on the LSE in 1997. Following the acquisition of Gremlin by Infogrames SA Ian founded The ZOO Media Corporation Limited. Ian is an honorary Doctor of Sheffield Hallam University.



James Livingston, Non Executive Director – Portfolio manager with Foresight Group, a leading UK manager of technical investment funds; non-executive director of two other companies, a board observer of a further six and manages a portfolio of AIM-listed investments.

Senior Management (Los Angeles Based)



Duncan Wain, COO – Joined ZOO following the acquisition of the assets of Scope Seven Inc. in August 2007 of which he was a co-founder. Duncan is an accomplished executive in the Hollywood post production industry having worked with many of the leading major studios. Duncan sits on the New Media Council of the Producers Guild of America.



Simon Clark, Senior Vice President – Worked in the pre-press industry since 1986 and has experience of setting up and rapidly growing businesses in a wide variety of geographical locations. In 1998 Simon led the management buy-out of TM, a UK-based print and pre-press service provider. In 2001 TM was acquired by AGI Media Inc. where Simon was appointed to the role of Senior Vice President of Creative Services.



Phil Corio, CTO – Worked in the pre-press industry since 1985, most recently with AGI Media Inc, Los Angeles where he was Production Director working on the creation of marketing materials and special packaging for the entertainment industry. Phil joined ZOO in 2006 and has been instrumental in establishing the company's product and service offerings for the pre-media marketplace.