

**ZOO Digital Group**



# **AGM Presentation**

***Stuart Green, CEO***

**22 September 2011**

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# About ZOO



- Creating media for global distribution is labour-intensive and time-consuming
- ZOO's software enables businesses to create and deliver media to the global marketplace more rapidly and efficiently than ever before



warner | music | group



# About ZOO



- We provide software for managing collaborative workflows involving localising and authoring creative content
- We work with film studios, videogame companies, music publishers, book publishers and other creators of creative media
- We simplify the production of creative media
- Our customers enjoy reduced time to market, higher quality and lower costs
- We do this by designing innovative, patent-protected software
- Our software is used to create localised iTunes, DVD, Blu-ray, eBooks, product packaging and marketing campaigns for some of the best known brands in the world



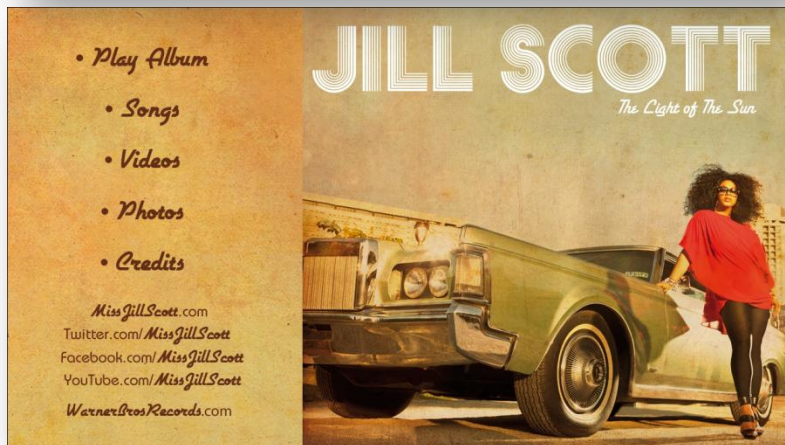
# Home Entertainment







# Music









# Publishing





# Strategy

- Identify labour-intensive services
- Design workflow management software based on automation and centralization without compromise to quality
- License systems directly to brand owners, supplemented with services where appropriate
- Deliver first rate customer service
- Generate recurring and scalable revenue streams from an increasingly diverse customer base with pricing based on throughput and SaaS



# The Market and Growth

- Established in the filmed entertainment market with customers including major Hollywood studios
- Working with partners to expand business:
  - Multi Packaging Solutions
    - Interactive Entertainment
    - Healthcare/Pharmaceuticals
  - Apple Computer
    - Music
    - Electronic books
- Growing business by:
  - New customers in the filmed entertainment market
  - New product opportunities with existing customers
  - Existing products into new markets



# eBook Market Growth

- Suggested forecast of almost \$1 billion spent in US on eBooks in 2010 (*source: Forrester Research, November 2010*)
- US spending on eBooks expected to reach \$3 billion by 2015 (*source: Forrester Research, November 2010*)
- Market shares for eReaders: Amazon Kindle 47%, Apple iPad 32% (*source: ChangeWave Research, November 2010*)
- Hachette Book Group (3<sup>rd</sup> largest book publisher globally) recently announced eBooks accounted for 22% of revenue in 2011 Q1
- Digital books became the largest single format in the US in Feb 2011 (*source: Association of American Publishers*)
- Around 800,000 eBook titles published on amazon.co.uk out of a total of 35 million books (*source: www.amazon.co.uk*)

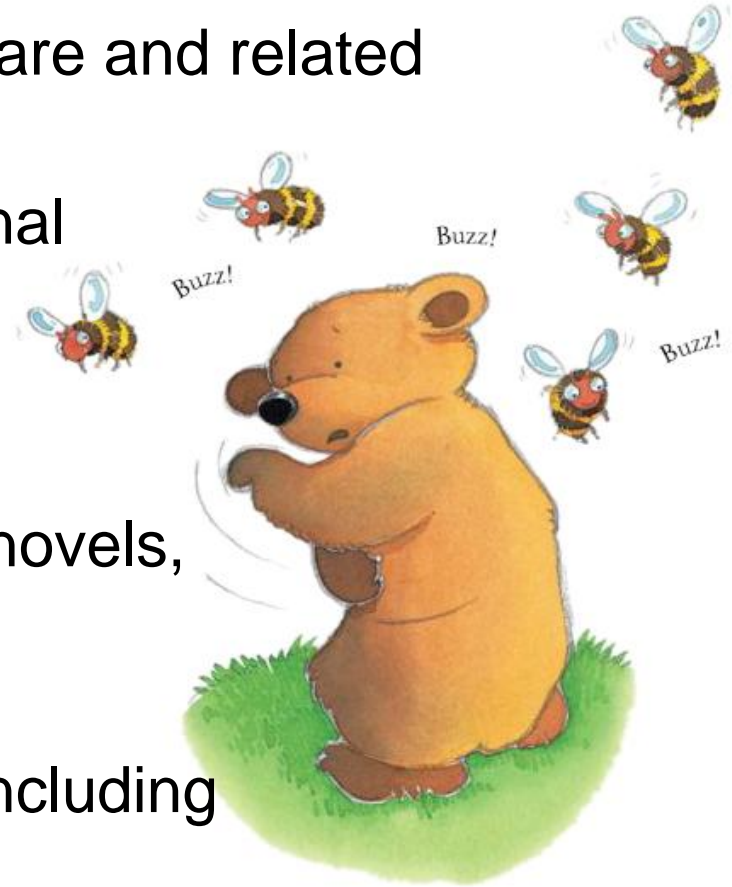




# ZOO's eBook Proposition



- Providing workflow and automation software and related services for eBook production
- Enabling publishers to repurpose traditional books for sale online – format and language adaptation
- Focusing primarily on media-rich genres, including picture books, comics, graphic novels, cookery books, travel guides, encyclopaedias
- Supporting a range of eReader devices including Kindle, iPad and Nook
- ZOO is an Apple iTunes Preferred Vendor



## 11

## THE PEG

*And I believe that this claim for a healthy body for all of us carries with it all other due claims; for who knows where the seeds of disease, which even rich people suffer from, were first sown? From the luxury of an ancestor, perhaps; yet often, I suspect, from his poverty.*

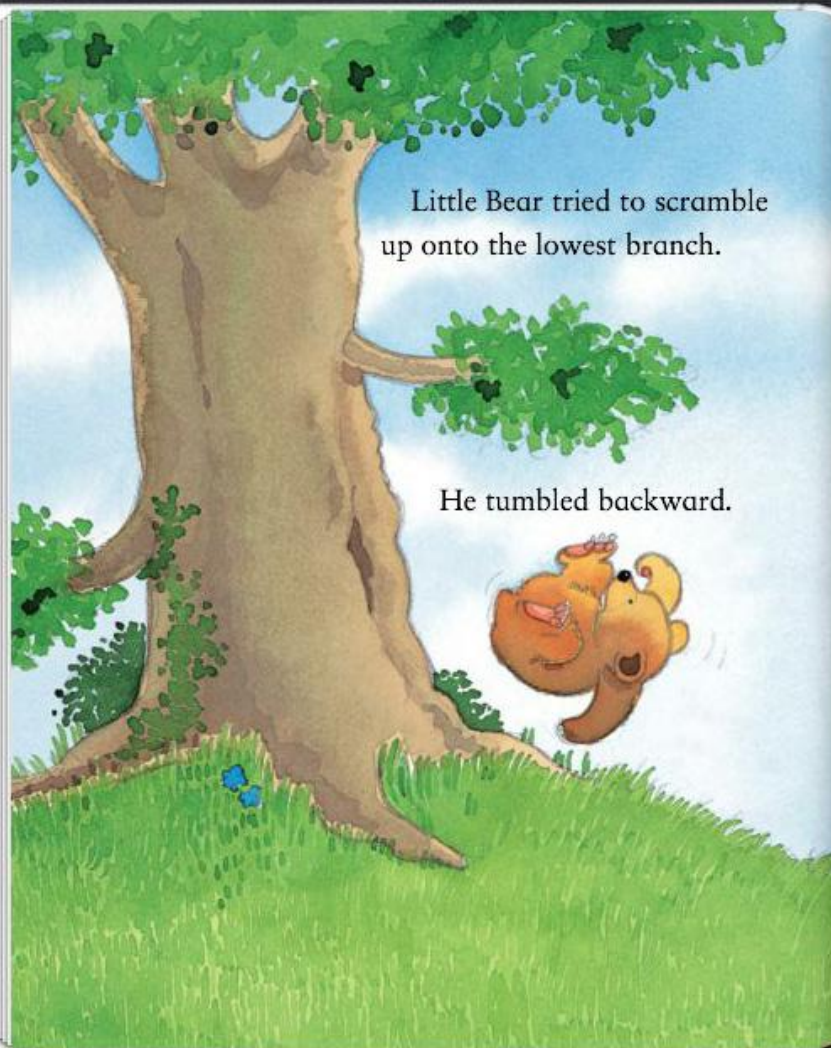
WILLIAM MORRIS

BUT, AFTER carrying the banner all night, I did not sleep in Green Park when morning

dawned. I was wet to the skin, it is true, and I had had no sleep for twenty-four hours; but, still adventuring as a penniless man looking for work, I had to look about me, first for a breakfast, and next for the work.

During the night I had heard of a place over on the Surrey side of the Thames, where the Salvation Army every Sunday morning gave away a breakfast to the unwashed. (And, by the way, the men who carry the banner are unwashed in the morning, and unless it is raining they do not have much show for a wash, either.) This, thought I, is the very thing—breakfast in the morning, and then the whole day in which to look for work.

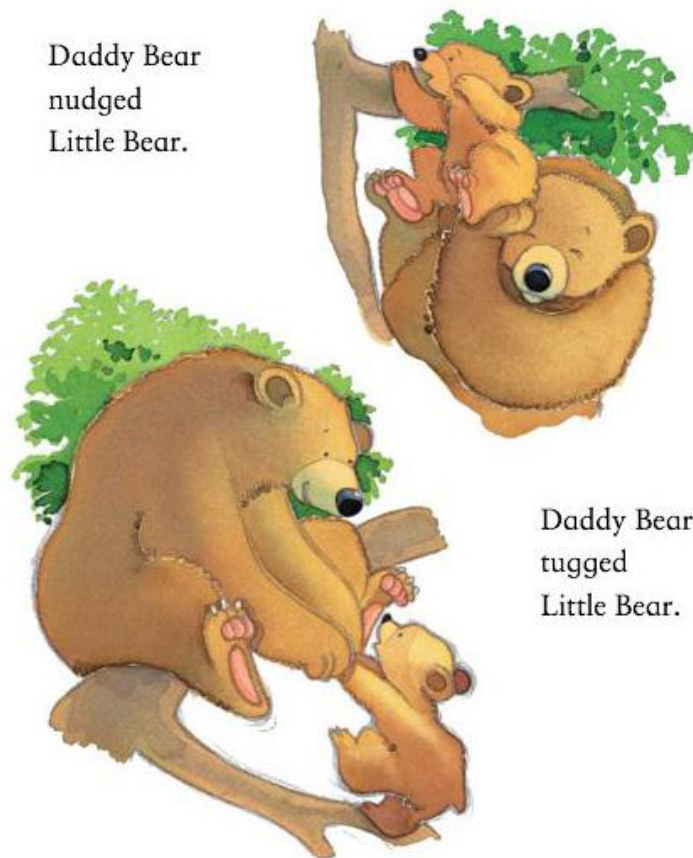
It was a weary walk. Down St. James Street I dragged my tired legs, along Pall Mall, past Trafalgar Square, to the Strand. I crossed the Waterloo Bridge to the Surrey side, cut across to Blackfriars Road, coming out near the Surrey Theatre, and arrived at the Salvation Army barracks before seven



Little Bear tried to scramble  
up onto the lowest branch.

He tumbled backward.

Daddy Bear  
nudged  
Little Bear.



Daddy Bear  
tugged  
Little Bear.

"You can do it!" he whispered.



This is **Josie**.

Her full name is  
**JOSEPHINE EMILY**,  
but everyone  
just calls her Josie.

She loves rainbows,  
clip-clop shoes,  
and her little sister Lily  
(when Lily's being good).



Josie wears a different color every day,  
but on special days she dresses like a rainbow.  
Josie has drawn a picture of tomorrow.  
It's going to be the bestest, most

**perfect day ever!**

## INQUIRY

## 2 Tea bag burner

**You will need:** tea bag, white tile, box of matches

- 1 Take the string, staple and tea carefully from the tea bag and put them in the bin.
- 2 Open the empty tea bag so it forms a tube.
- 3 Stand this tube on the white tile on your bench.
- 4 Light the top of the tea bag with a match. Do this away from curtains and mobiles in an open, cleared space on your bench.
- 5 Record your observations.



The air inside the tea bag warms up. Warm air rises and the tea bag becomes lighter, taking off like a hot-air balloon.

## INQUIRY

## 3 In an egg spin

**You will need:** hard-boiled egg, raw egg

- 1 Place a raw egg on the bench and spin it. Observe it carefully as it spins.
- 2 Place one finger on the egg to stop it spinning and then lift your finger off. Observe the egg carefully.
- 3 Repeat this procedure with the boiled egg. Can you tell the difference between the two eggs?



When you stop a raw egg from spinning and take your finger away, the egg keeps spinning because the liquid inside it is still moving. With a hard-boiled egg, the egg stops spinning because the contents of the egg are solid.

## INQUIRY

## 4 Stuck tight

**You will need:** wine glass, thin piece of card

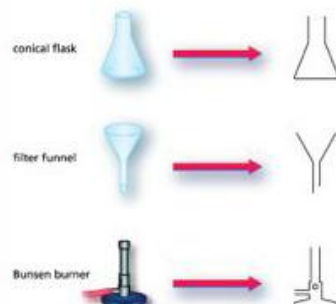
- 1 Fill the glass with water until the water is running over the sides.
- 2 Slide the piece of card across the surface of the glass.
- 3 Hold the card on the glass and turn the glass upside down over a sink or outside.
- 4 Remove your hand from the card. What happens?

The air pushes against the glass and the card, keeping it in place. The push of the air on the card is greater than the push of the water. So the card stays against the glass.

## Drawing science equipment correctly

Scientists draw equipment in two dimensions only, not three dimensions. This makes the drawings much simpler and quicker to draw. When drawing in this way you need to follow these rules.

- 1 Draw the item as if it is cut in half, drawing just the outline.
- 2 Use a pencil so you can correct mistakes.
- 3 Never use colour, shading or coloured pens.
- 4 Use a ruler for all straight lines.
- 5 Add labels where necessary.



## INQUIRY

## 5 Which piece of equipment is it?

Collect or have access to the equipment below.



- 1 Draw a diagram or map of your laboratory as it would look from above. For each of the pieces of equipment listed here show where they are located on the map. You could use a symbol key or colour code.
- 2 Match the pictures of each piece of equipment shown above to the descriptions on the next page. Once you have found the correct description, write it in your book with a picture of the equipment next to the description. You will need to carefully observe the equipment you have collected. Here's an example of what to do.

**Beaker**

A glass container for holding, mixing and heating chemicals. It looks like a glass with a pouring lip. It comes in different shapes and has a scale with numbers written on the side.



## VEGETABLES, NUTS &amp; OLIVES

*spicy* cracked marinated olives

**SERVES 8**  
as part of a tapas meal

2 1/2 cups canned or jarred large green Spanish olives, drained  
4 garlic cloves, peeled  
2 tsp coriander seeds  
1 small lemon  
4 fresh thyme sprigs  
4 feathery stalks of fennel  
2 small fresh red chiles (optional)  
pepper  
Spanish extra virgin olive oil

If using unpitted olives, place them on a cutting board and, using a rolling pin, bash them lightly so that they crack slightly. Alternatively, use a sharp knife to cut a lengthwise slit in each olive as far as the pit. Using the flat side of a broad knife, lightly crush each garlic clove. Using a mortar and pestle, crack the coriander seeds. Cut the lemon, with its rind, into small chunks.

Place the olives, garlic, coriander seeds, lemon chunks, thyme sprigs, fennel, and chiles, if using, in a large bowl and toss together. Season to taste with pepper, but you should not need to add salt as canned or jarred olives are usually salty enough. Pack the ingredients tightly into a glass jar with a lid. Pour in enough olive oil to cover the olives, then seal the jar tightly.

Let the olives stand at room temperature for 24 hours, then marinate in the refrigerator for at least 1 week but preferably 2 weeks before serving. From time to time, gently give the jar a shake to re-mix the ingredients. Return the olives to room temperature and remove from the oil to serve. Provide wooden toothpicks for spearing the olives.





## Country Ham

- 4 large slices of country ham
- 2 tablespoons of oil
- 2 cups of sugar
- 1 cup of water (may be altered to desired liquid)

Cut slices of ham into fourths. Brown the ham slightly in oil in a large frying pan. Pour sugar on top of the ham and add water. Let simmer until the consistency is slightly thick. Delicious for breakfast, lunch or anytime on a biscuit.



RANDY & ELIZABETH TRAVS \*\*\* COOKING MEMORIES ON THE ROAD

## Breakfast Casserole

- 16 slices bread with crust cut off
- 2 cups of diced ham
- 8 ounces of grated cheddar cheese
- 6 beaten eggs
- 3 cups of milk
- 1 teaspoon of dry **mustard**
- ½ teaspoon of salt
- ¼ stick of melted butter

### mus•tard |'məstərd|

noun

- 1 a pungent-tasting yellow or brown paste made from the crushed seeds of certain plants, typically eaten with meat or used as a cooking ingredient.
- 2 the yellow-flowered Eurasian plant of the cabbage family whose seeds are used to make this paste. • Genera *Brassica* and *Sinapis*, family Brassicaceae: several species, in particular **black mustard** (*B. nigra*) and **white mustard** (*S. alba*).
  - used in names of related plants, only some of which are used to produce mustard for the table, e.g., **hedge mustard**.
- 3 a dark yellow color.

DEAR LOSE

## GUNGOR

## GHOSTS UPON THE EARTH

Nothing, there is nothing yet in truest form  
We walk like ghosts upon the earth  
The ground it groans



## INTRODUCTION

This album is a bit of a risk for us. With the attention that our last album, *Beautiful Things*, brought to what we are doing, there was a temptation to take the safe route on this album and try to make a *Beautiful Things-2*. We knew people liked it, and the easy plan would be to try to do it again.

That's not what we did.

I think one of the primary reasons *Beautiful Things* resonated with people was its honesty. It was true to who we were at the time, and we didn't try to cater to a certain demographic or accomplish a particular marketing goal. It was simply music from our hearts. For us to abandon that trajectory and try to make something that we think will be accepted by a certain group of people felt wrong. This record, then, is the next step of our evolution. It is indeed music from our hearts, and our hope is that by staying honest with our craft it may help open the hearts of other people as well.

I'm actually really happy with how this album came together. It feels like a complete work to me as opposed to simply a collection of random songs. It has a narrative arc to it. One song by itself is not complete without the rest of the album. This is risky in a culture that promotes singles and 99-cent song downloads. It's risky in a culture in which people don't often sit down and actually critically listen to music very much. Music has too often become background noise in our culture. It sets a mood, but don't make me pay much attention to it!

This album is not that kind of album. It's an album that for me is best listened to in a candlelit room with a glass of wine. There was a lot of work that went into this album, and a lot of subtlety that will be missed if it is just played as background in the midst of life's noise. So to get the most out of this album, here's what I recommend: Get to a place where you can listen without distraction, and listen to the whole album one time through. Then I recommend that you read the descriptions and interpretations of the songs, keeping in mind that mine is but one interpretation, and you are free of course to have your own. I recommend this because I think it may help you recognize some of the nuances of the narrative's direction that you may not have heard the first time through. After that, listening to any of the songs at your leisure will be more meaningful, because the songs will be part of the larger perspective, the greater whole, if you will.

My hope is that this music will find its audience, because I think there are people out there who will connect with it in a meaningful way. I know it does that for me. And to those of you who are long-time fans and friends, thanks for sticking with us as we continue in this strange and quite enjoyable journey.





Written by Emily Gale  
Illustrated by Mark Marshall

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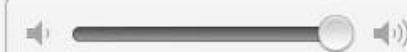
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# Doctor Pig

**PaRRagon**  
Let's Grow With Reading - Help Your Children Learn to Read

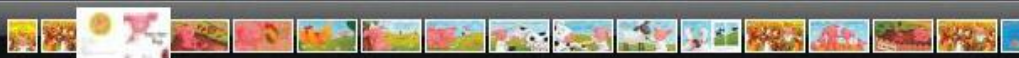


Read aloud

Turn Pages

Automatically >

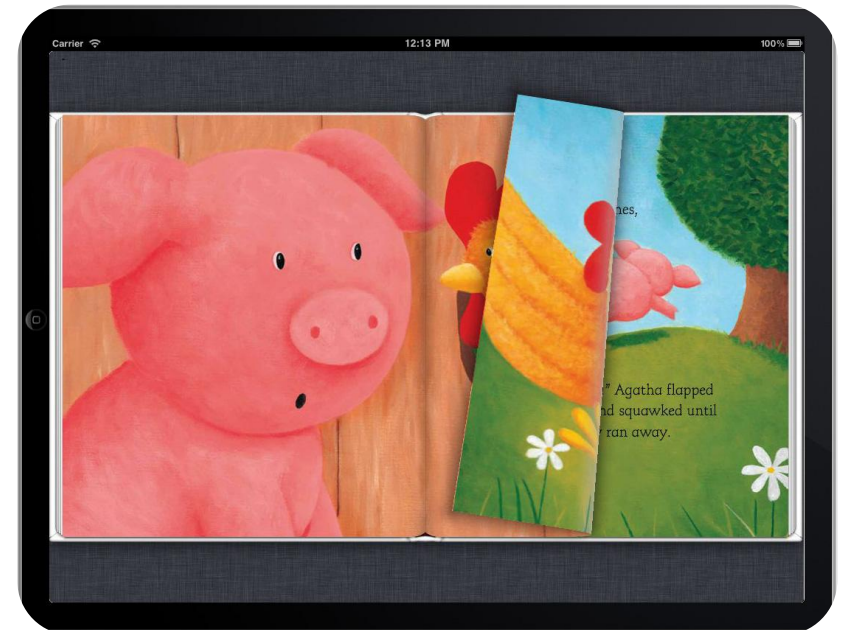
Start Reading





# Competitive Landscape

- We compete with many established providers of *media production services*
- For video-related services, primarily Technicolor Creative Services and Deluxe Digital; for print-related services, primarily AGI Media and Schawk; for eBooks Trailer Park
- We believe our competitors have business models based on human labour and appear be slow to realign around automation
- We believe we are clearly differentiated by our business proposition



# Financial Results

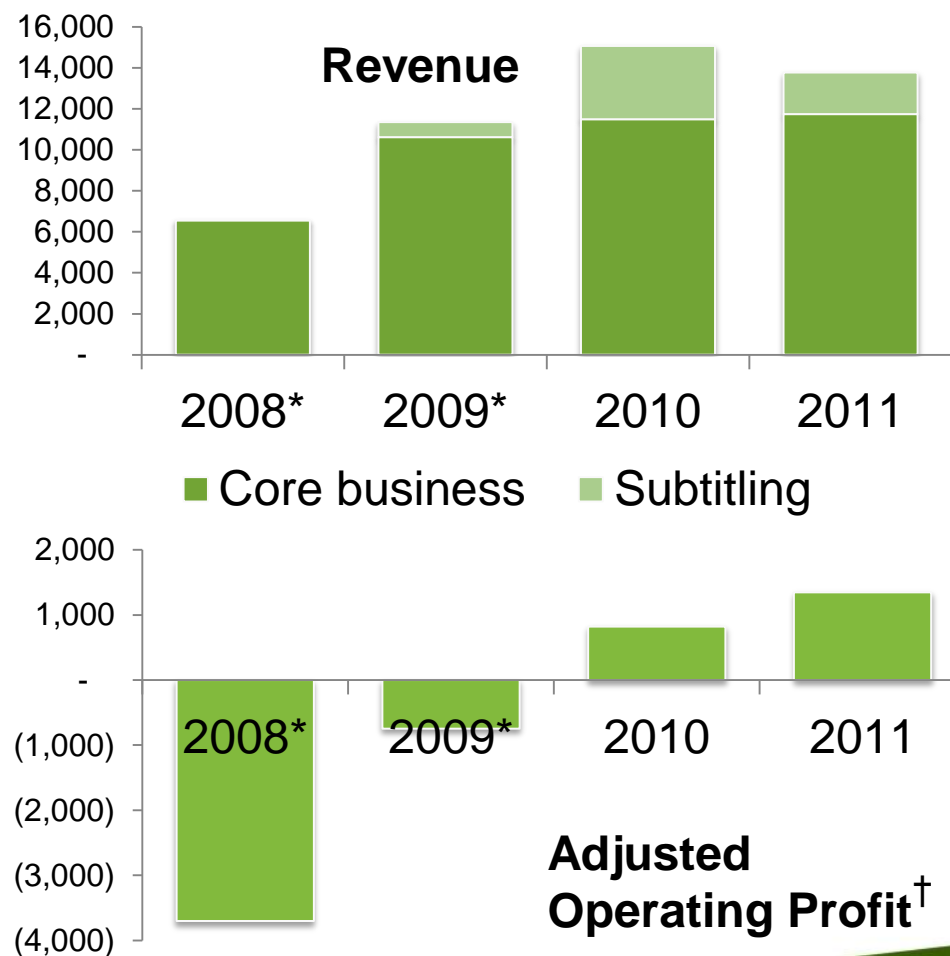


## Results to March 2011

- Termination of outsourced low-margin subtitling work (value: \$3.6m in 2010) resulted in total revenue reducing to \$13.8m (2010: \$15.1m)
- Operating profit<sup>†</sup> increased by 62% to \$1.3m (2010: \$0.8m)

† Excluding intercompany exchange gains and exceptional intangible impairment

\* Restated using average GBP to USD exchange rates



# Highlights



- First significant contract through MPS relationship with leading videogame publisher
- Global Digital Media Xchange licenses automated Blu-Ray and Electronic Sell Through (“EST”) production solutions
- Successfully completed a share placing of \$2.8m to provide working capital to fund growth, particularly in the area of eBooks
- \$5.6m convertible loan note instrument resolved with 50% converting into equity and 50% rolling into a loan note extension for two years



# Share Placing and Restructure of Loan Notes



- Placing of £1.7m at 40p
- VCT qualifying under 2005/6 rules
- Pre-existing loan note of £3.541m, redeemable on 31 October 2011 at 48.75p with coupon of 6% restructured as follows:
  - 50% of existing loan note converted into equity at 40p
  - 50% of existing loan note extended by two years (to 31 October 2013) with 7.5% coupon and conversion price 48p

# Proposed Use of Proceeds to Fund Growth

- Net proceeds of c£1.5m to be used to support acceleration of the business in new markets, particularly eBooks:
  - Infrastructure needed to establish ZOO as eBook aggregator
  - Additional R&D staff to accelerate eBook and EST software
  - Enlarged production team to provide eBook services
  - New sales and marketing staff to support eBook business development



# Outlook

- Continuing to add innovative new products
- Developing further opportunities to embed ourselves deeper within our clients' operations
- Entering new markets with existing products
- Diversifying revenue streams and broadening customer base
- Continuing to manage long sales cycles and time to build revenue after signing new customers
- Healthy sales pipeline for our existing and new products from both current and potential clients
- Board has confidence in the future success of the Company





# Investment Summary

- **Excellent customer relationships** – significant growth potential
- **Clearly differentiated proposition** – based on innovative software
- **Addressing customer needs in the current economic climate** – improve efficiencies
- **High barriers to entry** – sophisticated patent-protected software
- **Highly scalable** – add customers without significantly adding to cost base
- **Partnerships brings new market potential** – collaborating on initiatives in eBooks, videogame and other markets