



**Zone-IP Ltd.
("Zone-IP" or the "Company")**

Interim Results for the six months ended 30 June 2007

Ra'anana, Israel , 27 September 2007 : Zone-IP Ltd. (LSE: ZIP) announces its unaudited financial results for six months ended 30 June 2007.

In April 2006 the Company discontinued its main business activities. Subsequently, in July 2006, the Company acquired Emblaze V CON Ltd., a company which offers video over-IP conferencing solutions and changed its name to Zone-IP Ltd. and began trading under its new name on the AIM Market.

FINANCIAL HIGHLIGHTS:

- Total revenues from operations for six months ended 30 June 2007 were \$3.01 million (H1 2006: \$2.86 million*)
- Operating loss for six months ended 30 June 2007 decreased by 32 per cent. to \$1.90 million (H1 2006 \$2.80 million)
- Net loss for six months ended 30 June 2007 decreased by 37 per cent. to \$1.77 million (H12006: \$2.81 million*)
- Total assets as at 30 June 2007 were \$11.4 million (H1 2006: \$4.89 million*)
- Cash and marketable securities of \$6.8 million at 30 June 2007
- Loss per share for six months ended 30 June 2007 of \$0.03 (H1 2006 \$0.09)

* Under IFRS, the acquisition of Emblaze V CON by Zone-IP was accounted for as a reverse acquisition, and accordingly, Emblaze V CON was treated as the acquirer for financial reporting purposes. All 30 June 2007 comparable information therefore relates to Emblaze V CON solely and does not include Zone-IP or any of its then subsidiaries.

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Chairman's Statement

In the six months ended 30 June 2007 the Company incurred a loss on continuing operations of \$1.77 million (H1 2006: \$2.81 million) on turnover of \$3.01 million (H1 2006: \$2.86 million). At that date, the Company had a cash portfolio of \$6.8 million.

The first six months of the year have been spent reorganising our existing product line and introducing the next generations of room systems - a new top of the line room system – **xPoint**, featuring ISDN and 4CIF technologies - and a new HD MCU – **VCBpro** with full audio and video transcoding.

The introduction of xPoint and VCBpro will, assist the Company to re-establish its position within the market. Having a complete offering for the first time in many years will enable us to demonstrate a strong presence with leading AV resellers and take part in tenders for new systems.

In June 2007, the Company's subsidiary signed the first sale of an xPoint system in China, according to which 250 units were sold for a total consideration of \$800,000.

The Directors intend to extend its range of products and service offering to customers and enhance the technology of existing products and expect that the second half of the year will see a considerable number of new product launches and upgrades in our existing product line.

Emblaze VCON will endeavor to strengthen its leading position in Video-over-IP, focus on solution-based selling and enhance its relationships and partnerships with industry technology and service providers.

Hans Wagner
Chairman
27 September 2007

Information on Emblaze VCON

Emblaze VCON develops and manufactures a variety of video conferencing solutions that enable seamless communication and collaboration using all forms of interactive media. The company's award-winning technology ensures the highest audio and video performance for organizations worldwide. Emblaze VCON's meeting and collaboration solutions include desktop and group videoconferencing products, audio conferencing products, data conferencing products and management systems. The company markets its products and services through a network of reseller partners, OEMS and value-added resellers around the world. Emblaze VCON has worldwide headquarters in Israel and regional offices in Munich, Rome, London, New Jersey and Beijing.

CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007

	Six months ended 30 June 2007 (Unaudited) \$000	Six months ended 30 June 2006 (Unaudited) \$000	Year ended 31 December 2006 (Audited) \$000
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	2,501	285	1,613
Restricted cash	543	-	237
Short-term available-for-sale marketable securities	2,135	-	3,974
Trade receivables	1,219	1,191	1,660
Other accounts receivable and prepaid expenses	279	329	387
Inventories	1,854	1,508	1,407
Total current assets	8,531	3,313	9,278
NON CURRENT ASSETS			
Long-term available-for-sale marketable securities	1,665	-	1,505
Property and equipment, net	448	566	501
Intangible assets, net	772	1,016	894
Total non-current assets	2,885	1,582	2,900
Total assets	11,416	4,895	12,178
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	1,153	370	515
Trade payables	2,057	1,061	1,549
Related party	576	717	513
Government grants	643	474	577
Employees and payroll accruals	501	662	628
Deferred revenues	229	356	471
Other accounts payable and accrued expenses	631	331	639
Total current liabilities	5,790	3,971	4,892
NON CURRENT LIABILITIES			
Accrued severance pay	195	161	149
Government grant	813	887	847
Total liabilities	1,008	1,048	996
EQUITY (DEFICIENCY):			
Share capital:			
Ordinary shares	109	66	109
Share premium	13,058	3,539	12,989
Unrealised gains/(losses) on marketable securities	14	-	(10)
Foreign currency translation reserve	(2)	(2)	(2)
Accumulated deficit	(8,561)	(3,727)	(6,796)
Total equity/(deficiency)	4,618	(124)	6,290
Total liabilities and equity	11,416	4,895	12,178

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June 2007 (Unaudited) \$'000	Six months ended 30 June 2006 (Unaudited) \$'000	Year ended 31 December 2006 (Audited) \$'000
Revenues	3,012	2,856	6,577
Cost of revenues	(1,474)	(3,344)	(3,344)
Gross profit	<u>1,713</u>	<u>1,382</u>	<u>3,233</u>
Operating expenses:			
Research and development	1,557	1,440	3,018
Sales and marketing	1,310	2,014	3,816
General and administrative	744	733	1,714
Total operating expenses	<u>3,611</u>	<u>4,187</u>	<u>8,548</u>
Operating loss	(1,898)	(2,805)	(5,315)
Financial income	301	14	175
Financial expenses	(168)	(23)	(212)
Loss for the period from continuing operations	(1,765)	(2,814)	(5,352)
Discontinued operations:			
Loss for the period from discontinued operations	-	-	(531)
Loss	<u>(1,765)</u>	<u>(2,814)</u>	<u>(5,883)</u>
Loss per share:			
Basic and diluted loss per share from continuing operations	<u>(0.03)</u>	<u>(0.09)</u>	<u>(0.13)</u>
Basic and diluted loss per share from discontinued operations	<u>-</u>	<u>-</u>	<u>(0.02)</u>
Basic and diluted net loss per share	<u>(0.03)</u>	<u>(0.09)</u>	<u>(0.15)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June 2007 (Unaudited) \$'000	Six months ended 30 June 2006 (Unaudited) \$'000	Year end 31 December 2006 (Audited) \$'000
Cash flows from operating activities:			
Net loss	(1,765)	(2,814)	(5,883)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss from discontinued operations	-	-	531
Depreciation and amortisation	266	271	547
Compensation expense for share-based payments	69	-	-
Decrease in trade receivables	441	911	453
Increase in severance pay	46	161	149
Decrease in other accounts receivable and prepaid expenses	108	1	153
Increase in inventories	(498)	(282)	(221)
Increase/(decrease) in trade payables	508	(203)	155
Decrease in employees and payroll accruals	(127)	(368)	(402)
Increase/(decrease) in accrued expenses, other liabilities and deferred revenues	(250)	146	571
Increase in short and long term Government grants payables	32	-	63
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Net cash flows used in continuing operating activities	(1,170)	(2,177)	(3,884)
Net cash flows used in discontinued operating activities	-	-	(772)
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Net cash used in operating activities	(1,170)	(2,177)	(4,656)
Cash flows from investing activities:			
Purchase of property and equipment, net	(40)	(183)	(232)
Restricted cash	(306)	-	(237)
Investment in marketable securities	(1,682)	-	(3,083)
Proceeds from sale of marketable securities	3,385	-	6,650
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Net cash provided by/(used in) investing activities	1,357	(183)	3,098
Cash flows from financing activities:			
Increase in short-term bank credit	638	3	148
Increase in cash upon reverse acquisition	-	-	585
Increase in related party	63	386	182
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Net cash provided by financing activities	701	389	915
Increase/(decrease) in cash and cash equivalents	888	(1,971)	(643)
Cash and cash equivalents at the beginning of the period	1,613	2,256	2,256
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Cash and cash equivalents at the end of the period	2,501	285	1,613

(1) Supplemental disclosure of cash flows activities:

Interest received	161	-	479
Interest paid	69	25	49
Transfer from inventories to property and equipment	51	41	81
(2) Net cash flows used in discontinued operating activities:			
Loss discontinued operations	-	-	(531)
Less decrease in accrued expenses associated with discontinued operations	-	-	(241)
	-	-	(772)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. These financial statements have been prepared as of 30 June 2007 and for the six months then ended. These financial statements are to be read in conjunction with the audited annual financial statements of the Company as of 31 December 2006 and their accompanying notes.
- b. At the end of May 2006, the Company signed an agreement with Emblaze V Con Ltd. ("EVC") and its shareholders under which the Company acquired EVC in exchange for the issuance of shares which represented 60 per cent. of the outstanding shares of the Company immediately following the completion of the agreement with EVC's shareholders.

The completion of the agreement was approved by the shareholders of Ki-Bi at the annual general meeting ("AGM") of the Company which took place on 12 July 2006. Due to the size of EVC in relation to the size of the Company, the acquisition constituted a reverse takeover under the AIM Rules and therefore required the prior approval of the AGM.

As part of a reorganisation and the negotiations for the acquisition of EVC, in April 2006, the Company's Board of Directors decided to cease the Ki-Bi cards operations. As part of that decision, the employment of 17 employees including the Company's CEO and CFO was terminated and an inventory amounting to \$295,000 was written off.

- c. In July 2006, the Company changed its name from Ki-Bi Mobile Technologies Ltd to Zone-IP Ltd.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of the interim financial information are the same as those applied in the annual financial statements of the Company as of 31 December 2006.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

NOTE 3:- LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to ordinary shareholders of \$1.77 million (H1 2006: \$2.81 million) divided by the weighted average number of shares in issue during the year, being 51,120,253 (H1 2006: 30,672,152) shares.

NOTE 4:- DIVIDENDS

No dividend is proposed for the six months ended 30 June 2007.

COPIES OF THE INTERIM FINANCIAL STATEMENTS

Copies of the interim results will be available on the Company's website www.zone-ip.com and at the offices of the Company's nominated adviser, John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD.